

IN THE MATTER OF THE SECURITIES ACT  
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF MEDMIRA INC. and HERMES CHAN  
(Collectively the "Respondents")

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The parties to this Settlement Agreement ("Agreement") are the Respondents and the Staff of the Nova Scotia Securities Commission.
2. The parties agree that the Nova Scotia Securities Commission ("Commission") has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

**PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT**

4. Staff of the Commission ("Staff") agrees to request that a Notice of Hearing be issued setting down a hearing ("Settlement Hearing") wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an Order in the form attached as **Schedule "A"**.
5. The parties agree that this Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. Staff agrees to recommend that the allegations acknowledged and admitted by the Respondents be resolved and disposed of in accordance with this Agreement.
7. The Parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

### PART III – STATEMENT OF AGREED FACTS

8. Staff and the Respondents agree with the facts and conclusions set out in this Part of the Agreement.
9. Medmira Inc. (“Medmira”) is an extra-provincial corporation with its registered office located at Calgary, Alberta, and its head office located at Halifax, Nova Scotia. Medmira’s principal regulator is Nova Scotia. Medmira is a reporting issuer in the following provinces of Canada:
  - a) Nova Scotia,
  - b) Ontario,
  - c) Alberta, and
  - d) British Columbia.
10. Hermes Chan is the President, Chief Executive Officer, as well as a Director of Medmira.
11. On November 18, 2005, the Nova Scotia Securities Commission (“Commission”) issued a Decision (“Decision”) permitting Medmira to distribute its common shares without an underwriter registered in Nova Scotia. This relief was contingent upon compliance with the following term of the Decision:

“the number of Medmira Shares distributed by Medmira under one or more equity lines, including the Equity Line pursuant to the Subscription Agreement, in any 12 month period does not exceed 10% of the number of Medmira Shares issued and outstanding at the start of such period;”
12. For the purposes of the Decision, Medmira Shares is defined as “common shares”.
13. The Decision was subsequently confirmed by a Decision of the Commission dated November 21, 2006.
14. On three occasions, as set out herein, Medmira exceeded the above-noted 10% limit on the number of shares issued for the years 2007, 2008, and 2009, thereby breaching the terms of the Decision as follows:
  - a) for the 12 month period 2007, Medmira was permitted to issue an additional 5,884,783 common shares. Medmira exceeded this permissible amount by 151,654;

- b) for the 12 month period 2008, Medmira was permitted to issue an additional 7,976,093 common shares. Medmira exceeded this permissible amount by 1,372,537; and
- c) for the 12 month period 2009, Medmira was permitted to issue an additional 11,402,118 common shares. Medmira exceeded this permissible amount by 798,384.

#### **PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENTS**

- 15. The Respondents admit the facts set forth in Part III herein and acknowledge that they violated the Act.
- 16. The Respondents acknowledge and admit that they violated Nova Scotia securities laws and acted contrary to the public interest in failing to conduct their requisite due diligence and maintain adequate precautions to ensure compliance with the Decision.

#### **PART V - MITIGATING FACTORS**

- 17. The Respondents acknowledge and accept responsibility for their conduct which is the subject matter of this Agreement.
- 18. The Respondents cooperated with the investigation of this matter.
- 19. The Respondents have no history of sanctions from the Commission.
- 20. The Respondents did not breach the Decision with malice. Rather, the breach resulted from the Respondents' failure to appropriately inform themselves of the limitations on the issuance of further common shares of Medmira.
- 21. Medmira is in a position of financial difficulties.
- 22. Medmira has taken steps to ensure further breaches do not occur.
- 23. Mr. Hermes Chan has agreed, no later than December 31, 2010, to complete a course/program for directors of reporting issuers, acceptable to the Commission Staff.

#### **PART VI – TERMS OF SETTLEMENT**

- 24. The terms of settlement are set forth in the Order contained in **Schedule "A"** annexed to this Agreement which is expressly incorporated herein.
  - 25. The Respondents consent to the Order contained in **Schedule "A"**.
- 

## PART VII – COMMITMENTS

26. If this Agreement is approved and the Order as set out in **Schedule “A”** is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter.
27. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
28. If this Agreement is approved by the Commission, the Respondents agree to abide by all terms of this Agreement as set out in the Order annexed as **Schedule “A”**.
29. If, for any reason whatsoever, this Agreement is not approved, or the Order set forth in **Schedule “A”** is not granted by the Commission:
  - a) Staff and the Respondents will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
  - b) The terms of the Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of Staff and the Respondents or as may otherwise be required by law; and
  - c) The Respondents agree that they will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of any attack or challenge of the Commission’s jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.
30. If, in the view of Staff and prior to the approval of this Agreement by the Commission, there are new facts or issues of substantial concern regarding the facts set out in Part III of this Agreement, Staff will be at liberty to withdraw from this Agreement. Notice of such intention will be provided to the Respondents in writing. In the event of such notice being given, the provisions of paragraph 29 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

## PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

31. Staff and the Respondents may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

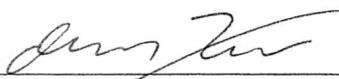
**PART IX – EXECUTION OF SETTLEMENT AGREEMENT**

32. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED this 20 day of July, 2010.

**SIGNED, SEALED AND DELIVERED**  
in the presence of:

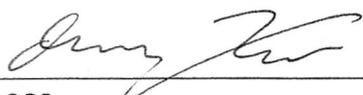
**Medmira Inc.**

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
Per: Hermes Chan  
Position: CEO

DATED this 20 day of July, 2010.

**SIGNED, SEALED AND DELIVERED**  
In the presence of:

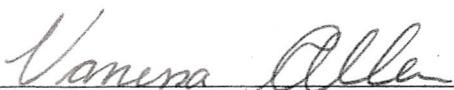
  
\_\_\_\_\_  
Witness

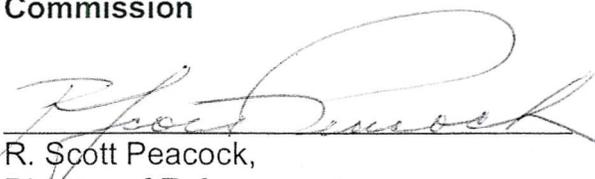
  
\_\_\_\_\_  
**Hermes Chan**

DATED this 21 day of July, 2010.

**SIGNED, SEALED AND DELIVERED**  
In the presence of:

**Staff of the Nova Scotia Securities  
Commission**

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
R. Scott Peacock,  
Director of Enforcement  
Nova Scotia Securities Commission

**SCHEDULE "A"****IN THE MATTER OF THE SECURITIES ACT  
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")****- AND -****IN THE MATTER OF MEDMIRA INC. and HERMES CHAN  
(Collectively the "Respondents")****ORDER**

(Sections 134, 135, 135A, 136A)

**WHEREAS** on \_\_\_\_\_, 2010, the Nova Scotia Securities Commission ("Commission") issued a Notice of Hearing to the Respondents pursuant to sections \_\_\_\_\_ of the Act;

**AND WHEREAS** the Respondents entered into a Settlement Agreement with Staff of the Commission ("Staff") whereby they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff recommended approval of the Settlement Agreement;

**AND WHEREAS** the Commission is of the opinion that the Respondents have contravened the Act and it is in the public interest to make this Order;

**AND UPON** reviewing the Settlement Agreement and the Notice of Hearing, and upon hearing submissions of counsel for Staff and the Respondents;

**IT IS HEREBY ORDERED** that:

1. The Settlement Agreement dated \_\_\_\_\_, 2010, a copy of which is attached hereto, is approved;
2. Pursuant to section 134(1)(a)(ii), Medmira Inc. shall comply with and cease contravening the Commission's Decisions of November 18, 2005 and November 21, 2006;
3. Pursuant to section 134(1)(a)(ii), the directors and senior officers of Medmira Inc. shall cause Medmira Inc. to comply with and cease contravening the Commission's Decisions of November 18, 2005 and November 21, 2006;
4. Pursuant to section 135 of the Act, Medmira Inc. shall forthwith pay an administrative penalty in the amount of \$125,000.00;
5. Pursuant to section 134(1)(h), Mr. Hermes Chan shall be reprimanded for his role in Medmira Inc.'s failure to comply with the Commission's Decisions of November 18, 2005 and November 21, 2006;
6. Pursuant to section 135, Mr. Hermes Chan shall forthwith pay an administrative penalty in the amount of \$7,500.00;

- 7. Pursuant to section 136A, Mr. Hermes Chan shall, no later than December 31, 2010, complete a course/program for directors of reporting issuers, acceptable to the Commission Staff.
  
- 8. Pursuant to section 135A of the Act, costs in the amount of \$1,000.00 dollars in connection with the investigation and conduct of the proceedings before the Commission shall be apportioned between the Respondents and are payable forthwith.

DATED at Halifax, Nova Scotia, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

NOVA SCOTIA SECURITIES COMMISSION

\_\_\_\_\_  
(Chairman)

