



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
HRU MORTGAGE INVESTMENT CORPORATION, HRU FINANCIALS LTD.,
YAU LING (PATRICK) LAM, QINGYANG (MICHAEL) XIA,
and ZICHAO (MARSHALL) LIANG**

SETTLEMENT AGREEMENT

PART I - INTRODUCTION

1. Mortgage investment entities (**MIEs**) must be registered to engage in the business of trading in securities with the public. For the past decade, the Commission has communicated this message to the MIE industry through news releases, industry outreach and enforcement actions. When MIEs fail to comply with the registration requirement or promote that they are registered when they are not, they undermine the important gate-keeping function served by registration to protect investors. This conduct is even more concerning when it involves former registrants.

2. Between September 2017 and November 2020 (the **Material Time**), HRU Mortgage Investment Corporation (**HRUMIC**), a MIE based in Ontario, and HRU Financials Ltd., a related Ontario company that acts as manager for HRUMIC (**HRUFL**, together with HRUMIC, **HRU**) raised approximately \$13 million from 80 investors in the exempt market without being registered as a dealer. Despite not being registered, HRU promoted itself as being registered and/or recognized by the Commission, made untrue statements about the registration of one of its directors, and made misleading statements as to its regulation by other Canadian regulators and supervisory bodies. In doing so, HRU and its principals breached sections 25, 44 and 46 of the *Securities Act*, RSO 1990, c S.5 (the **Act**).

3. Yau Ling (Patrick) Lam (**Lam**), Qingyang (Michael) Xia (**Xia**) and Zichao (Marshall) Liang (**Liang**) are directors and officers of HRU. Lam, Xia and Liang engaged in the business of trading, were involved in the misleading and prohibited representations in HRU's marketing materials, and authorized and permitted HRU's breaches of Ontario securities law. As former

registrants, Lam, Xia and Liang knew or ought to have known the importance of registration and the requirement to provide accurate and truthful information to investors.

4. The parties will jointly file a request that the Ontario Securities Commission (the **Commission**) issue a Notice of Hearing (the **Notice of Hearing**) to announce that it will hold a hearing (the **Settlement Hearing**) to consider whether, pursuant to sections 127 and 127.1 of the Act, it is in the public interest for the Commission to make certain orders against HRUMIC, HRUFL, Lam, Xia and Liang (together, the **Respondents**).

PART II - JOINT SETTLEMENT RECOMMENDATION

5. Staff of the Commission (**Staff**) recommend settlement of the proceeding (the **Proceeding**) against the Respondents commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this Settlement Agreement. The Respondents consent to the making of an order (the **Order**) substantially in the form attached as Schedule “A” to this Settlement Agreement based on the facts set out herein.

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

PART III - AGREED FACTS

A. DIRECTING MINDS OF HRU ARE FORMER REGISTRANTS

7. HRUMIC and HRUFL have three principal directing minds – Lam, Xia and Liang – who are all former registrants:

- (a) Lam, an Ontario resident, is the Chief Executive Officer of HRUMIC and Managing Director of HRUFL. Lam has been a director and officer of HRUMIC and HRUFL since October 17, 2018. Lam was previously registered in Ontario as a salesperson with two different registered scholarship plan dealers. He is not presently registered and was not registered during the Material Time.
- (b) Xia, an Ontario resident, is the Chief Information Officer and Managing Director of HRUMIC and the President of HRUFL. Xia has been a director and officer of

HRUFL since May 1, 2017 and an officer and director of HRUMIC since October 17, 2018 and June 1, 2017, respectively. Xia was previously registered in Ontario as a dealing representative for a Mutual Fund Dealer. He is not presently registered and was not registered during the Material Time.

- (c) Liang, an Ontario resident, is the Treasurer of both HRUMIC and HRUFL, the Managing Director of HRUFL, as well as the Chief Operating Officer and Chief Compliance Officer of HRUMIC. Liang has been a director and officer of HRUFL and HRUMIC since May 1, 2017 and June 1, 2017, respectively. Liang was previously registered in Ontario as a dealing representative for an Exempt Market Dealer (**EMD**). He is not presently registered and was not registered during the Material Time.

B. UNREGISTERED TRADING

8. During the Material Time, the Respondents engaged in the business of trading in securities without being registered under Ontario securities law.

9. HRU raised approximately \$13 million from the sale of HRUMIC Class B preferred shares to 80 investors primarily located in Ontario and invested those funds in mortgages secured by Ontario real estate.

10. HRU raised capital on a regular and continuous basis. Over 100 distributions took place in approximately 30 of the 40 months of the Material Time. Distributions of HRUMIC preferred shares were conducted, at a minimum, quarterly until November 2020.

11. HRU conducted its own sales and did not use a registered EMD.

12. HRU promoted itself and its investment offerings in multiple ways: through its website, on Facebook, flyers, local Chinese-language radio commercials, at least three Offering Memoranda (**OMs**) and through a referral network. In addition to Lam, Xia and Liang, HRU also employed a dedicated Director of Sales and an Officer of Sales and Revenue.

13. Lam, Xia and Liang engaged in acts in furtherance of the sale of HRUMIC preferred shares by, among other things, soliciting investments, answering investor questions, providing

investors with agreements or forms, distributing promotional materials concerning potential investments, issuing and signing share certificates, receiving, handling or depositing funds from investors and approving content for HRU OMs, brochures, website pages, radio advertisements and flyers.

C. PROHIBITED REPRESENTATIONS

(1) Prohibited Untrue Statements Regarding Registration

14. On its website, HRU made representations that the HRUMIC securities and Liang were registered with the Commission when this was not true.

(2) Prohibited Misleading and/or Untrue Statements

15. On its website and in its marketing materials, HRU made a variety of representations that were misleading and/or untrue, including that HRU filed monthly and quarterly compliance reports with the Commission, that HRU was in full compliance with Canadian securities laws and regulatory standards, and that HRU was regulated by other Canadian regulatory entities such as the “Federal Securities Commission”, “OSFI, CDIC, CMHC, and Insurance Compliances”.

(3) Prohibited Statements Regarding Commission Approval

16. On its website and in its marketing materials, including radio station advertisements and presentations to investors, HRU made a variety of prohibited representations that the Commission approved of HRU or its product. For example, HRU stated that HRU was recognized by the Commission as a “Qualified Investment”, that HRU offered a “OSC regulated and recognized investment solution,” and used the Commission’s logo in its marketing materials.

D. MITIGATING FACTORS

17. The Respondents cooperated with Staff during its investigation, including by:

- (a) voluntarily providing Staff with information and documents relevant to Staff’s investigation;
- (b) voluntarily agreeing to take down statements identified by Staff in HRU’s marketing materials and website;

- (c) voluntarily conducting a review of HRU's compliance with the prospectus regime and advising that HRU would put in place protocols to facilitate avoiding late exempt distribution filings going forward; and
- (d) advising Staff in May 2021 that HRU had voluntarily ceased all securities trading activities as of November 2020 that did not involve a registered firm authorized to trade exempt securities.

PART IV -NON-COMPLIANCE WITH ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

18. The Respondents acknowledge and admit that, during the Material Time:

- (a) the Respondents engaged in the business of trading in securities without being registered, contrary to subsection 25(1) of the Act;
- (b) the Respondents made untrue representations regarding registration contrary to subsection 44(1) of the Act;
- (c) the Respondents made prohibited misleading or untrue statements, contrary to subsection 44(2) of the Act;
- (d) the Respondents made prohibited statements regarding Commission approval, contrary to section 46 of the Act;
- (e) Lam, Xia and Liang authorized, permitted or acquiesced in HRU's non-compliance set out in sub-paragraphs (a) to (d) above, contrary to section 129.2 of the Act; and
- (f) as set out in sub-paragraphs (a) to (e) above, the Respondents engaged in conduct contrary to the public interest.

PART V – RESPONDENTS' POSITION

19. The Respondents request that the Settlement Hearing panel consider the following circumstances. Staff do not object to the Respondents putting forward the circumstances set out below.

- (a) HRUMIC has provided positive returns to investors during the Material Time;
- (b) HRU has not received any complaints from investors; and
- (c) HRUFL earned management fees from managing HRUMIC but received no direct compensation from the sale of preferred shares in HRUMIC. HRU paid no commissions or other incentives in connection with the sale of preferred shares in HRUMIC.

PART VI - TERMS OF SETTLEMENT

20. The Respondents agree to the terms of settlement set forth below.

21. The Respondents consent to the Order substantially in the form attached as Schedule “A”, pursuant to which it is ordered that:

- (a) the Settlement Agreement is approved;
- (b) each of the Respondents is reprimanded, pursuant to paragraph 6 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);
- (c) HRUFL, Lam, Xia and Liang shall pay an administrative penalty in the amount of \$400,000, on a joint and several basis, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with paragraph 3.4(2)(b) of the Act;
- (d) HRUFL, Lam, Xia and Liang shall pay costs in the amount of \$25,000, pursuant to section 127.1 of the Act;
- (e) Lam, Xia and Liang immediately resign any position that they hold as a director or officer of a reporting issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
- (f) Lam, Xia and Liang immediately resign any position that they hold as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;

- (g) Lam, Xia and Liang be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act, subject to paragraph (j) below;
- (h) Lam, Xia and Liang be prohibited from becoming or acting as a director or officer of any registrant for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8.2 of subsection 127(1) of the Act, subject to paragraph (j) below;
- (i) Lam, Xia and Liang be prohibited from becoming or acting as a registrant or a promoter for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8.5 of subsection 127(1) of the Act, subject to -paragraph (j) below;
- (j) following the periods set out in sub-paragraphs (g), (h) and (i) above, Lam, Xia and Liang shall each successfully complete the Ethics and Professional Conduct Course (EPC) and the Partners, Directors & Senior Officers Course provided by the IFSE Institute (the **Required Courses**), as well as meeting all proficiency requirements, before applying to become a registrant or an officer and/or director of a registrant with the Commission. Pending:
 - (i) the successful completion of the Required Courses by Lam, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Lam will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Lam will be prohibited from becoming or acting as a registrant or promoter;
 - (ii) the successful completion of the Required Courses by Xia, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Xia will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection

127(1) of the Act, Xia will be prohibited from becoming or acting as a registrant or promoter; and

(iii) the successful completion of the Required Courses by Liang, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Liang will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Liang will be prohibited from becoming or acting as a registrant or promoter;

(k) the amounts set out in sub-paragraphs (c) and (d) be paid in full to the Commission by wire transfer prior to the commencement of the Settlement Hearing.

22. The Respondents consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 21, other than sub-paragraphs 21(c) and 21(d). These sanctions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

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

24. HRUMIC and HRUFL have given an undertaking (the **Undertaking**) to the Commission in the form attached as Schedule “B” to this Settlement Agreement, which includes an undertaking to, among other things, retain an EMD to conduct a know-your-client (**KYC**) and suitability review and to amend investor materials to address discrepancies in descriptions of loan-to-value ratios and investor returns.

PART VII - FURTHER PROCEEDINGS

25. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondents under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondents fail to comply with any term in this Settlement Agreement or the Undertaking, in which case Staff may bring proceedings under Ontario securities law against the Respondents that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement or the Undertaking.

26. The Respondents acknowledge that, if the Commission approves this Settlement Agreement and the Respondents fail to comply with any term in it or the Undertaking, Staff or the Commission are entitled to bring any proceedings necessary to, among other things, recover the amounts set out in sub-paragraphs 21(c) and 21(d), above.

27. The Respondents waive any defences to a proceeding referenced in paragraph 25 or 26 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement or the Undertaking.

PART VIII - PROCEDURE FOR APPROVAL OF SETTLEMENT

28. The parties will seek approval of this Settlement Agreement at the Settlement 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 and Forms*.

29. The Respondents will attend the Settlement Hearing in person or by video-conference.

30. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

31. If the Commission approves this Settlement Agreement:

- (a) the Respondents irrevocably waive all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- (b) no parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

32. 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 be available.

PART IX - DISCLOSURE OF SETTLEMENT AGREEMENT

33. If the Commission does not make the Order:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the Settlement Hearing 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 on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

34. The parties will keep the terms of this Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART X - EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED at Toronto, Ontario this 25 day of March, 2022.

HRU MORTGAGE INVESTMENT CORPORATION

By: “Patrick Lam”
Name: Patrick Lam
Title: CEO

DATED at Toronto, Ontario this 25 day of March, 2022.

HRU FINANCIALS LTD.

By: “Qingyang Xia”
Name: Qingyang Xia
Title: CIO

DATED at Toronto, Ontario this 25 day of March, 2022.

“Winnie Law”
Witness: Winnie Law

“Patrick Lam”
YAU LING (PATRICK) LAM

DATED at Toronto, Ontario this 25 day of March, 2022.

“Winnie Law”
Witness: Winnie Law

“Qingyang Xia”
QINGYANG (MICHAEL) XIA

DATED at Toronto, Ontario this 25 day of March, 2022.

“Winnie Law”
Witness: Winnie Law

“Zichao Liang”
ZICHAO (MARSHALL) LIANG

DATED at Toronto, Ontario, this 30 day of March, 2022

ONTARIO SECURITIES COMMISSION

“Jeff Kehoe”

By: _____

Name: Jeff Kehoe

Title: Director, Enforcement Branch

SCHEDULE "A"

FORM OF ORDER



Ontario
Securities
Commission

Commission des
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de l'Ontario

22nd Floor
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**IN THE MATTER OF
HRU MORTGAGE INVESTMENT CORPORATION, HRU FINANCIALS LTD.,
YAU LING (PATRICK) LAM, QINGYANG (MICHAEL) XIA,
and ZICHAO (MARSHALL) LIANG**

File No. ____

[Name(s) of Commissioner(s) comprising the panel]

[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 (the **Commission**) held a hearing by video-conference to consider the request jointly made by HRU Mortgage Investment Corporation (**HRUMIC**), HRU Financials Ltd. (**HRUFL**), Yau Ling (Patrick) Lam (**Lam**), Qingyang (Michael) Xia (**Xia**) and Zichao (Marshall) Liang (**Liang**) (collectively, the **Respondents**) and Staff of the Commission (**Staff**) for approval of a settlement agreement dated **[date]** (the **Settlement Agreement**);

AND WHEREAS pursuant to the Settlement Agreement, HRUMIC and HRUFL have given an undertaking (the **Undertaking**) to the Commission, in the form attached as Schedule "A" to this Order;

ON READING the Joint Application for Settlement Hearing, including the Settlement Agreement, the Statement of Allegations dated **[date]**, and the Memorandum of Fact and Law and Brief of Authorities provided by Staff and on hearing the submissions of the representatives for the Respondents and Staff, each appearing by video-conference, and on considering HRUFL, Lam, Xia and Liang jointly having made payment of the \$400,000 administrative penalty and a payment of \$25,000 on account of costs to the Commission in accordance with the terms of the Settlement Agreement, and on considering the Undertaking dated **[date]** attached as Schedule "A" to this Order;

IT IS ORDERED THAT:

- (a) the Settlement Agreement is approved;
- (b) each of the Respondents is reprimanded, pursuant to paragraph 6 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);
- (c) HRUFL, Lam, Xia and Liang shall pay an administrative penalty in the amount of \$400,000, on a joint and several basis, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with paragraph 3.4(2)(b) of the Act;
- (d) HRUFL, Lam, Xia and Liang shall pay costs in the amount of \$25,000, pursuant to section 127.1 of the Act;
- (e) Lam, Xia and Liang immediately resign any position that they hold as a director or officer of a reporting issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
- (f) Lam, Xia and Liang immediately resign any position that they hold as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
- (g) Lam, Xia and Liang be prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act, subject to paragraph (j) below;
- (h) Lam, Xia and Liang be prohibited from becoming or acting as a director or officer of any registrant for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8.2 of subsection 127(1) of the Act, subject to paragraph (j) below;
- (i) Lam, Xia and Liang be prohibited from becoming or acting as a registrant or a promoter for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8.5 of subsection 127(1) of the Act, and subject to paragraph (j) below;

- (j) following the periods set out in sub-paragraphs (g), (h) and (i) above, Lam, Xia and Liang shall each successfully complete the Ethics and Professional Conduct Course (EPC) and the Partners, Directors & Senior Officers Course provided by the IFSE Institute (the **Required Courses**), as well as meeting all proficiency requirements, before applying to become a registrant or an officer and/or director of a registrant with the Commission. Pending:
- (i) the successful completion of the Required Courses by Lam, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Lam will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Lam will be prohibited from becoming or acting as a registrant or promoter;
 - (ii) the successful completion of the Required Courses by Xia, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Xia will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Xia will be prohibited from becoming or acting as a registrant or promoter; and
 - (iii) the successful completion of the Required Courses by Liang, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Liang will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Liang will be prohibited from becoming or acting as a registrant or promoter.

[Commissioner]

[Commissioner]

[Commissioner]

SCHEDULE "B"

FORM OF UNDERTAKING



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*, RSO 1990, c S.5

IN THE MATTER OF HRU MORTGAGE INVESTMENT CORPORATION, HRU FINANCIALS LTD., YAU LING (PATRICK) LAM, QINGYANG (MICHAEL) XIA, and ZICHAO (MARSHALL) LIANG

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated [**date**] (the **Settlement Agreement**) between HRU Mortgage Investment Corporation (**HRUMIC**), HRU Financials Ltd. (**HRUFL**), Yau Ling (Patrick) Lam, Qingyang (Michael) Xia, and Zichao (Marshall) Liang and Staff (**Staff**) of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.
2. HRUMIC and HRUFL (together **HRU**) undertake to the Commission to:
 - (a) conduct any subsequent trades of securities of HRUMIC through or to a firm registered under Ontario securities law in a category that permits such trade, or by HRU directly only if and when registered to conduct such trades.
 - (b) provide to any dealer registered under Ontario securities law engaged by HRU a copy of the Settlement Agreement and the Order approving the Settlement Agreement.
 - (c) retain an exempt market dealer (**EMD**) to:
 - (i) conduct a full review of all HRU marketing materials and investor statements, including any Offering Memoranda and any online marketing or online portals, in order to: (1) remove or clarify any potential inconsistent or confusing statements regarding investor returns and/or

dividends; and (2) clarify statements made regarding loan-to-value (**LTV**) ratios to be consistent across all investor materials;

- (ii) conduct a review of the adequacy of the know-your-client (**KYC**) and suitability documentation obtained by HRU with respect to its current existing investors who did not purchase securities of HRUMIC through a registered dealer, to be completed within four months from the date of the Order approving the Settlement Agreement;
 - (iii) obtain such additional KYC and suitability information as required for a suitability assessment where the EMD deems that the existing documentation at HRU for a client is inadequate pursuant to paragraph 2(c)(ii) above and conduct a suitability analysis in relation to that client;
 - (iv) conduct a suitability analysis in accordance with sections 13.2 and 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) for a random sample of 20 current existing investors, selected by the EMD, who did not purchase securities of HRUMIC through a registered dealer, to be completed within four months from the date of the Settlement Hearing;
 - (v) if five or more of the 20 investors are identified by the EMD to have made unsuitable investments in HRUMIC, conduct a suitability analysis in accordance with sections 13.2 and 13.3 of NI 31-103 for all current existing investors who did not purchase securities of HRUMIC through a registered dealer; and
 - (vi) report the results of the reviews to HRU and Staff.
- (d) once an EMD has been retained, HRU shall immediately provide Staff with a written authorization granting Staff free and unfettered access to communicate with the EMD with respect to the retainer; and
- (e) redeem the shares held by all investors identified by the EMD to have made an unsuitable investment in HRUMIC at the issue price of \$1 per share, unless the

investor(s) confirm to HRU and the EMD in writing that they wish to retain their investments and provided the EMD has first informed the investor(s) in writing of the EMD's determination that the shares are not a suitable investment for them along with the basis for that determination, and has recommended to the investor(s) an alternative investment action that is suitable in accordance with subsection 13.3(2.1) of NI 31-103.

DATED at Toronto, Ontario this 25 day of March, 2022.

HRU MORTGAGE INVESTMENT CORPORATION

By: "Patrick Lam"

Name: Patrick Lam
Title: CEO

DATED at Toronto, Ontario this 25 day of March, 2022.

HRU FINANCIALS LTD.

By: "Qingyang Xia"

Name: Qingyang Michael Xia
Title: CIO