

SCHEDULE “1”

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

- and -

IN THE MATTER OF ANDREW OESTREICH

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated May 12, 2006, the Ontario Securities Commission announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, it is in the public interest for the Commission to make an order approving the settlement agreement entered into between Staff of the Commission and the respondent Andrew Oestreich (“Oestreich” or the “Respondent”).

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission recommend settlement with Oestreich in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A” on the basis of the facts set out in Part IV herein.

3. The terms of this settlement agreement, including the attached Schedule “A” (collectively, the “Settlement Agreement”) will be released to the public only if and when the Settlement Agreement is approved by the Commission.

III. ACKNOWLEDGEMENT

4. Staff and the Respondent agree with the facts and conclusions set out in Part IV of this Settlement Agreement.

IV. FACTS

Background

5. AiT Advanced Information Technologies Inc. (now 3M Canada Company) (“AiT” or the “Company”) was a reporting issuer in Ontario and was located in Ottawa. The Company designed, developed and marketed issuance systems that automated the production of secure identification and travel documents such as passports and inspection and border control systems used to confirm the identity of travellers.

6. On May 23, 2002, AiT announced that it had entered into a merger transaction (the “Merger Transaction”) with 3M Canada Company (“3M”).

The Respondent

7. Oestreich is a resident of Ontario. He is 45 years of age. He has a Bachelor of Commerce degree, with a major in accounting. Prior to his employment with AiT, he worked at various companies in accounting-related positions.

8. In approximately 1994, Oestreich was hired by AiT. Oestreich worked at AiT in various positions and eventually became the Director of Sales, which was considered a management position. From September 2001 to May 2002, Oestreich was the Vice President of Sales and Marketing and an officer of AiT. Oestreich was not a director of AiT.

9. In his position as Vice President of Sales and Marketing at AiT, Oestreich was a member of the executive management team (the “EMT”) and was privy to and possessed confidential material information about general business matters and strategic alternatives that AiT was pursuing. The EMT met periodically with Bernard Jude Ashe (“Ashe”), the President and Chief Executive Officer of AiT, to discuss these issues.

10. After the Merger Transaction, Oestreich continued to work with 3M-AiT in management, but not as an officer, until July 2003 when he left the Company for unrelated reasons.

Decision to Sell AiT

11. AiT had incurred a significant loss for the fiscal year ended September 30, 2001.

12. By late 2001, Oestreich was aware that the Company needed financing, and that AiT had been unable to raise adequate equity financing. Oestreich was also aware that the Company had announced its desire to seek a strategic partner to continue development of its VeriMe product line.

13. In late 2001, officials of 3M met with representatives of AiT. Initially, these meetings were focused on investigating whether a better working relationship could be established between the two companies on the basis of complementary product lines.

14. On January 25, 2002, Ashe recommended to AiT's Strategic Committee that the Company engage a mergers and acquisitions advisor ("M&A Advisor") to assist the Company in finding a strategic buyer for the Company. The Strategic Committee, whose mandate was to review and discuss matters of strategic importance, approved the recommendation. On February 6, 2002, prior to seeking the approval for the recommendation to engage an M&A Advisor from the board of directors of AiT ("Board of Directors" or the "Board"), Ashe convened a special offsite meeting of the EMT, including Oestreich, in order to brief the EMT on the Strategic Committee's decision and to solicit management's opinions on the sale of the Company. At this meeting, the majority of the EMT, including Oestreich, supported the proposal to seek a strategic buyer.

15. On February 19, 2002, Ashe presented the Strategic Committee's recommendation to the Board of Directors, and the Board authorized management to retain an M&A Advisor.

16. By February 26, 2002, Oestreich was aware of the recommendation of the Strategic Committee to engage an M&A Advisor to find a strategic buyer for the Company, and that the Board of Directors of AiT had authorized management to retain such an advisor.

Insider Trading by Oestreich

17. On February 26, 2002, Oestreich instructed his wife to place an order to purchase a total of 1,000 shares of AiT at a time when he had knowledge of the events described above. The trades were made through the Respondent's account at TD Waterhouse. His wife had power of attorney over the account. The order was filled on February 26 and 27, 2002.

18. Particulars of the shares of AiT purchased by Oestreich are as follows:

Date Order Placed	# of AiT Shares	Purchase Price	Selling Price
February 26, 2002	700	\$1.30	\$2.88
February 27, 2002	300	\$1.30	\$2.88
March 1, 2002	5000 (1000) (4000)	\$1.27 \$1.30	\$2.88
March 1, 2002	4000 (1900) (2100)	\$1.25 \$1.30	\$2.88

19. On February 28, 2002, Oestreich was advised that Ashe was to attend a dinner meeting that day with a representative of 3M in Ottawa.

20. On March 1, 2002, Oestreich placed orders to purchase a total of 9,000 shares of AiT at a time when he had knowledge of all of the events described above. The orders were filled on March 1 and March 5, 2002.

21. At the time Oestreich purchased these shares, he was in a special relationship with AiT and each of these trades was made at a time when Oestreich had knowledge of material facts as set out above which had not been generally disclosed to the public, contrary to subsection 76(1) of the Act.

22. At the dinner meeting held on February 28, 2002 between Ashe and a representative of 3M, 3M expressed an interest in acquiring AiT. At a meeting of EMT held on or about March 5, 2002, Ashe informed the EMT, including Oestreich, of 3M's expression of interest in acquiring AiT.

23. On April 15, 2002, Oestreich filed an Insider Report reflecting the purchase of AiT shares described above.
24. On May 23, 2002, AiT and 3M signed the final merger agreement. On the same date, AiT issued a press release announcing that it had entered into a merger transaction (the “Merger Transaction”) with 3M.
25. On July 15, 2002, the Merger Transaction was approved by the shareholders of AiT at a special meeting called for that purpose.
26. All shares were remitted to the Company for redemption on July 17, 2002. At that time, Oestreich realized a profit of approximately \$15,925.
27. On July 19, 2002 AiT announced that it had concluded the Merger Transaction and, in effect, AiT became a wholly-owned subsidiary of 3M.

V. CONDUCT CONTRARY TO LAW

28. By purchasing shares at a time when he was in possession of a material fact that had not been generally disclosed and by engaging in the conduct described above, Oestreich breached section 76 of the Act and also acted contrary to the public interest.

VI. POSITION OF RESPONDENT

29. Oestreich had an honest but mistaken belief that he was not restricted from trading at the time he traded in shares of AiT. Oestreich did not receive any notice or warning from the Company or Ashe that at the relevant times he was prohibited from trading in shares of AiT. Oestreich now understands and admits that he traded with knowledge of a material fact that had not been generally disclosed.
30. Oestreich had only been an officer for approximately 6 months when he made these trades.
31. Oestreich understands that it is his responsibility to file Insider Trading Reports and he acknowledges that these Reports were not filed within the required deadline. However,

Oestreich followed the practice at AiT and submitted his Reports to an assistant for filing. Oestreich was not aware that the Reports were filed late.

32. At present, Oestreich is seeking permanent employment and is working on a contract basis as a consultant.

33. Oestreich cooperated fully with Staff during the course of the investigation in this matter. Oestreich attended for a voluntary interview and readily admitted all facts regarding this matter.

VII. TERMS OF SETTLEMENT

34. Oestreich agrees to the following terms of settlement:

- a) The Commission will make an order approving the settlement agreement;
- b) The Commission will make an order pursuant to clause 2 of subsection 127(1) of the *Act* that Oestreich shall cease trading in securities for a period of 2 years commencing on the date of the approval of this settlement;
- c) The Commission will make an order pursuant to clause 6 of subsection 127(1) of the *Act* that Oestreich be reprimanded;
- d) The Commission will make an order pursuant to clause 7 of subsection 127(1) of the *Act* that Oestreich resign all positions that he holds as a director or officer of a reporting issuer;
- e) The Commission will make an order pursuant to clause 8 of subsection 127(1) of the *Act* that the Respondent is prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of the approval of this settlement;
- f) At the time of approval of this settlement, Oestreich will make a payment to the Commission in the amount of \$24,000, such payment to be allocated to or for the benefit of third parties as in accordance with section 3.4(2) of the *Act*;

- g) The Commission will make an order pursuant to subsection 127.1(1)(b) of the *Act* that Oestreich pay costs in the amount of \$5,000;
- h) Oestreich will cooperate with Staff, including testifying as a witness for Staff at any proceedings commenced by Staff before the Commission; and
- i) Oestreich will attend the hearing in person.

VIII. STAFF COMMITMENT

35. 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 Oestreich in relation to the facts set out in Part IV of this Settlement Agreement, subject to the provisions of paragraph 37 below.

IX. PROCEDURE FOR APPROVAL OF SETTLEMENT

36. Approval of this Settlement Agreement shall be sought at a hearing of the Commission on a date agreed to by counsel for Staff and Oestreich.

37. Staff and Oestreich may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and Oestreich also agree that if this Settlement Agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Oestreich in this matter, and Oestreich agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the *Act*.

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

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

40. 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 Oestreich 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.

41. Whether or not this Settlement Agreement is approved by the Commission, Oestreich 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 allegation against the Commission of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

X. DISCLOSURE OF SETTLEMENT AGREEMENT

42. 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 Oestreich and Staff or as may be required by law.

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

XI. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 12th day of June, 2006.

Signed in the presence of:

Witness

”Andrew Oestreich”
Andrew Oestreich

”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
ANDREW OESTREICH**

**O R D E R
(Sections 127 and 127.1)**

WHEREAS on May 12, 2006, the Commission issued a Notice of Hearing (the “Notice of Hearing”) pursuant to sections 127 and 127.1 of the *Act* in respect of Andrew Oestreich;

AND WHEREAS Oestreich entered into a settlement agreement dated May 16, 2006 (the “Settlement Agreement”), in which the respondent Oestreich agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from the counsel for Oestreich 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:

1. the Settlement Agreement dated May 16, 2006, attached to this Order as Schedule “1”, is hereby approved;
2. pursuant to clause 2 of subsection 127(1) of the *Act*, Oestreich shall cease trading in securities for a period of 2 years commencing on the date of this Order;
3. pursuant to clause 6 of subsection 127(1) of the *Act*, Oestreich will be reprimanded;
4. pursuant to subsection 127.1(1)(b) of the *Act*, Oestreich will make a payment in the amount of \$5,000 by certified cheque or bank draft to the Commission in respect of a portion of the costs of the Commission’s investigation in relation to Oestreich, such payment to be made at the time of approval of the settlement;
5. pursuant to clause 7 of subsection 127(1) of the *Act* that Oestreich resign all positions that he holds as a director or officer of a reporting issuer; and
6. pursuant to clause 8 of subsection 127(1) of the *Act* that the Respondent is prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 2 years commencing on the date of this Order.

DATED at Toronto this day of June, 2006.
