



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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**IN THE MATTER OF  
NIXON LAU, INCOME STRATEGIX HOLDINGS LTD.  
INCOME STRATEGIX L.P., INCOME STRATEGIX A-CLASS L.P.  
and INCOME STRATEGIX I-CLASS L.P.**

Janet Leiper, Chair of the Panel  
William J. Furlong, Commissioner

Monday, June 26, 2017

**ORDER**

Sections 127 and 127.1 of the  
*Securities Act*, RSO 1990, c S.5

THIS APPLICATION, made jointly by Staff of the Commission and Nixon Lau (**Lau**), Income Strategix Holdings Ltd. (**Income Strategix**), Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (the **Respondents**) for approval of a settlement agreement dated June 13, 2017, (the **Settlement Agreement**) was heard on June 26, 2017, at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario;

ON READING the Statement of Allegations of Staff dated June 15, 2017, the Settlement Agreement and the application materials dated June 15, 2017, including the Joint Application Record for a Settlement Hearing, the Statement of Financial Condition sworn March 30, 2017 (the **Statement of Financial Condition**), the Joint Book of Authorities, Staff's Submissions and on hearing the submissions of the representatives for each of the parties, and considering undertakings by Lau and Income Strategix contained in the Settlement Agreement and attached as Schedule "A" to this Order (**Undertakings**) and on hearing the request by counsel for the parties for an order that two documents be kept confidential;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. trading in any securities or derivatives by and/or of Income Strategix, Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (together, the **Income Strategix Entities**) cease permanently, pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);
3. trading in any securities or derivatives by Lau cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings, including, but not limited to, making all required

repayments to investors, and proves the repayments in accordance with paragraph 44 of the Settlement Agreement, Lau shall be permitted to trade:

- a. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of this order; and
  - b. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to trade securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:
    - i. the respective registered dealer/portfolio manager(s) is provided with a copy of this order prior to trading securities on Lau's behalf;
    - ii. the respective registered dealer/portfolio manager(s) has sole discretion over what trades may be made in the account and Lau has no direction or control over the selection of specific securities; and
    - iii. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;
4. the acquisition of any securities by the Income Strategix Entities is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
5. the acquisition of any securities by Lau is prohibited permanently, pursuant to paragraph 2.1 of subsection 127(1) of the Act except that, only if Lau complies with the Undertakings, including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44 of the Settlement Agreement, Lau shall be permitted to acquire:
- a. exchange-traded funds, government bonds, mutual funds, and/or guaranteed investment certificates in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, solely through a registered dealer in Ontario, to whom Lau must have given a copy of this order; and
  - b. securities by retaining the services of one or more independent, arms-length dealer/portfolio manager(s) who are registered in accordance with Ontario securities law, to acquire securities on Lau's behalf in an account in which Lau or his children while they are minors have sole legal and beneficial ownership, provided that:
    - i. the respective registered dealer/portfolio manager(s) is provided with a copy of this order prior to acquiring securities on Lau's behalf;
    - ii. the respective registered dealer/portfolio manager(s) has sole discretion over what acquisitions may be made in the account and

Lau has no direction or control over the selection of specific securities; and

- iii. Lau is permitted to have annual discussions with the respective registered dealer/portfolio manager(s) for the sole purpose of Lau providing information regarding general investment objectives, suitability and risk tolerance or as required under Ontario securities law;
6. any exemptions contained in Ontario securities law do not apply to the Income Strategix Entities permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;
7. any exemptions contained in Ontario securities law do not apply to Lau permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;
8. Lau resign all positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act, with the exception that Lau shall be permitted to continue to act as a director and officer of a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;
9. Lau resign all positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
10. Lau resign all positions that he holds as a director or officer of an investment fund manager, pursuant to paragraph 8.3 of subsection 127(1) of the Act;
11. Lau is prohibited from becoming or acting as a director or officer of any issuer permanently, pursuant to paragraph 8 of subsection 127(1) of the Act, with the exception that Lau shall be permitted to continue to act as a director and officer a non-reporting issuer where there are 5 or fewer direct or indirect beneficial holders of the securities of such issuer and such issuer shall not raise capital through the issuance of securities to the public;
12. Lau is prohibited from becoming or acting as a director or officer of any registrant permanently, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
13. Lau is prohibited from becoming or acting as a director or officer of any investment fund manager permanently, pursuant to paragraph 8.4 of subsection 127(1) of the Act;
14. Lau is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter permanently, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
15. Lau and Income Strategix pay an administrative penalty in the amount of \$70,000, on a joint and several basis, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act;
16. Lau and Income Strategix disgorge to the Commission the amount of \$1,048,803.93, on a joint and several basis, less any amounts satisfied by payments made back to investors in accordance with the Undertakings and proven in accordance with paragraph 44 of the of the Settlement Agreement,

and which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 10 of subsection 127(1) of the Act;

17. Lau and Income Strategix pay costs in the amount of \$5,000, on a joint and several basis, pursuant to section 127.1 of the Act; and
18. Lau's right to (a) call at any residence for the purpose of trading in securities or derivatives, or (b) telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in securities or derivatives, is cancelled, pursuant to subsection 37(1) of the Act.
19. pursuant to clause 9(1)(b) of the *Statutory Powers Procedure Act*, RSO 1990, c S.22, and rule 5.2 of the *Commission's Rules of Procedure*, the Income Strategix Investor Schedule to the Settlement Agreement and the Statement of Financial Condition are to be kept confidential.

*"Janet Leiper"*

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Janet Leiper

*"William J. Furlong"*

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William J. Furlong

## SCHEDULE "A"



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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  
NIXON LAU, INCOME STRATEGIX HOLDINGS LTD.  
INCOME STRATEGIX L.P., INCOME STRATEGIX A-CLASS L.P.  
and INCOME STRATEGIX I-CLASS L.P.**

### **UNDERTAKINGS TO THE ONTARIO SECURITIES COMMISSION**

1. These Undertakings are given in connection with the settlement agreement dated June 9, 2017 (the "Settlement Agreement") between Nixon Lau, Income Strategix Holdings Ltd., Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. and Staff of the Commission. All terms shall have the same meanings in these Undertakings as in the Settlement Agreement.
2. The Respondents Nixon Lau and Income Strategix Holdings Ltd. undertake to the Commission:
  - (a) to provide Staff (1) an updated sworn Statement of Financial Condition within three business days of July 1, 2021 and another updated sworn Statement of Financial Condition within three business days of July 1, 2024, and (2) copies of Lau's annual tax returns and those of his companies when they submit the proof of payment evidence contemplated in paragraph 44 of the Settlement Agreement for each year unless the payments agreed to in subparagraphs 41(o), (p), and (q) of the Settlement Agreement are no longer owing:

- (i) The updated Statement of Financial Condition will include, in addition to an updated Statement of Financial Condition in similar form to that submitted with the Settlement Agreement, (1) for the three years preceding the updated Statement of Financial Condition, particulars of any real estate commissions earned, the disposition of any real estate holdings, and any rental or property management income or revenue, and (2) details of any expectation of funds that will become available to satisfy the payments ordered in the three years following the date of the updated Statement of Financial Condition including, but not limited to, particulars of any real estate commissions, real estate holdings, and rental or property management income;
  - (ii) Should there be a material change in the ability of Lau and/or Income Strategix to satisfy the payments agreed to in subparagraphs 41(o), (p), and (q) of the Settlement Agreement, the parties may apply to the Commission to vary the terms of the undertaking in the next subparagraph and in paragraph 44 of the Settlement Agreement;
- (b) to pay back Income Strategix Funds investors at least \$150,000 per year in the manner set out in the following paragraph 44 of the Settlement Agreement until an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid;
- (c) to cause any disposition of the Real Estate Holdings to be at fair market value, and to cause their share of the proceeds from the disposition of any of the Real Estate Holdings to be used to pay back Income Strategix Funds investors in the manner set out in paragraph 44 of the Settlement Agreement unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid; and
- (d) should the tax returns of Income Strategix and Lau (including any tax returns of his companies) show that Lau earned, directly or indirectly, net income less taxes payable in any year in excess of \$135,000, then to use such excess to pay back

Income Strategix Funds investors in the manner set out in paragraph 44 of the Settlement Agreement unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) of the Settlement Agreement has been repaid.

Dated at Toronto, ON this 9th day of June, 2017.

\_\_“Nixon Lau”\_\_\_\_\_  
Nixon Lau

\_\_“Greg Temelini”\_\_\_\_\_  
\_\_Greg Temelini\_\_\_\_\_ [Print]

Witness

“Counsel, Janice Wright and Greg Temelini,  
Wright Temelini LLP”

Dated at Toronto, ON this 9th day of June, 2017.

\_\_“Nixon Lau”\_\_\_\_\_  
Income Strategix Holdings Ltd.

\_\_“Greg Temelini”\_\_\_\_\_  
\_\_Greg Temelini\_\_\_\_\_ [Print]

Per: \_Nixon Lau\_\_\_\_\_ [Print]

Witness

“Counsel, Janice Wright and Greg Temelini,  
Wright Temelini LLP”

I am authorized to bind the corporation.