



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- AND -**

**IN THE MATTER OF MATTHEW SCHLOEN**

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**SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE ONTARIO SECURITIES COMMISSION  
and MATTHEW SCHLOEN**

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**PART I - INTRODUCTION**

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the Ontario *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”), it is in the public interest for the Commission to approve this Settlement Agreement between Staff of the Commission (“Staff”) and Matthew Schloen (“Schloen”) (the “Settlement Agreement”), and to make certain orders in respect of Schloen.

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing against Schloen in accordance with the terms and conditions set out below. Schloen consents to the making of an order against him in the form attached as Schedule “A” on the basis of the facts set out below.

## **PART III – AGREED FACTS**

### **A. Overview**

3. Between May 30, 2011 and June 15, 2011 (the “Material Time”), the Respondent Schloen was made aware of rumours within Bridgewater Systems Corp. (“Bridgewater”) that constituted information of a material fact or change which was not generally disclosed (the “undisclosed information”), from which Schloen deduced that Bridgewater was an imminent takeover target. The undisclosed information was provided inadvertently by an employee of Bridgewater whom Schloen knew or reasonably ought to have known was a person in a special relationship with Bridgewater (the “Employee”). Schloen purchased shares in Bridgewater based upon the undisclosed information, and sold the shares immediately after the acquisition of Bridgewater became public knowledge, contrary to subsection 76(1) of the Act and the public interest.

### **B. Events Leading up to the Takeover of Bridgewater**

4. Bridgewater was a software company that developed, designed and marketed mobile personalization products that enabled service providers to manage mobile data servers’ content and commerce worldwide. It was listed on the TSX under the symbol “BWC”. The company’s head office was in Ottawa, and Ontario was the principal regulator. Bridgewater was a reporting issuer as defined in the Act.

5. Amdocs Ltd. (“Amdocs”) is a global business and operational support systems company with reported revenue of about US\$3.2 billion in 2011. Its shares are listed on the New York Stock Exchange under the symbol “DOX”. Amdocs began negotiations to acquire Bridgewater in February 2011.

6. On May 25, 2011, the Strategy Committee established by Bridgewater met and concluded that an acquisition by Amdocs was in the best interests of Bridgewater. On May 30, 2011, the Bridgewater Board of Directors met to review Amdocs’ financial proposal. Final details of the acquisition were negotiated from June 1 to June 16, 2011, when the Arrangement Agreement was signed.

7. On June 17, 2011, Bridgewater and Amdocs announced that Amdocs would acquire all of Bridgewater's common shares for \$8.20 CAD per share. Immediately after the announcement on June 17, 2011, Bridgewater's shares opened at \$8.15 per share, a 30% premium to the closing price of \$6.33 on June 16, 2011. The completed acquisition was announced on August 17, 2011. Two days later, Bridgewater ceased to be a reporting issuer.

**C. Conduct Breaching the Securities Act and Contrary to the Public Interest**

8. Schloen had never purchased Bridgewater shares prior to May 30, 2011. Between May 30 and June 15, 2011, Schloen purchased a total of 15,000 shares of Bridgewater.

9. Schloen sold all Bridgewater shares on June 17, 2011, the day the acquisition of Bridgewater was announced publicly, and made a profit of \$23,000. The Employee was unaware of Schloen's purchase and sale of Bridgewater shares.

10. Schloen knew or reasonably ought to have known that the Employee (who was not considered to be an insider by the company) was a person in a special relationship with Bridgewater as defined in subsection 76(5)(c) of the Act. When Schloen learned the undisclosed information from the Employee, Schloen became a person in a special relationship with Bridgewater as defined in subsection 76(5)(e). By purchasing shares in Bridgewater while in possession of the undisclosed information, which was a material fact, Schloen engaged in insider trading, in breach of subsection 76(1) of the Act.

11. Schloen engaged in conduct contrary to the public interest by using undisclosed information not available to other investors in the marketplace at the time.

**PART IV - THE RESPONDENT'S POSITION**

12. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances:

- (a) Schloen has never been a registrant;
- (b) During the material time, Schloen did not consider whether the rumours within Bridgewater constituted information of a material fact or change which was not generally disclosed;
- (c) During the material time, Schloen did not consider whether buying and selling Bridgewater shares while aware of the undisclosed information would breach subsection 76(1) the Act;
- (d) The Respondent acknowledges and accepts responsibility for his conduct and now understands that his purchase and sale of Bridgewater shares breached subsection 76(1) of the Act;
- (e) While Schloen believed the undisclosed information was likely to be true, he also did his own research on Bridgewater, using publicly available information; and
- (f) Schloen has not been the subject of any prior Commission proceedings or orders.

**PART V - TERMS OF SETTLEMENT**

13. Schloen agrees to the terms of settlement listed below.

14. The Commission will make an order, pursuant to subsection 127(1) and section 127.1 of the Act, that:

- (a) The Settlement Agreement is approved;
- (b) Schloen is reprimanded;
- (c) Trading in any securities by Schloen shall cease for a period of three years from the date of the approval of the Settlement Agreement;

- (d) Acquisition of any securities by Schloen shall be prohibited for a period of three years from the date of the approval of the Settlement Agreement;
- (e) Any exemptions contained in Ontario securities law do not apply to Schloen for a period of three years from the date of the approval of the Settlement Agreement;
- (f) Schloen shall disgorge to the Commission the sum of \$23,000 representing the profit made on the sale of the Bridgewater shares which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
- (g) Schloen shall pay an administrative penalty of \$5,000 to the Commission which is designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
- (h) Schloen shall pay costs of the Commission's investigation in the amount of \$5,000;
- (i) With regard to the monetary orders in subparagraphs (f), (g) and (h) (the "Monetary Orders") Schloen shall make a payment of \$2,500 by certified cheque when the Commission approves this Settlement Agreement. Schloen further shall pay at least \$6,100 annually following the date of the approval of the Settlement Agreement until the Monetary Orders are paid in full;
- (j) After the Monetary Orders are paid in full, as an exception to the provisions of paragraphs (c), (d) and (e), Schloen will be permitted to trade in or acquire securities in his personal registered retirement savings plan ("RRSP") accounts and/or tax-free savings accounts ("TFSA") and/or for any registered education savings plan ("RESP") accounts for which he is the or a sponsor;
- (k) Despite the restrictions set out above, Schloen shall be permitted to continue to participate in his employer's Employee Stock Purchase Plan, provided he sell any stock within two weeks of the purchase date, and to participate fully in the Employee Retirement Plan of his employer; and

- (l) Until the entire amount of the Monetary Orders are paid in full, the provisions of paragraphs (c), (d), and (e) above shall continue in force without any limitation as to time.

15. In the event that the Respondent fails to make any of the payments in compliance with the payment schedule set out in paragraph 14(i), the remaining unpaid balance becomes due and payable immediately.

#### **PART VI - STAFF COMMITMENT**

16. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Schloen in relation to the facts set out in Part III herein.

17. If this Settlement Agreement is approved by the Commission, and at any subsequent time Schloen fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Schloen based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

#### **PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

18. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and Schloen for the scheduling of the hearing to consider the Settlement Agreement.

19. Staff and Schloen agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding their conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

20. If this Settlement Agreement is approved by the Commission, Schloen agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

21. If this Settlement Agreement is approved by the Commission, none of the parties shall make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

22. Whether or not this Settlement Agreement is approved by the Commission, Schloen agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

#### **PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT**

23. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and Schloen leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Schloen; and
- (b) Staff and Schloen shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

24. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of Schloen and Staff or as may be required by law.

#### **PART IX - EXECUTION OF SETTLEMENT AGREEMENT**

25. This Settlement Agreement may be signed on one or more counterparts which together will constitute a binding agreement.

26. A facsimile copy of any signature will be as effective as an original signature.

Signed in the presence of:

*“LRS”*

*“Matthew Schloen”*

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Matthew Schloen

*“LRS”*

\_\_\_\_\_  
(Print Name)

Dated this “30<sup>th</sup>” day of March, 2014

**STAFF OF THE ONTARIO SECURITIES COMMISSION**

*“Tom Atkinson”*

\_\_\_\_\_  
**Tom Atkinson**

Director, Enforcement Branch

Dated this “27<sup>th</sup>” day of March, 2014.





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Securities  
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Commission des  
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20, rue queen ouest  
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**Schedule "A"**

**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- and -**

**IN THE MATTER OF MATTHEW SCHLOEN**

**- and -**

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE  
ONTARIO SECURITIES COMMISSION AND MATTHEW SCHLOEN**

**ORDER**

**(Subsections 127(1) and 127(2) and Section 127.1)**

**WHEREAS** the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated April , 2014 (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in connection with a Statement of Allegations filed on April , 2014 by Staff of the Commission ("Staff") to consider whether it is in the public interest to make certain orders against Matthew Schloen ("Schloen");

**AND WHEREAS** Schloen entered into a Settlement Agreement with Staff (the "Settlement Agreement") on March 30, 2014, in which Schloen and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

**AND WHEREAS** the Commission has reviewed the Notice of Hearing, the Statement of Allegations and the Settlement Agreement, and upon hearing submissions from Schloen and from Staff;

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this order;

**IT IS HEREBY ORDERED THAT:**

- (a) The Settlement Agreement is approved;
- (b) Pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Schloen shall cease for three years from the date of the Order;
- (c) Pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Schloen shall be prohibited for three years from the date of the Order;
- (d) Pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Schloen for three years from the date of the Order;
- (e) Pursuant to paragraph 6 of subsection 127(1) of the Act, Schloen is reprimanded;
- (f) Pursuant to clause 9 of subsection 127(1) of the Act, Schloen shall pay an administrative penalty of \$5,000 to the Commission which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
- (g) Pursuant to clause 10 of subsection 127(1) of the Act, Schloen shall disgorge to the Commission the sum of \$23,000, representing the profit made on the sale of the Bridgewater shares, which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
- (h) Pursuant to section 127.1 of the Act, Schloen shall pay the costs of the Commission's investigation in the amount of \$5,000;
- (i) With regard to the monetary orders in subparagraphs (f), (g) and (h) (the "Monetary Orders") Schloen shall make a payment of \$2,500 by certified cheque when the Commission approves this Settlement Agreement. Schloen further shall pay at least \$6,100 annually following the date of the Order until the Monetary Orders are paid in full, and in the event that Schloen fails to make any of the payments in compliance with the payment schedule set out above, the remaining unpaid balance shall become due and payable immediately;
- (j) After the Monetary Orders are paid in full, as an exception to the provisions of paragraphs (b), (c) and (d), Schloen will be permitted to trade in or acquire

securities in his personal registered retirement savings plan (“RRSP”) accounts and/or tax-free savings accounts (“TFSA”), and/or for any registered education savings plan (“RESP”) accounts for which he is the or a sponsor;

- (k) Despite the restrictions set out above, Schloen shall be permitted to continue to participate in his employer’s Employee Stock Purchase Plan, provided he sell any stock within two weeks of the purchase date, and to participate fully in the Employee Retirement Plan of his employer and;
- (l) Until the entire amount of the Monetary Orders are paid in full, the provisions of paragraphs (b), (c), and (d) above shall continue in force without any limitation as to time.

**DATED AT TORONTO** this            day of April, 2014.

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