

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

- and -

**IN THE MATTER OF
CHRISTOPHER FREEMAN
SETTLEMENT AGREEMENT**

I. INTRODUCTION

1. By Notice of Hearing dated March 2, 2006, the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing to consider whether, pursuant to section 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5 (the “*Act*”), it is in the public interest for the Commission to make an order approving the settlement agreement entered into between Staff of the Commission (“Staff”) and the respondent, Christopher Freeman (“Freeman”).

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff recommend settlement of the proceeding initiated in respect of Freeman in accordance with the terms and conditions set out below. Freeman 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.

III. STATEMENT OF FACTS

3. For the purposes of this Settlement Agreement, Freeman agrees with the facts set out in Part III.

4. Christopher Freeman is a solicitor who is called to the bar in Ontario.
5. Between January 2003 and March 31, 2005 (the “Material Time”), Christopher Freeman was a director and officer of Interquest Incorporated (“Interquest”) and was a director of NIR Diagnostics Inc. (“NIR Diagnostics”). Freeman was therefore an insider of both Interquest and NIR Diagnostics.
6. Throughout the Material Time, Interquest and NIR Diagnostics were reporting issuers in Ontario. The common shares of NIR Diagnostics and, until February 21, 2005, Interquest traded on the TSX Venture Exchange.

The Trust Shares

7. Throughout the Material Time, Freeman maintained an investment account in the name of “Christopher Freeman in Trust” (the “trust account”) in which he held shares of Interquest and NIR Diagnostics on behalf of certain beneficial owners (the “Beneficial Owners”). Freeman also held shares of Interquest and NIR Diagnostics in certificate form outside of the trust account on behalf of the Beneficial Owners. These shares were registered in Freeman’s name, in trust.
8. Although Freeman had sole trading authority over the trust account and was the only individual who gave instructions with respect to the operation of the trust account, Freeman had no authority from the Beneficial Owners to exercise any voting rights or to deal with or dispose of the shares held in the trust account, except in accordance with their prior instructions. Equally, Freeman did not have any discretionary authority over the shares held registered in his name, in trust, that were held in certificate form outside of the trust account.

Transactions in Issue

9. During the Material Time, Freeman, directed 27 transactions in securities of Interquest and 4 transactions in securities of NIR Diagnostics held in trust which resulted in changes in Freeman's direction or control over the securities of Interquest and NIR Diagnostics. Freeman has not filed insider trading reports with the Commission in respect of these transactions.

Conduct Contrary to the Public Interest

10. By his conduct, Freeman did not act in accordance with the public interest.

11. In the circumstances, Freeman would not have been required to file insider reports if he had made alternative arrangements with a non-insider to act as a trustee with respect to the shares of the Beneficial Owners.

Position of Freeman

12. It is Freeman's position that it was his interpretation of section 107(2) of the Act, in the circumstances as set out above and as he was acting on behalf of the Beneficial Owners and in accordance with their prior instructions, while incorrect, did not require him to file insider trading reports.

13. Freeman did not charge a fee to the Beneficial Owners in respect of the transactions at issue, nor did he charge the Beneficial Owners any amount for maintaining the trust account.

IV. TERMS OF SETTLEMENT

14. Freeman agrees to the following terms of settlement:

(a) the Commission will make an order pursuant to section 127.1 of the Act requiring Freeman to pay \$7,000.00 in costs;

(b) Freeman undertakes the following:

- i. Freeman shall file insider reports regarding the transactions referred to above in paragraph 9 within 10 days of the hearing which shall contain all of the applicable information required by Form 55-102F2 - *Insider Report* under National Instrument 55-102 - *System for Electronic Disclosure by Insiders (SEDI)* and which shall contain the name of the person or company that owned the securities over which Freeman had control or direction in the field provided for “registered holder”;
- ii. Freeman shall pay any late fees attributable to the filings in (i) as required by OSC Rule 13-502 – *Fees*;
- iii. Except as set out in (iv) below, Freeman shall transfer any remaining shares of Interquest presently registered to him, in trust, to a non-insider trustee or to the beneficial owner directly within 10 days of this Settlement Agreement and Freeman shall file any related insider reports regarding the transfers within 10 days from the date of the transfer;
- iv. With respect to a share certificate issued in June 1998 representing 582,000 shares of Interquest and a share certificate issued in June 1996 representing 10,000 shares of Interquest, both of which are registered to Freeman in trust, Freeman shall transfer such shares to a non-insider trustee or to the beneficial owner directly within 30 days of this Settlement Agreement and shall file the related

insider reports regarding the transfer within 10 days from the date of the transfer. In the event Freeman is unable to affect such transfer he shall file an insider report in respect of such shares in accordance with (i) above;

v. Freeman shall not act as a trustee for securities of a reporting issuer in Ontario in circumstances where he is an insider of the issuer unless an insider report is filed by Freeman in respect of the transaction; and

vi. Freeman shall disclose and verify the names of any beneficial owners of securities held in trust by Freeman in an investment account in Ontario maintained by him.

V. STAFF COMMITMENT

15. If this Settlement Agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of Freeman in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 19 below.

VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

16. Approval of this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for Friday, March 3, 2006, or such other date as may be agreed to by Staff and Freeman in accordance with the procedures described in this Settlement Agreement.

17. Staff and Freeman agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the respondents in this matter, and Freeman agrees to waive his rights to a full hearing, judicial review, or appeal of the matter under the Act.

18. Staff and Freeman agree that if this Settlement Agreement is approved by the Commission, neither Staff nor Freeman will make any public statement inconsistent with this Settlement Agreement.

19. If Freeman fails to honour the agreement contained in paragraph 14 of this Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Freeman based on a failure to file section 107(2) reports and based on the breach of this Settlement Agreement.

20. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or an order in the form attached as Schedule "A" is not made by the Commission, each of Staff and Freeman will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this Settlement Agreement or the settlement negotiations.

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

VII. DISCLOSURE OF AGREEMENT

22. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission, except with the written consent of both Freeman and Staff or as may be required by law.

23. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

24. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

25. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 2nd day of March, 2006

Signed in the presence of:

“Crawford Smith”

Witness

“Christopher Freeman”

Christopher Freeman

“Michael Watson”

Staff of the Ontario Securities Commission
Per: Michael Watson
Director, Enforcement Branch

Schedule “A”

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

- and-

IN THE MATTER OF CHRISTOPHER FREEMAN

**O R D E R
(Section 127.1)**

WHEREAS on August 8, 2005, the Ontario Securities Commission (the “Commission”) issued a 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 relation to the Statement of Allegations dated August 8, 2005.

AND WHEREAS the hearing of this matter was scheduled to proceed on October 12, 2005 and was adjourned to March 2 and 3, 2006, by order of the Commission dated October 7, 2006.

AND WHEREAS the commencement of the hearing of this matter was further adjourned to March 3, 2006;

AND WHEREAS the Respondent, Christopher Freeman (“Freeman”), entered into a Settlement Agreement with Staff of the Commission dated March 1, 2006 (the “Settlement Agreement”) in which he 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 issued a Notice of Hearing dated March 2, 2006 setting down the hearing to consider the settlement;

AND WHEREAS in addition to the terms of the order below, Freeman has undertaken the following:

- (a) Freeman shall file insider reports regarding the transactions referred to above in paragraph 9 within 10 days of the hearing which shall contain all of the applicable information required by Form 55-102F2 - *Insider Report* under National Instrument 55-102 - *System for Electronic Disclosure by Insiders (SEDI)* and which shall contain the name of the person or company that owned the securities over which Freeman had control or direction in the field provided for “registered holder”;
- (b) Freeman shall pay any late fees attributable to the filings in (a) as required by OSC Rule 13-502 – *Fees*;
- (c) Except as set out in (d) below, Freeman shall transfer any remaining shares of Interquest presently registered to him, in trust, to a non-insider trustee or to the beneficial owner directly within 10 days of this Settlement Agreement and Freeman shall file any related insider reports regarding the transfers within 10 days from the date of the transfer;
- (d) With respect to a share certificate issued in June 1998 representing 582,000 shares of Interquest and a share certificate issued in June 1996 representing 10,000 shares of Interquest, both of which are registered to Freeman in trust, Freeman shall transfer such shares to a non-insider trustee or to the beneficial owner directly within 30 days of this Settlement Agreement and shall file the related insider reports regarding the transfer within 10 days from the date of the transfer. In the event Freeman is unable to affect such transfer he shall file an insider report in respect of such shares in accordance with (i) above;

- (e) Freeman shall not act as a trustee for securities of a reporting issuer in Ontario in circumstances where he is an insider of the issuer unless an insider report is filed by Freeman in respect of the transaction; and
- (f) Freeman shall disclose and verify the names of any beneficial owners of securities held in trust by Freeman in an investment account in Ontario maintained by him.

AND UPON reviewing the Settlement Agreement and the Notice of Hearing and Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Freeman and from Staff of the Commission;

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

IT IS HEREBY ORDERED THAT pursuant to section 127.1 of the Act, Freeman pay \$7,000.00 in costs.

Dated at Toronto this day of March, 2006
