



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

- and -

**IN THE MATTER OF A
SETTLEMENT AGREEMENT BETWEEN STAFF
OF THE ONTARIO SECURITIES COMMISSION AND
NIXON LAU, INCOME STRATEGIX HOLDINGS LTD.
INCOME STRATEGIX L.P., INCOME STRATEGIX A-CLASS L.P.
and INCOME STRATEGIX I-CLASS L.P.**

SETTLEMENT AGREEMENT

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 sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Nixon Lau, Income Strategix Holdings Ltd., Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (the “Respondents”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by the Notice of Hearing (the “Proceeding”) against the Respondents according to the terms and conditions set out in Part VI of this Settlement Agreement (the “Settlement Agreement”). The Respondents agree to the making of an order in the form attached as Schedule “A” (the “Order”), based on the facts set out below.

3. For the purposes of this Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Part III and the conclusion in Part IV of this Settlement Agreement.

PART III – AGREED FACTS

A. OVERVIEW

4. Between July 2007 and September 2012, the Respondents Nixon Lau (“Lau”) and Income Strategix Holdings Ltd. (“Income Strategix”) engaged in the business of trading, and acted as a dealer in respect of, securities of investment funds being the Respondents Income Strategix L.P., Income Strategix A-Class L.P., and Income Strategix I-Class L.P. (collectively, the “Income Strategix Funds”) without being registered in a category that permits such activity, and sold securities of the Income Strategix Funds through illegal distributions to investors in Ontario. As well, Lau and Income Strategix acted as the investment fund manager and portfolio manager of the Income Strategix Funds without being registered as was required in the circumstances with the requirement to register as an investment fund manager coming into place on September 28, 2009.

5. Lau and Income Strategix also engaged in conduct that they knew or reasonably ought to have known perpetrated a fraud contrary to clause 126.1(1)(b) of the Act (and its predecessor section). Among other things:

- a. by at least 2010, Lau and Income Strategix paid distributions or reported an accrual of distributions to investors as though the Income Strategix Funds were producing

actual returns when they were not. By at least 2012, Lau and Income Strategix knew they were using funds raised from new investors to make distributions to earlier investors; and

b. after the Income Strategix Funds stopped raising funds in September 2012, failing to provide investors a clear indication of what happened to their money or that their money had been lost, including promising some investors additional future payments should they agree to delay their request for the withdrawal of their investment.

B. THE RESPONDENTS

6. Income Strategix is an Ontario corporation. Income Strategix is the general partner of the Income Strategix Funds, which are all Ontario limited partnerships (collectively, the “Income Strategix Entities”).

7. Lau is a resident of Mississauga, Ontario. At all times relevant to this proceeding, Lau was the directing mind of each of the Income Strategix Entities; Lau was the sole officer and director for each of the Income Strategix Entities; Lau was the sole signing authority on all of the Income Strategix Entities’ bank accounts; and, Lau was the sole individual responsible for all trading decisions, execution of trades and wire transfers in and out of the Income Strategix Entities’ trading accounts.

C. CONDUCT WITHOUT APPROPRIATE REGISTRATION

8. At all times relevant to this proceeding, none of the Respondents were registered in any capacity with the Commission. Prior to the relevant period, Lau was registered as a mutual fund salesperson from June 30, 2004 to March 27, 2006.

9. Lau conceived of and set up the Income Strategix Funds.

10. Lau and Income Strategix marketed the Income Strategix Funds to the public through a number of seminars held in the Greater Toronto Area, through one-on-one or small group meetings, and through a web page that was available to and accessed by the public.

11. Lau and Income Strategix dealt directly with all of investors who invested in the Income Strategix Funds.
12. Lau and Income Strategix marketed units of the Income Strategix Funds to the public on the basis that the investments made would be professionally managed by Lau and Income Strategix, and on the basis of a stated investment policy – primarily to hedge risk with publicly traded securities, options and futures. Investors were told among other things that, as a result of the investment strategy to be used by the Income Strategix Funds, the investors would “[m]ake money in any market condition, up, down, or sideways” and would be earning superior returns.
13. Investors were told by Lau and Income Strategix, and in a limited partnership agreement entitled “The Club Charter”, which Lau provided investors, that investors could redeem their investment at the net asset value per unit provided the investment was left in place for a minimum of four months. Lau and Income Strategix also told the investors that their principal investment was guaranteed.
14. In exchange for their investment in the Income Strategix Funds, Lau and Income Strategix caused the Income Strategix Funds to issue promissory notes (the “Promissory Notes”) to investors at the time of their investment. Lau signed all of the Promissory Notes. The Promissory Notes promised, among other things, that the investor was guaranteed upon withdrawal the greater of their principal investment or “the market value of the Security units” the investor purchased in the Income Strategix Funds.
15. The Promissory Notes are securities as that term is defined in subsection 1(1) of the Act including, but not limited to, that set out in clauses (e), (f), and (n) under the definition of “security” in subsection 1(1) of the Act.
16. The investors’ funds were pooled in the Income Strategix Funds. The Income Strategix Funds had full discretion to buy and sell investments made by the Income Strategix Funds.
17. The Income Strategix Funds investors were told by Lau and Income Strategix that their money would be professionally managed by Lau and Income Strategix rather than the investors having to make their own decisions about investing in individual securities. The Income Strategix

Funds did not seek to obtain control of or become involved in the management of companies in which they invested.

18. Lau and Income Strategix received compensation as a result of selling units of the Income Strategix Funds to investors and for managing the Income Strategix Funds. Through the period up to September 2012, the efforts of Lau and Income Strategix were devoted primarily to these activities.

19. Between July 2007 and September 2012, over 70 individual or family investors invested in the Income Strategix Funds. Collectively, these investors invested approximately \$5.4 million in the Income Strategix Funds.

20. From at least between July 2007 and September 2012, Lau and the Income Strategix engaged in and held themselves out to be engaged in the business of trading in securities to the public. In marketing and selling the units of Income Strategix Funds to the public, Lau and Income Strategix were acting as a dealer.

21. Lau and Income Strategix acted as the portfolio manager for the Income Strategix Funds. They provided specific advice to the Income Strategix investors and the Income Strategix Funds. Lau caused and directed all trades in the Income Strategix Entities' trading accounts. All of the investment decisions for the Income Strategix Funds were made and implemented by Lau and Income Strategix.

22. As such, Lau and Income Strategix engaged in and held themselves out to be engaged in the business of advising with respect to investing in, buying or selling securities. Among other things, the advisory activity took the form of exercising full discretion in the trading in the Income Strategix Funds trading accounts.

23. Lau and Income Strategix acted as the investment fund manager for the Income Strategix Funds. Lau and Income Strategix organized and directed the business, operations and affairs of the Income Strategix Funds. They organized the Income Strategix Funds and were responsible for their management and administration.

24. Lau and Income Strategix failed to meet any of the requirements, obligations, or duties of a dealer, adviser, or investment fund manager. Among other things, they maintained deficient and, in most instances, no books and records necessary for the proper recording of the Income Strategix Entities' business, trading, and financial transactions and financial affairs.

25. There was no exemption available to Lau or Income Strategix from the requirements of subsections 25(1), 25(3), or 25(4) of the Act or their predecessor sections.

26. Lau and Income Strategix told investors that they were going to participate in an investment club. The dealer registration exemption for a private investment club did not apply to the trades described above, because, among other things, the Income Strategix Funds had more than fifty beneficial security holders, they distributed their securities to the public, and they paid remuneration for investment management and administration advice in respect of the trades in the securities.

D. CONDUCT RESPECTING ILLEGAL DISTRIBUTIONS

27. The Promissory Notes had not been previously issued.

28. No prospectus or preliminary prospectus was filed with the Commission and no receipt for them has ever been issued by the Director as required by subsection 53(1) of the Act with respect to the trades of the Promissory Notes. During the period relevant to this proceeding, the Respondents never filed a prospectus with the Commission.

29. No exemption from the requirements of section 53 of the Act was available to the Respondents.

E. CONDUCT THAT THE RESPONDENTS KNEW OR REASONABLY OUGHT TO HAVE KNOWN PERPETRATED A FRAUD

30. Beginning by at least 2010, Lau and Income Strategix took steps to prevent discovery by and to not disclose to Income Strategix Funds investors that the Income Strategix Funds were

losing money and were not producing actual returns, and to show the Income Strategix Funds were paying expected returns. Despite the loss in value, Lau and Income Strategix continued to pay distributions or report an accrual of distributions to investors as though the Income Strategix Funds were producing actual returns. By at least 2012, Lau and Income Strategix knew they were using funds raised from new investors to make distributions to earlier investors.

31. Among other things, depending on the nature of their investment, investors were provided monthly distributions or statements showing an increase in the value of their units when in fact the Income Strategix Funds were incurring a loss. As well, Lau and Income Strategix presented inaccurate information in this respect by way of the investors' online accounts on the Income Strategix website and in presentations Lau gave to investors at annual meetings.

32. When Lau and Income Strategix did not have enough new investor funds to make distributions to existing Income Strategix Funds investors in September 2012, Lau sent emails to investors in which Lau told investors that Ontario regulators had frozen the accounts of the Income Strategix Funds. Lau led investors to believe that the reason for the cease trade/freeze was because an investor requested a withdrawal and when Lau did not provide it, the investor complained. Emails from Lau to investors in the fall of 2013 referred to investigations being conducted by an additional regulator. Lau knew these emails were not true. Lau sent the emails to hold off investors who were seeking redemptions.

33. After the Income Strategix Funds stopped raising funds in September 2012, Lau and Income Strategix did not provide investors a clear indication of what happened to their money or that their money had been lost. When Lau and Income Strategix began to repay the investors, they promised some investors additional future payments should they agree to delay their request for the withdrawal of their investment.

34. Lau's and Income Strategix's conduct described above caused deprivation to the investors in the Income Strategix Funds. Investors invested their money and some investors chose to not redeem their investments based on the representations made by Lau and Income Strategix as set

out above. From the moment of their investment, each investor's pecuniary interests were at risk from then on, and, in fact, many lost their investments.

35. At least 22 individual or family investors have not received a return of their principal investment. The amount of principal owing to these investors at the date of the Notice of Hearing is at least \$1,048,803.93.

F. LIABILITY OF DIRECTORS AND OFFICERS

36. During the relevant period, Lau as a director and/or officer of the Income Strategix authorized, permitted or acquiesced in Income Strategix's non-compliance with Ontario securities law.

G. CONDUCT CONTRARY TO THE PUBLIC INTEREST

37. The conduct described above was contrary to the fundamental purposes and principles of the Act found in subsections 1.1 and 2.1 of the Act. The Respondents engaged in unfair and improper practices, which harmed investors who invested in the Income Strategix Funds, and which impugned the integrity of Ontario's capital markets.

H. CONTINUING COURSE OF CONDUCT

38. The misconduct described above establishing breaches of sections 25, 53 and 126.1(1) of the Act (and their predecessor sections), and the conduct contrary to the public interest described above, are part of a course of conduct by the Respondents with a continuity of purpose that extended into the limitation period.

PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST

39. By engaging in the conduct described above, Lau and Income Strategix admit and acknowledge that they have breached Ontario securities law by contravening sections 25, 53, and 126.1(1)(b) of the Act (and any predecessor sections of these sections in existence during the period relevant to this proceeding), Lau admits and acknowledges that he breached Ontario securities law by contravening section 129.2 of the Act, and the Respondents acknowledge that they have acted contrary to the public interest in that:

- a. Lau and Income Strategix engaged in the business of, or held themselves out as engaging in the business of trading in securities, being the Promissory Notes, without being registered in accordance with Ontario securities law as a dealer, contrary to section 25(1)(a) of the Act as that section existed at the time the conduct at issue commenced in July 2007, and contrary to subsection 25(1) of the Act, as subsequently amended on September 28, 2009, and where there were no exemptions available to Lau and Income Strategix under the Act;
- b. Lau and Income Strategix engaged in the business of, or held themselves out as engaging in the business of advising the Income Strategix Funds' investors and the Income Strategix Funds with respect to investing in, buying or selling securities without being registered in accordance with Ontario securities law as an adviser, contrary to clause 25(1)(c) of the Act as that section existed at the time the conduct at issue commenced in July 2007, and contrary to subsection 25(3) of the Act, as subsequently amended on September 28, 2009, and where there were no exemptions available to Lau and Income Strategix under the Act;
- c. Lau and Income Strategix acted as an investment fund manager for the Income Strategix Funds without being registered in accordance with Ontario securities law as an investment fund manager, contrary to subsection 25(4) of the Act as introduced on September 28, 2009, and where there were no exemptions available to Lau and Income Strategix under the Act;

- d. The trading of the Promissory Notes as set out above constituted a distribution of securities by Lau and Income Strategix in circumstances where no preliminary prospectus and prospectus were filed and receipts had not been issued for them by the Director, and where there were no exemptions available to Lau and Income Strategix under the Act, contrary to subsection 53(1) of the Act;
- e. Lau and Income Strategix directly or indirectly engaged or participated in an act, practice or course of conduct relating to the Promissory Notes and the Income Strategix Funds that they knew or reasonably ought to have known perpetrated a fraud on persons purchasing the Promissory Notes to acquire an interest in the Income Strategix Funds, contrary to subsection 126.1(b) of the Act as that section existed at the time the conduct at issue commenced in July 2007, and contrary to clause 126.1(1)(b) of the Act, as subsequently amended on June 21, 2013; and
- f. Lau as a director and/or officer of the Income Strategix authorized, permitted or acquiesced in the Income Strategix's non-compliance with Ontario securities law as set out above, and accordingly, failed to comply with Ontario securities law contrary to section 129.2 of the Act.

PART V – RESPONDENTS' POSITION

40. The Respondents request that the settlement hearing panel consider the following mitigating circumstances:
- a. Lau advises that he initiated his activities in 2007 as an investment club for close friends and family after successfully trading options for his own account. Lau acknowledges that while a number of investors received their principal back, his course of conduct led to losses for the remaining 22 individual or family investors. Lau advises that he accepts full responsibility for his conduct and is extremely remorseful.
- b. Lau advises that, prior to Lau being aware of Staff's investigation and since September 2012, Lau began to repay the amounts outstanding from his personal assets and/or earnings. Lau advises that to date, more than \$4.2 million has been repaid to

investors and the majority of investors have received their principal back. Lau further advises that he has paid a significant amount of funds to investors, in the hundreds of thousands of dollars, from his personal assets and/or earnings. Lau advises that he has repaid these amounts through his employment but also by selling personal assets, including his family home, and borrowing money from his parents who mortgaged their home to assist their son.

c. While Lau will not be making a payment at the time this Settlement Agreement is approved, Lau advises that this is because he has used his available funds to repay investors. Between April 2016 and May 2017, Lau repaid Income Strategix investors \$181,478.92.

d. Lau advises that he acknowledges that a further \$1,048,803.93 remains outstanding. Lau advises that he is committed to paying these further amounts in an effort to make amends as much as possible for his course of conduct.

e. When Lau initiated his activities in 2007, he was 27 years old. Lau advises that he now has a young family to support but is committed to work to repay investors the full amount of the remaining amounts still owing.

f. Lau advises that he has no prior disciplinary record.

PART VI – TERMS OF SETTLEMENT

41. The Respondents agree to the terms of settlement listed below and to the Order attached hereto, made pursuant to subsection 127(1) and section 127.1 of the Act that:

(a) the Settlement Agreement is approved;

(b) trading in any securities or derivatives by and/or of the Income Strategix Entities cease permanently, pursuant to paragraph 2 of subsection 127(1) of the Act;

- (c) 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 (identified in paragraph 43), including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44, Lau shall then be permitted to trade:
- i. 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 the Order; and
 - ii. 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:
 - a. the respective registered dealer/portfolio manager(s) is provided with a copy of the Order prior to trading securities on Lau's behalf;
 - b. 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
 - c. 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;
- (d) 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;

- (e) 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 (identified in paragraph 43), including, but not limited to, making all required repayments to investors, and proves the repayments in accordance with paragraph 44, Lau shall then be permitted to acquire:
- i. 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 the Order; and
 - ii. 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:
 - a. the respective registered dealer/portfolio manager(s) is provided with a copy of the Order prior to acquiring securities on Lau's behalf;
 - b. 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
 - c. 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;
- (f) 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;
- (g) any exemptions contained in Ontario securities law do not apply to Lau permanently, pursuant to paragraph 3 of subsection 127(1) of the Act;

- (h) 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;
- (i) 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;
- (j) 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;
- (k) 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 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;
- (l) 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;
- (m) 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;
- (n) 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;
- (o) 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;
- (p) 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 paragraph 43 and proven in accordance with paragraph 44, 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;
 - (q) 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
 - (r) Lau's right to (i) call at any residence for the purpose of trading in securities or derivatives, or (ii) 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.

42. Lau and Income Strategix have provided Staff a sworn Statement of Financial Condition indicating they have limited assets and an expectation that they will only have approximately \$150,000 per year available to satisfy the payments ordered; this Statement of Financial Condition will be provided to the Commission at the confidential settlement conference and the public settlement hearing; however, it will not be made public. The Statement of Financial Condition sets out, among other things:

- a. particulars of Lau and Income Strategix's real estate holdings at Schedule "1" to the Statement of Financial Condition (the "Real Estate Holdings"),
- b. particulars of all real estate commissions expected to be earned by Income Strategix or Lau and his companies in the three years following the date of the Statement of Financial Condition, and

c. particulars of all rental or property management income or revenue expected to be earned by Income Strategix or Lau and his companies in the three years following the date of the Statement of Financial Condition.

43. Lau and Income Strategix have given undertakings (the “Undertakings”) to the Commission in the form attached as Schedule “B” to this Settlement Agreement, which include undertakings:

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 for each year unless the payments agreed to in subparagraphs 41(o), (p), and (q) above 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 this 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) above, the parties may apply to the Commission to vary the terms of the undertaking in the next subparagraph and the following paragraph;

- b. to pay back Income Strategix Funds investors at least \$150,000 per year in the manner set out in the following paragraph until an amount equivalent to the disgorgement amount set out in paragraph 41(p) 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 the following paragraph unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) 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 the following paragraph unless an amount equivalent to the disgorgement amount set out in paragraph 41(p) has been repaid.
44. With respect to the payments in subparagraphs 41(o), (p), and (q) above, they are due and owing at the time the Order contemplated by this Settlement Agreement is made; however, the Commission will not take steps to collect these payments as long as:
- a. Lau and Income Strategix comply with the Undertakings; and
 - b. further, to prevent collection steps, by July 1, 2018 and by July 1 of each following year, Lau and/or Income Strategix must provide proof to Staff that they have repaid at least \$150,000 to the Income Strategix Funds investors without preference and *pro rata* to the amount owing to each investor as set out in the Income Strategix Funds Investors Schedule that is attached to the Settlement Agreement and which will be provided to the Commission at the confidential settlement conference and the public settlement hearing, but which will not be made public. The Income Strategix Funds Investors Schedule was prepared based on information provided by Lau and Income Strategix; it does not represent a finding of fact, a determination of liability, or an allocation or distribution of disgorged funds by the Commission.

45. Should Lau and/or Income Strategix not comply with the Undertakings, fail to make the repayments or provide proof to Staff of the repayments as required by paragraphs 43 and 44, or fail to provide the updated Statements of Financial Condition or tax returns in accordance with paragraph 43, the Commission may commence collection efforts on the full amount of the payments set out in subparagraphs 41(o), (p), and (q) less any amounts satisfied by repayments made and proven to Staff in accordance with this paragraph. Should the disgorgement amount set out in subparagraph 41(p) be satisfied, and the administrative monetary penalty or the costs award set out in subparagraphs 41(o) and (q) remain unsatisfied, then the Commission may commence collection efforts.

46. The Respondents undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs 41(a) to (n) and (r) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

47. The Respondents agree to attend in person at the hearing before the Commission to consider the proposed settlement.

48. Lau and Income Strategix acknowledge that failure to pay the amounts set out in subparagraphs 41(o), (p), or (q) in accordance with the requirements of paragraph 44 will result in the Respondents' names being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the Commission website.

49. The Respondents acknowledge that this Settlement Agreement and proposed Order may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents undertake to contact the securities regulator of any other jurisdiction in which they may intend to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

PART VII – STAFF COMMITMENT

50. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law against the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraphs 51 and 52 below.

51. If the Commission approves this Settlement Agreement and the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondents. These proceedings may be based on, but need not be limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement. In addition, if this Settlement Agreement is approved by the Commission, and Lau or Income Strategix fail to comply with the terms of the Settlement Agreement, the Commission is entitled to bring any proceedings necessary to recover the amounts set out in paragraphs 41 (o), (p) and (q) above.

52. Staff have relied in part upon representations by the Respondents that Lau and Income Strategix raised approximately \$5.4 million from over 70 individual or family investors and that at least \$1,048,803.93 remains to be repaid to approximately 22 individual or family investors. Should materially more money have been raised, materially more investors have been involved, materially more investors remain unpaid, or materially more remain unpaid to investors than as set out here, then Staff may bring proceedings under Ontario securities law against the Respondents despite this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

53. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission's Rules of Procedure.

54. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents' conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

55. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

56. If the Commission approves this Settlement Agreement, no party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.

57. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, 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, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

58. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and
- (b) Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

59. All parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement, subject to the parties' need to make submissions during the public hearing.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

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

61. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

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.

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

__“Nixon Lau” _____
Income Strategix L.P.

Per: : _Nixon Lau _____ [Print]

I am authorized to bind the limited partnership.

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

_“Greg Temelini” _____
__Greg Temelini _____ [Print]

Witness

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

__“Nixon Lau” _____
Income Strategix A-Class L.P.

Per: : _Nixon Lau _____ [Print]

I am authorized to bind the limited partnership.

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

_“Greg Temelini” _____
__Greg Temelini _____ [Print]

Witness

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

__“Nixon Lau” _____
Income Strategix I-Class L.P.

Per: : _Nixon Lau _____ [Print]

I am authorized to bind the limited partnership.

_“Greg Temelini” _____
__Greg Temelini _____ [Print]

Witness

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

Dated at Toronto this 13th day of June, 2017.

__“Jeff Kehoe” _____

Jeff Kehoe

Director, Enforcement Branch

Schedule "A"



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

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

**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
Garnet Fenn, Commissioner

(Day and date order made)

ORDER

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

WHEREAS on [date], the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider whether it is in the public interest to approve a settlement agreement entered into between Staff of the Commission (**Staff**) 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**) in relation to the allegations set out in the Statement of Allegations of Staff dated [date] (the **Statement of Allegations**).

ON READING the Settlement Agreement entered into by the Respondents with Staff and dated [date] (the **Settlement Agreement**) and on hearing the submissions of the representatives for Staff and the Respondents, and considering undertakings by Lau and Income Strategix contained in the Settlement Agreement and attached as Schedule "A" to this Order (**Undertakings**);

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 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



A-5

SCHEDULE "A"

UNDERTAKING

[NOTE: To be inserted from Schedule "B" to the Settlement Agreement.]

SCHEDULE “B”



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

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

**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.

Income Strategix Funds Investor Schedule
removed as it was ordered to be kept
confidential pursuant to the Panel's order made
June 26, 2017