Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | P.O. Box 55, 19th Floor 20 Queen Street West Toronto ON M5H 3S8 | CP 55, 19e 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 MAPLE LEAF INVESTMENT FUND CORP., JOE HENRY CHAU (aka: HENRY JOE CHAU, SHUNG KAI CHOW and HENRY SHUNG KAI CHOW), TULSIANI INVESTMENTS INC., SUNIL TULSIANI and RAVINDER TULSIANI

REASONS FOR DECISION ON SANCTIONS AND COSTS
(Sections 127 and 127.1 of the Act)

Hearing:	January 9, 2012	
Decision:	March 22, 2012	
Panel:	Christopher Portner	- Commissioner and Chair of the Panel
	Paulette L. Kennedy	- Commissioner
Appearances:	Carlo Rossi	- For Staff of the Ontario Securities Commission
	Sunil Tulsiani	- For himself and Tulsiani Investments Inc.
	No one appeared for the Respondents:	- Joe Henry Chau - Maple Leaf Investment Fund Corp.

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REASONS FOR DECISION ON SANCTIONS AND COSTS

I. INTRODUCTION

[1] This is a hearing (the "**Sanctions and Costs Hearing**") before the Ontario Securities Commission (the "**Commission**") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to consider whether it is in the public interest to make an order with respect to sanctions and costs against Maple Leaf Investment Fund Corp. ("**MLIF**"), Joe Henry Chau (also known as Henry Joe Chau, Shung Kai Chow and Henry Shung Kai Chow) ("**Chau**"), Tulsiani Investments Inc. ("**Tulsiani Investments**") and Sunil Tulsiani ("**Tulsiani**") (collectively, the "**Respondents**").

[2] The Sanctions and Costs Hearing was held following the Hearing on the Merits in this matter in January 2011 (the "**Merits Hearing**") and the issuance of the decision on the merits on November 9, 2011 ((2011), 34 O.S.C.B. 11551)(the "**Merits Decision**").

[3] On January 9, 2012, Staff of the Commission ("**Staff**") appeared at the Sanctions and Costs Hearing and made oral submissions. Staff's oral submissions were supported by Staff's Written Submissions on Sanctions and Costs dated December 30, 2011, a Bill of Costs, the Affidavit of Yolanda Leung, sworn December 30, 2011, with respect to costs, a Brief of Authorities and an Affidavit of Service. Chau filed his undated Written Submissions on Sanctions of Chau and MLIF on January 2, 2012 and informed the Office of the Secretary that he would not be attending the Sanctions and Costs Hearing. At the Sanctions and Costs Hearing held on January 9, 2012, Tulsiani appeared and made oral submissions on behalf of himself and Tulsiani Investments. Chau did not appear.

[4] Based on the Affidavit of Service, Tulsiani's appearance on behalf of himself and Tulsiani Investments and Chau's communications to the Office of the Secretary on behalf of himself and MLIF dated January 2, 2012, the Panel found that the Respondents received notice of the Sanctions and Costs Hearing. In accordance with subsection 7(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, the Panel was entitled to proceed in the absence of the Respondents who did not appear.

II. ANALYSIS

A. Sanctions

1. Specific Sanctioning Factors Applicable in this Matter

[5] The Commission has a public interest jurisdiction to order sanctions restricting or banning Respondents from participating in the Ontario capital markets (*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 at para. 43). It is well established in its jurisprudence that, in determining the appropriate sanctions, the Commission is guided by the factors set out in *Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 at para. 26; and *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 at pp. 7746-7747). In determining the appropriate sanctions, we have taken into account the factors summarized in the following paragraphs.

[6] The securities law violations committed by each of the Respondents were serious and their behaviour was egregious. In the Merits Decision, we found that Chau and MLIF engaged in the unregistered trading and illegal distribution of four series of MLIF bonds, namely, the 100,

200, 300 and 400 series of bonds, contrary to subsections 25(1)(a) and 53(1) of the Act (Merits Decision, *supra*, at paras. 222 and 257). The Respondents purported to rely on the accredited investor exemption but made no legitimate effort to determine whether the investors were duly qualified (Merits Decision, *supra*, at para. 275). Instead, they engaged in high pressure sales tactics by encouraging or counseling investors to misstate their entitlement to be treated as accredited investors and by stampeding investors into signing documents, including accredited investor declaration forms, without the opportunity to review them carefully and without the benefit of independent legal advice (Merits Decision, *supra*, at paras. 348 and 373). Accordingly, the Respondents were not entitled to rely on the accredited investor exemption and, in any event, we also found that Chau and MLIF were not entitled to rely on the accredited investor exemption as they were market intermediaries (Merits Decision, *supra*, at para. 284).

[7] We found that Chau and MLIF made prohibited representations to potential investors about the future listing on a stock exchange of certain shares, contrary to subsection 38(3) of the Act (Merits Decision, *supra*, at para. 297). We further found that Chau and MLIF knowingly perpetrated a fraud on MLIF investors, contrary to subsection 126.1(b) of the Act, and that they had done so by, among other things, providing false and incomplete information with respect to (i) the use of investor funds; (ii) the safe nature of the investments; (iii) the background and status of MLIF; and (iv) the project in Curacao that would purportedly receive the proceeds of the investments (the "**Project**"), and by diverting funds to pay Chau's personal expenses, interest to existing bondholders and MLIF's capital requirements in connection with unrelated matters (Merits Decision, *supra*, at paras. 333 and 377).

[8] We found that Tulsiani and Tulsiani Investments engaged in unregistered trading of the 400 series of bonds, contrary to subsection 25(1)(a) of the Act (Merits Decision, *supra*, at para. 222). They represented to investors that they had (i) conducted the necessary due diligence with respect to the investments; (ii) invested in every transaction that was presented to investors; and (iii) represented the interests of the investors (Merits Decision, *supra*, at paras. 174 and 235). Tulsiani also made frequent reference to his 16-year career as an Ontario Provincial Police officer and the fact that he was also investing on behalf of his elderly and prudent father in the expectation that this information would enhance his credibility and perceived reliability with the investors (Merits Decision, *supra*, at paras. 126 and 153). These representations induced investors to take risks that they otherwise would not likely have assumed (Merits Decision, *supra*, at para. 351). Accordingly, Tulsiani and Tulsiani Investments were also found to have expressly or impliedly recommended the 400 series of bonds to investors which constituted unregistered advising, contrary to subsection 25(1)(c) of the Act (Merits Decision, *supra*, at paras. 235 and 248).

[9] Further, in their promotional activities relating to the 400 series of bonds, Tulsiani and Tulsiani Investments engaged in high pressure sales tactics as described at paragraph 6 above. It was also found that they made representations endorsing the investment despite being aware of the precarious financial position of the Project and despite an undisclosed conflict of interest (Merits Decision, *supra*, at para. 246).

[10] As a director or officer of MLIF, Chau was found to have authorized, permitted or acquiesced in the contraventions of subsections 25(1)(a), 53(1), 38(3) and 126.1(b) of the Act by MLIF and was therefore liable for such contraventions pursuant to section 129.2 of the Act (Merits Decision, *supra*, at para. 366). As a director or officer of Tulsiani Investments, Tulsiani was found to have authorized, permitted or acquiesced in the contraventions of subsections

25(1)(a) and 25(1)(c) of the Act by Tulsiani Investments and was therefore liable for such contraventions pursuant to section 129.2 of the Act (Merits Decision, *supra*, at para. 365).

[11] In the Merits Decision, we concluded that:

> The conduct of the Respondents was egregious and dishonest. They preyed on vulnerable investors, many of whom clearly did not understand the purported investments, and did not qualify for any exemptions. In the case of Chau and MLIF, they applied the proceeds of the investments in a manner that was contrary to their written and oral representations without regard to the consequences. In addition to contravening the Act in a number of material respects, the behaviour of the Respondents was reprehensible and contrary to the public interest.
>
> (Merits Decision, *supra*, at para. 379)

[12] The level of the Respondents' activity in the marketplace and the amounts raised by the Respondents were significant. The Respondents raised $4,475,000 from approximately 80 investors over a period of 19 months (Merits Decision, *supra*, at para. 62). Of the $4,475,000, $1,675,000 was raised by Chau and MLIF from the sale of the 100, 200 and 300 series of bonds from June 2007 to October 2008 and $2,800,000 was raised by all of the Respondents from the sale of the 400 series of bonds from December 2008 to January 2009 (Merits Decision, *supra*, at paras. 87, 118 and 177). Approximately $3,100,000 was not returned to investors (Merits Decision, *supra*, at para. 201). In many cases, investors had used their life savings or loans obtained through lines of credit secured against their homes to make their investments and the loss of their investments caused irreparable and significant harm to them (Merits Decision, *supra*, at paras. 82, 153, 155, 158 and 337).

[13] We acknowledge that Chau, on behalf of himself and MLIF, and Tulsiani, on behalf of himself and Tulsiani Investments, admitted certain facts or contraventions of the securities law at the Merits Hearing (Merits Decision, *supra*, at paras. 48-53). We also note that Chau expressed his "sincere regret for the outcome of [the] investment in the hotel project in Curacao" and asked the Panel to "allow [Chau and MLIF] the opportunity to amend the mistakes and do [their] best to compensate the investors from this point onward". Tulsiani also submitted that he felt "responsible" and that he "never intended anybody to get hurt, and – those members or investors were friends" (Hearing Transcript dated January 9, 2012 at pp. 32-33). Notwithstanding the foregoing, however, in our view, the Respondents have not demonstrated any meaningful appreciation of the severity of their illegal conduct or remorse for the harm caused by such conduct. We find that Chau's written submissions and Tulsiani's oral submissions as a whole demonstrate that they continue to attempt to justify their conduct, ascribe blame to others and refuse to accept responsibility for their actions.

[14] For instance, in Chau's written sanctions and costs submissions, he stated that he would not admit to the allegation that he and MLIF "had intentionally cheated on the investors". He characterized his action as "negligent", but nevertheless motivated by "good causes and intention", despite our findings that he knowingly engaged in fraud (Merits Decision, *supra*, at para. 345). He made statements contrary to the findings of the Panel, including that "the investment…was either paid to the property seller or spent on items related to the project" in circumstances where we made findings that the funds raised were used to pay existing investors, Chau's personal expenses and the ongoing operational expenses of MLIF and unrelated projects (Merits Decision, *supra*, at para. 377). He also blames investors for their losses in his written

submissions, in which he stated that "investors should bear the responsibility of making their investments and know about the fact that there was always risks to investments".

[15] Tulsiani's oral submissions at the Sanctions and Costs Hearing reflect similar characteristics. Tulsiani made submissions about his involvement in the sale of the 400 series of bonds, including that (i) Chau was the one who conducted the presentations to investors; (ii) the funds raised from the sale of the 401 series of bonds remained in a trust account as represented to investors; (iii) the 402 series of bonds was not represented to investors as risk free; and (iv) he did not have knowledge of Chau's misappropriation of investor funds. Having heard evidence from investors and found in the Merits Decision that Tulsiani played a significant role in the presentations, the funds raised from the 401 series of bonds did not remain in a trust account, the investors understood that the 402 series of bonds had the same terms as the 401 series of bonds and Tulsiani was fully aware of the flow of funds, we find Tulsiani's unsworn statements to be unsupported by the facts and lacking credibility (Merits Decision, *supra*, at paras. 173-176, 184-187, 194 and 330). Based on the foregoing, we are of the view that Tulsiani failed to accept responsibility for his actions.

[16] Chau and Tulsiani also made submissions to the effect that they have no ability to satisfy monetary sanctions. Chau submitted that he is "practically pennyless". He provided us with a list of proposed sanctions, which includes monetary sanctions, and submits that:

> Only because of my wishes to make good what we have caused drove me forward. The ground-work we have laid down in Asia in the past year will likely flourish in the coming months. If I am allowed the time and the peace to accomplish the task, the investors should be able to recouperate a portion of their investments (about 33%). Any penalty harsher than the above cannot possibly be workable. That would only drive me off the edges. If I should give up on it all, it would not be in the best interest of the public.

[17] Tulsiani described himself as having "no money" and being "in great debt" (Hearing Transcript dated January 9, 2012 at p. 34).

[18] Although a respondent's ability to pay is one of the factors to be considered in determining the appropriate monetary sanctions, the Respondents made submissions only and provided no evidence to support their claims of impecuniosity. Accordingly, this factor will be given limited weight in our determination of the sanctions to be imposed, and in particular, the disgorgement orders and administrative penalties at paragraphs 29 to 46 below.

2. Trading and Other Market Prohibitions

[19] Staff submits that the Respondents should be subject to permanent prohibitions against market participation. In particular, Staff requests that the Respondents cease trading in securities permanently, that the acquisition of securities by the Respondents be prohibited permanently and that any exemptions in Ontario securities law do not apply to the Respondents permanently.

[20] In his written submissions, Chau provided a proposed list of sanctions for the Panel to consider which includes a permanent prohibition against "participating in any capital raising activities in Canada".

[21] Although Tulsiani indicated that he had no intention to trade in securities, he requested that the Panel consider ordering less than a permanent prohibition as requested by Staff. Tulsiani also asked the Panel to consider a carve-out to allow him to trade in or acquire securities in

mutual funds for the account of his registered savings or pension plan. Staff does not object to such a trading carve-out being granted to Tulsiani, however, Staff requests that the carve-out only apply once Tulsiani has satisfied any financial orders made by the Panel, particularly with respect to disgorgement. Staff submits that this treatment is consistent with the Commission's jurisprudence and that it would be unfair for Tulsiani to trade securities for his own account prior to disgorging the funds that were illegally obtained from and lost by investors.

[22] Based on the sanctioning factors discussed above, we are of the view that the Respondents cannot be trusted to participate in the capital markets. The Respondents raised $4,475,000 through the sale of securities in contravention of the Act. This scheme, which we found to be fraudulent, affected over 80 investors and was conducted over a period of 19 months (Merits Decision, *supra*, at paras. 62 and 347). Further, the Respondents encouraged or counseled prospective investors to misstate their entitlement to be treated as accredited investors and deprived investors of an opportunity to carefully review subscription documents, including the accredited investor declaration forms (Merits Decision, *supra*, at paras. 352 and 373). Given this misconduct, the Respondents should not be permitted to trade in or acquire securities or rely on exemptions. Further, at the Sanctions and Costs Hearing, the Respondents failed to demonstrate either by oral or written submissions that they recognized the severity of their illegal conduct. To protect the public, we find that it is appropriate to impose permanent market prohibitions on the Respondents as requested by Staff.

[23] As Tulsiani did not provide the Panel with any details relating to the terms of his registered savings or pension plan, we do not consider it appropriate to exempt trading relating to such plan.

3. Director and Officer Bans

[24] Staff requests that Chau and Tulsiani resign all positions that they may hold as a director or officer of an issuer and that they be permanently prohibited from becoming or acting as a director or officer of any issuer or registrant.

[25] Chau agrees that he be permanently prohibited from becoming or acting as a director of any issuer in Canada, but made no reference to prohibitions against becoming or acting as an officer of an issuer or a director or officer of a registrant.

[26] Tulsiani made no specific submissions regarding the director and officer bans requested by Staff; however, he asked the Panel to consider that the "permanent ban" requested by Staff "be reduced" (Hearing Transcript dated January 9, 2012 at p. 34).

[27] In the Merits Decision, we found that Chau conducted this fraudulent scheme by distributing securities and misusing the corporate funds of MLIF of which he was the sole directing mind, director and officer, and was found to have authorized, permitted or acquiesced in MLIF's non-compliance with subsections 25(1)(a), 53(1), 38(3) and 126.1(b) of the Act (Merits Decision, *supra*, at paras. 347 and 366). Despite having knowledge of Chau's misuse of MLIF corporate funds, Tulsiani aided and abetted the fraudulent scheme by selling the 400 series of bonds through Tulsiani Investments, of which he was a directing mind, a director and officer, and was found to have authorized, permitted or acquiesced in Tulsiani Investments's non-compliance with subsections 25(1)(a) and 25(1)(c) of the Act (Merits Decision, *supra*, at paras. 351 and 365). In our view, the imposition of permanent director and officer bans requested by

Staff will ensure that neither Chau nor Tulsiani will be placed in a position of control or trust with respect to any issuer or registrant in the future.

4. Reprimand

[28] We find it appropriate for Chau and Tulsiani to be reprimanded given the indifference shown by them to the consequences of their behaviour on the majority of the investors, many of whose lives were shattered by the loss of their investments and what they perceived as the humiliation resulting from being misled and defrauded. We think that a reprimand will provide the appropriate censure of their misconduct and will impress on the public the importance of complying with the Act.

5. Disgorgement

[29] Subsection 127(1)10 of the Act provides that a person or company that has not complied with Ontario securities law can be ordered to disgorge to the Commission "any amounts obtained" as a result of the non-compliance. When determining the appropriate disgorgement orders, we are guided by a non-exhaustive list of factors set out in *Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 12030 ("***Limelight Sanctions and Costs***") at para. 52.

[30] In Staff's submission, the Commission should order that Chau and MLIF disgorge $1,420,024 on a joint and several basis and that all of the Respondents disgorge $1,712,082 on a joint and several basis, to be allocated to or for the benefit of third parties, pursuant to subsection 3.4(2)(b) of the Act. Staff explained that the amounts are "all funds illegally obtained minus the amounts that were returned to investors" (Hearing Transcript dated January 9, 2012 at p. 17). Staff further submits that a joint and several disgorgement order that includes Tulsiani and Tulsiani Investments in relation to the amounts obtained from the sale of the 400 series of bonds is appropriate because "investors trusted Mr. Tulsiani and he abused their trust" (Hearing Transcript dated January 9, 2012, at p. 19).

[31] Chau submits that he "did not profit" from the investment scheme and that he would be able to "disgorge to the Commission an amount of CAD$1,000,000 for paying back to the bond holders only". He requests that "such money should be put in a separte [*sic*] account designated to the purpose of compensating the investors and for that purpose only". He submits that he would be able to disgorge the amount of $1,000,000 in 12 monthly instalments starting on February 15, 2012.

[32] Tulsiani made no specific submission with respect to disgorgement, only that the "penalties…be reduced" (Hearing Transcript dated January 9, 2012 at p. 34). Tulsiani also submits that he did not profit from selling the 400 series of bonds.

[33] Chau and MLIF were the perpetrators of a fraudulent scheme which involved the issuance of securities for which the registration and prospectus requirements of the Act were not satisfied. As a result of this fraudulent scheme, Chau raised $4,475,000 through MLIF, an entity which Chau controlled. Chau was found to have direct and total control of the funds received from the 100, 200 and 300 series of bond investors (Merits Decision, *supra*, at para. 345). He was also found to have diverted funds raised from all four series of MLIF bonds to pay his personal expenses and interest to existing bondholders and to fund MLIF's capital raising requirements (Merits Decision, *supra*, at para. 377). As a result, the investors' funds were fully dissipated and there was little or no prospect of the return of the principal amounts invested by the investors (Merits Decision, *supra*, at para. 329). In many cases, investors were irreparably

harmed as they invested their life savings or monies obtained through lines of credits secured against their homes (Merits Decision, *supra*, at paras. 82, 153, 155, 158 and 337). A disgorgement order on a joint and several basis against Chau and MLIF is necessary to ensure that Chau and MLIF do not retain any financial benefit from their respective breaches of the Act and to provide general and specific deterrence (*Re Sabourin* (2010), 33 O.S.C.B. 5299 ("***Sabourin Sanctions and Costs***") at para. 65; and *Limelight Sanctions and Costs*, *supra*, at para. 60).

[34] We note that of the total amount of $4,475,000 that was raised, $1,342,894 was returned to investors. More specifically, $1,275,000 was returned to investors and $67,894 was paid out as purported interest to holders of the MLIF bonds (Merits Decision, *supra*, at para. 201). To avoid double counting, in our determination of the disgorgement order to be made, we find it appropriate to take into account that some of the funds have been returned to investors in the form of purported redemptions or interest payments.

[35] The evidence shows that Tulsiani and Tulsiani Investments obtained $70,000 in commissions (Merits Reasons, *supra*, at para. 195). We find that it is appropriate to require Tulsiani and Tulsiani Investments to disgorge the $70,000 that they received to ensure that they do not retain any financial benefit from their respective breaches of the Act and to provide general and specific deterrence. As the role of Tulsiani and Tulsiani Investments was limited to the solicitation of funds and not their application, we do not find it appropriate to order that they jointly and severally disgorge $1,712,082 as requested by Staff.

[36] In our view, Chau and MLIF should jointly and severally disgorge the net amount that they obtained through the scheme, being $3,132,106, and that Tulsiani and Tulsiani Investments should be jointly and severally liable with Chau and MLIF to disgorge the commissions that they obtained, being $70,000. Accordingly, we make an order to that effect, namely, that Chau and MLIF jointly and severally disgorge $3,062,106 and MLIF, Chau, Tulsiani and Tulsiani Investments jointly and severally disgorge $70,000.

[37] The amounts paid to the Commission in satisfaction of a disgorgement order will be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act.

6. Administrative Penalty

[38] Staff seeks orders for the payment of an administrative penalty against Chau in the amount of $450,000 and against Tulsiani in the amount of $200,000, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act. Staff did not request administrative penalties against MLIF or Tulsiani Investments.

[39] Chau requests that the Panel consider a fine of $10,000 against him and MLIF. He submits that he would be able to pay the amount of $10,000 in 12 monthly instalments starting February 15, 2012.

[40] As discussed at paragraph 32 above, Tulsiani requests a penalty in an amount lower than what was requested by Staff.

[41] In our view, it is in the public interest to impose a significant administrative penalty against Chau. As we found in the Merits Decision, *supra*, at para. 345, "[Chau] was at the centre of the fraud, was primarily responsible for the creation, marketing and sales of the MLIF bonds, communicated directly and indirectly with MLIF bond investors and actively misled them. He also had direct and total control of the funds received from the 100, 200 and 300 series of bond

investors". He preyed on vulnerable investors who did not understand the purported investments and did not qualify for any exemptions (Merits Decision, *supra*, at para. 379). We are of the view that a significant administrative penalty against Chau is necessary to achieve specific and general deterrence.

[42] With respect to Tulsiani, we will impose a lesser administrative penalty to reflect his involvement in the sale of the 400 series of bonds only. The administrative penalty is nonetheless significant because he played an integral role in the promotion of the 400 series of bonds, as described at paragraphs 8 and 9 above, and facilitated the raising of $2,800,000 out of the total of $4,475,000 that was raised. He preyed on vulnerable investors and induced investors to take risks that they otherwise would not have assumed, and the investors clearly relied on his representations to their detriment (Merits Decision, *supra*, at paras. 351 and 379).

[43] In determining the appropriate administrative penalties, we have considered the cases provided by Staff, including *Re Borealis International Inc.* (2011), 34 O.S.C.B. 5261, *Re White* (2010), 33 O.S.C.B. 8893, *Limelight Sanctions and Costs*, *Re Al-Tar Energy Corp.* (2011), 34 O.S.C.B. 447 and *Sabourin Sanctions and Costs*. We find the amounts proposed by Staff to be within the range of penalties ordered by the Commission against respondents involved in similar misconduct and proportional to the circumstances and conduct of each Respondent.

[44] Accordingly, we order that Chau pay an administrative penalty in the amount of $450,000 and that Tulsiani pay an administrative penalty in the amount of $200,000.

[45] Staff did not request that an administrative penalty be ordered against MLIF or Tulsiani Investments and, accordingly, we have not done so.

[46] The amounts paid to the Commission in satisfaction of an administrative penalty will be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act.

B. Costs

[47] Pursuant to subsections 127.1(1) and 127.1(2) of the Act, the Commission has discretion to order a person or company to pay the costs of an investigation and hearing if the Commission is satisfied that the person or company has not complied with the Act or has not acted in the public interest.

[48] Staff requested that the Respondents pay, on a joint and several basis, a total of $245,536.31 representing the costs incurred in relation to the Merits Hearing. Staff has submitted a bill of costs supporting that amount. We accept that the amount claimed by Staff represents only a portion of Staff's costs related to this proceeding and does not include the costs of the investigation in the matter or the time spent preparing for and attending the Sanctions and Costs Hearing.

[49] Staff submits that it is appropriate to make a joint and several order against all of the Respondents with respect to costs because Staff's case with respect to the 100, 200 and 300 series of bonds, which only involved Chau and MLIF and did not involve Tulsiani and Tulsiani Investments, was less complicated, took less time to prove and required fewer witnesses than the case with respect to the 400 series of bonds which involved Tulsiani and Tulsiani Investments. Although counsel for Tulsiani and Tulsiani Investments appeared and made certain admissions at the commencement of the Merits Hearing, they were, in Staff's view, "bare admissions" which required Staff to prove its case in its entirety. Further, Staff notes that the money raised pursuant

to the 400 series of bonds was more than the money raised pursuant to the 100, 200 and 300 series of bonds.

[50] Chau submits that he would be able to pay $100,000 in costs to the Commission in 12 monthly instalments starting on February 15, 2012.

[51] Tulsiani made no submissions with respect to costs.

[52] In our view, it is appropriate to require that the Respondents pay costs in the total amount of $245,500, allocated on the sums of $163,700 to Chau and MLIF on a joint and several basis and $81,800 to Tulsiani and Tulsiani Investments on a joint and several basis.

[53] Although Chau and MLIF made certain factual admissions which were provided to Staff and read into the record at the outset of the Merits Hearing, Chau and MLIF contested a number of allegations made by Staff, and in particular, the fraud allegations, all of which were ultimately established by Staff in their case against these Respondents. Accordingly, we order that Chau and MLIF pay costs in the amount of $163,700 on a joint and several basis.

[54] We are of the view that Tulsiani and Tulsiani Investments should jointly and severally pay costs in the amount of $81,800 in recognition of their more complete admissions of certain breaches of the Act through their counsel at the commencement of the Merits Hearing. Further, Staff's case against them was limited to breaches of section 25 of the Act and Tulsiani's liability as the director of Tulsiani Investments, all of which arose out of their involvement in the sale of the 400 series of bonds.

III. CONCLUSION

[55] We conclude that it is in the public interest to make the following orders and are of the view that the sanctions imposed will deter the Respondents and other like-minded individuals from engaging in similar misconduct in the capital markets in the future and that the sanctions are proportionate to the circumstances and conduct of each Respondent:

(a) Pursuant to clause 2 of subsection 127(1) of the Act, MLIF, Chau, Tulsiani Investments and Tulsiani shall cease trading in securities permanently;

(b) Pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of securities by MLIF, Chau, Tulsiani Investments and Tulsiani is prohibited permanently;

(c) Pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to MLIF, Chau, Tulsiani Investments and Tulsiani permanently;

(d) Pursuant to clause 6 of subsection 127(1) of the Act, Chau and Tulsiani are reprimanded;

(e) Pursuant to clause 7 of subsection 127(1) of the Act, Chau and Tulsiani shall resign all positions that they may hold as a director or officer of an issuer;

(f) Pursuant to clause 8 of subsection 127(1) of the Act, Chau and Tulsiani are prohibited from becoming or acting as a director or officer of any issuer permanently;

(g) Pursuant to clause 8.2 of subsection 127(1) of the Act, Chau and Tulsiani are prohibited from becoming or acting as a director or officer of a registrant permanently;

(h) Pursuant to clause 9 of subsection 127(1) of the Act, Chau shall pay an administrative penalty in the amount of $450,000, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;

(i) Pursuant to clause 9 of subsection 127(1) of the Act, Tulsiani shall pay an administrative penalty in the amount of $200,000, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;

(j) Pursuant to clause 10 of subsection 127(1) of the Act, MLIF and Chau shall jointly and severally disgorge to the Commission the amount of $3,062,106 obtained as a result of their non-compliance with Ontario securities law, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;

(k) Pursuant to clause 10 of subsection 127(1) of the Act, MLIF, Chau, Tulsiani Investments and Tulsiani shall jointly and severally disgorge to the Commission the amount of $70,000 obtained as a result of their non-compliance with Ontario securities law, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;

(l) Pursuant to section 127.1 of the Act, MLIF and Chau shall jointly and severally pay costs in the amount of $163,700; and

(m) Pursuant to section 127.1 of the Act, Tulsiani Investments and Tulsiani shall jointly and severally pay costs in the amount of $81,800.

[56] We will issue a separate order giving effect to our decision on sanctions and costs.

Dated at Toronto this 22nd day of March, 2012.

"*Christopher Portner*"	"*Paulette L. Kennedy*"
Christopher Portner	Paulette L. Kennedy