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

Citation: Natural Bee Works Apiaries Inc (Re), 2019 ONSEC 31
Date: 2019-09-25
File No. 2018-40

IN THE MATTER OF
NATURAL BEE WORKS APIARIES INC., RINALDO LANDUCCI and TAWLIA CHICKALO

REASONS AND DECISION ON SANCTIONS AND COSTS
(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990, c S.5)

Hearing:	August 6, 2019	
Decision:	September 25, 2019	
Panel:	D. Grant Vingoe	Vice-Chair and Chair of the Panel
Appearances:	Christina Galbraith Audrey Smith	For Staff of the Commission
	Rinaldo Landucci	For himself and Natural Bee Works Apiaries Inc.
	Tawlia Chickalo	For herself

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REASONS AND DECISION ON SANCTIONS AND COSTS

I. OVERVIEW

[1] In a merits decision dated July 3, 2019,[1] the Ontario Securities Commission (the **Commission**) found that:

a. Tawlia Chickalo (**Ms. Chickalo**) engaged in the business of trading in securities without the necessary registration or an applicable exemption from the registration requirement, contrary to s. 25 of the Ontario *Securities Act* (the **Act**)[2];

b. Natural Bee Works Apiaries Inc. (**NBW**) and Ms. Chickalo traded in securities that constituted a distribution without a prospectus and without an applicable exemption from the prospectus requirement, contrary to s. 53 of the Act;

c. NBW and Rinaldo Landucci (**Mr. Landucci**) engaged in and participated in an act, practice or course of conduct relating to securities that they knew perpetrated a fraud on the investors, contrary to s. 126.1(1)(b) of the Act;

d. Ms. Chickalo engaged in and participated in an act, practice or course of conduct relating to securities that she reasonably ought to have known perpetrated a fraud on the investors, contrary to s. 126.1(1)(b) of the Act; and

e. Mr. Landucci authorized and permitted all of the breaches of the Act committed by NBW and as a result is deemed, pursuant to s. 129.2 of the Act, to have contravened Ontario securities law.[3]

[2] During the continuation of this misconduct, between April 2017 and January 2018 (the **Material Time**), a total of $291,250 was raised from 69 investors and Staff was able to match $267,203 of funds in the Respondents' bank accounts to investor payments.[4] These investors lost their funds. The evidence at the merits hearing demonstrated that some of the investor funds were used by Mr. Landucci and Ms. Chickalo for personal expenditures or withdrawn in cash.[5] Some funds were also used for activities that were inconsistent with the venture presented to investors.

[3] On August 6, 2019, a hearing was held to determine whether it is in the public interest to impose a sanctions and costs order on Mr. Landucci, Ms. Chickalo and NBW (collectively, the **Respondents**). Staff of the Commission (**Staff**) seeks market bans, disgorgement of the funds obtained by the Respondents and administrative penalties. Staff also seeks a costs order.

[4] For the reasons that follow, I find that it is in the public interest to issue an order as requested by Staff, with the exceptions that Ms. Chickalo and Mr. Landucci are provided with a trading carve-out in registered accounts, and it is

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[1] *Natural Bee Works Apiaries Inc (Re),* 2019 ONSEC 23, (2019) 42 OSCB 5905 (**Merits Decision**)
[2] RSO 1990, c S.5
[3] Merits Decision at para 150
[4] Merits Decision at para 75
[5] Merits Decision at para 99

unnecessary to specify an "investment fund manager" ban as that is already included in any registrant ban ordered.

II. PRELIMINARY ISSUES

A. Representation Status of the Respondents

[5] At the outset of the sanctions and costs hearing, Mr. Landucci and Ms. Chickalo confirmed that they were unrepresented at the hearing. Mr. Landucci mentioned he did have representation. However, that lawyer did not participate at the hearing.

[6] Mr. Landucci confirmed that he still represents NBW.

[7] As they were located outside of Toronto, Mr. Landucci and Ms. Chickalo each participated in the hearing using GotoMeeting from personal computers. Mr. Landucci evidently did so from a public waiting area at a hospital where he explained that he was to receive treatment shortly.

B. The Respondents' Removal Motion

[8] On July 31, 2019, I received an e-mail from the Registrar transmitting a "communique" dated July 15, 2019 from Mr. Landucci sent by Ms. Chickalo, which she later indicated that she also supported, requesting my recusal from the sanctions and costs hearing (the **Communique**). The subject line of the e-mail mentioned that the request was being advanced "due to conflict of interest".

[9] The Communique stated:

> Communique to be forwarded to Mr. Vingoe
>
> In relation to several matters, we demand that Mr. Vingoe recuse himself from the Natural Bee Works case, as he has knowingly and wilfully allowed four major infractions in this case.
>
> 1 - Mr. Vingoe allowed Mr. Bernstein to tamper with evidence. Mr. Bernstein sated [sic] there was no sales, but was reminded by Mr. Landucci that evidence of sales was submitted to BCSC, which Mr. Bernstein then had to acknowledge, yet he was allowed to say virtually no sales, which allowed 'fraudulent' to be posted on the website.
>
> 2 - Mr [sic] Vingoe allowed OSC Staff., [sic] Ms Lavalley, to purger [sic] herself on the stand with no sanctioning.
>
> Ms. Lavalley testified that she was unable to communicate with Mr. RS. or get in touch with him. She stated she did not know his whereabout [sic]. She also testified that Mr. Landucci said he had a cold.
>
> Ms. Gailbraith [sic] entered evidence that RS communicated with Ms. Lavalley. Ms. Lavalley stated on the stand that Mr. Landucci said he had a cold. Mr. Landucci never talked to Ms. Lavalley.

> 3 - Mr. Vingoe allowed Ms. Gailbraith [sic] to slander a third party not associated to the case. Mr. Vingoe must recuses [sic] himself or Ms. Q is going to sue him personally.
>
> 4 - To rebuttal Mr. Landucci's health reports from Fraser Health, Mr. Vingoe allowed the opinion of BCSC staff, who are not medically licences [sic] professionals, instead of getting an expert opinion of an Ontario Medical professional.
>
> Rinaldo Landucci

[10] The delay in my receipt of the July 15 e-mail was due to the fact that the e-mail had not been sent to all parties. The Registrar requested on two occasions that it be forwarded to all parties in compliance with Rule 8 of the Commission's *Rules of Procedure and Forms*[6] (the **Rules**), and when this request was complied with on July 31, this e-mail was sent to me. I replied to all parties that this request would be addressed as a preliminary matter at the commencement of the sanctions and costs hearing.

[11] At the beginning of the hearing, I indicated that I was treating the Communique as a motion for my removal as a panel member on the grounds of bias. Staff did not object to the motion being heard on this basis, nor did they object to dispensing with the time periods for the filing of motion materials.

[12] The Respondents limited their arguments to the positions expressed in the Communique, except that they expanded the list to include the treatment of their sales projections in the Merits Decision.

[13] I heard submissions from Mr. Landucci regarding the grounds for my removal. I asked him to provide an explanation of why these assertions supported the view that I was biased in this matter. I indicated that some of his complaints might reflect a misunderstanding of my role as a panel member, and specifically their belief that I supervise conduct of Staff during their investigation. I explained that this was not the case since I was performing an adjudicative function that separated me from any involvement in the investigative functions. I suggested that disagreements on the substance of the Merits Decision and the other matters in the Communique could potentially be addressed by an appeal if they chose to do so. Mr. Landucci said that he would not be appealing but instead would be suing the Commission and a number of Staff members, as well as me, on various grounds through counsel in the United States and Canada. He indicated that counsel in Ontario was ready to file his complaint with the court on the day of the hearing.

[14] I raised with Ms. Chickalo her right to appeal the Merits Decision, if she wished, and she indicated that things had gone too far for that. I also asked her to explain how their assertions pointed to bias. She only added that my discounting of their sales projections based on worldwide sales was inaccurate since they had used US sales as the basis for the projection and stated that they used expert financial analysts and established methodologies in doing so, which should not have been discounted in the Merits Decision. I indicated several times that they could consider appealing if they took issue with the findings in the Merits Decision.

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[6] (2019) 42 OSCB 6528

[15] I took from the Respondents' submissions that they viewed the findings in the Merits Decision and evidentiary rulings as being so contrary to their positions that they believed that it pointed to bias on my part.

[16] Staff expressed the position that all the matters raised by the Respondents reflected disagreements that could be dealt with, if the Respondents chose, through the appeal process. Staff also disagreed with all of the assertions in the Communique.

[17] Section 2 of the Commission's *Adjudication Guideline* describes the standard to be satisfied and process for considering bias by a panel member as follows:

> 2(2) Panel Members have a duty to conduct hearings and render decisions in a fair and impartial manner. The ability to discharge that duty is undermined by actual bias or a reasonable apprehension of bias. The test to be applied in determining whether a reasonable apprehension of bias exists is "would a reasonable and informed person, viewing the matter realistically and practically — and having thought the matter through — conclude that there is bias on the part of the Panel or individual Panel Members impairing their duty to fairly and impartially adjudicate the matter?
>
> Unless the context shows otherwise, actual bias and reasonable apprehension of bias are collectively referred to as "bias" in these Guidelines.
>
> …
>
> 2(5) If a party brings a motion seeking the removal of a Panel Member on grounds of bias, the Panel should provide reasons for its decision on the motion.

[18] Staff drew my attention to several cases addressing assertions of bias, including *Fawad Ul Haq Khan (Re).*[7] Paragraphs 25 to 29 provide a concise description of the relevant principles, synthesizing several authorities, which I adopt:

> [25] It is of "fundamental importance that justice should not only be done, but should manifestly and undoubtedly be seen to be done" (*Re Norshield Asset Management (Canada) Ltd*. (2009), 32 O.S.C.B. 1249 ("*Re Norshield*") at para. 54, citing *R. v. Sussex Justices, Ex parte McCarthy* (1923), [1924] 1 K.B. 256 at 259). Moreover, given the difficulty of determining actual bias, the Commission has held that the applicable test that should be applied is the reasonable apprehension of bias test (*Re Norshield, supra* at para. 53), which has been set out as follows:
>
> > ... the apprehension of bias must be a reasonable one, held by reasonable and right minded persons, applying themselves to the question and obtaining thereon the required information... [The] test is "what would an informed person, viewing the matter

[7] *Fawad Ul Haq Khan (Re),* 2014 ONSEC 3, (2014) 37 OSCB 1035 (***Khan***)

> realistically and practically – and having thought the matter through – conclude. Would he think that it is more likely than not that [the decision-maker], whether consciously or unconsciously, would not decide fairly".
>
> (*Re Norshield, supra* at para. 55, citing *Committee for Justice and Liberty v. Canada (National Energy Board)*, 1976 CanLII 2 (SCC), [1978] 1 S.C.R. 369 at 394).

[26] The Supreme Court of Canada provided further guidance on the application of this test:

> It contains a two-fold objective element: the person considering the alleged bias must be reasonable, and the apprehension of bias itself must also be reasonable in the circumstances of the case.
>
> (*Re Norshield, supra* at para. 60, citing *R. v. R.D.S.,* 1997 CanLII 324 (SCC), [1997] 3 S.C.R. 484 at para. 111).

[27] The Commission has held that when assessing whether a reasonable apprehension of bias exists, the "test is that of a reasonable person informed of all the relevant circumstances; that is, a person who is fully informed of any safeguards in place at the Commission" (*Re Norshield, supra* at para. 68). The threshold for finding real or perceived bias is high – pure conjecture, insinuations or mere impressions are not sufficient – because a finding of a reasonable apprehension of bias calls into question an element of judicial integrity (*Re Norshield, supra* at para. 62; *Arthur v. Canada (Attorney General)*, 2001 FCA 223 (CanLII) at para. 8).

[28] Commissioners are presumed to act "fairly and impartially in discharging their adjudicative responsibilities" (*Re Norshield, supra* at para. 64). This presumption will stand, unless there is any evidence to the contrary (*Re Norshield, supra* at para. 64, aff'd *Re Norshield Asset Management (Canada) Ltd.*, 2011 ONSC 4685 (CanLII), 2011 O.N.S.C. 4685 (Div. Ct.), citing *E.A. Manning Ltd. v. Ontario Securities Commission* (1995), 1995 CanLII 1706 (ON CA), 23 O.R. (3d) 257 (C.A.) at 267).

[29] The Applicants have the onus of proving that a reasonable apprehension of bias exists (*Re Norshield, supra* at para. 61). …

[19] Applying the test set out in the *Adjudication Guideline* and the case law above, a reasonable and informed person, viewing the matter realistically and practically — and having thought the matter through — would conclude that the panel is not biased. A reasonable person would see a panel making findings and rulings

based on the evidence before it and the arguments that it has heard at the merits hearing without bias.

[20] The thrust of the Respondents' arguments on the motion are disagreements with factual findings and evidentiary rulings made at the merits hearing, some of which were not central to the Merits Decision's findings with respect to breaches of the Act. Specifically:

a. Ground #1 deals with the Merits Decision finding with respect to NBW's sales. As set out in the Merits Decision at paragraph 57a.v., the Statement of Allegations in this proceeding did not allege that NBW had "no sales" and paragraph 78 of the Merits Decision found that NBW was involved in "small-scale individual night market sales." The Merits Decision did not make the findings that Mr. Landucci alleges in his bias claim.

b. Ground #2 deals with an evidentiary issue related to Ms. Lavalley's testimony that was addressed at the merits hearing. Paragraph 57b. of the Merits Decision sets out that Mr. Landucci's evidence on this issue was inadmissible as these matters were not put to Ms. Lavalley during her cross-examination.

c. Ground #3 deals with evidence that was presented at the merits hearing relating to who resided in the motel room and the Merits Decision findings relating to the use of the motel. While the Respondents' bias claim focused on a third party who is not named in the Merits Decision, nothing in the Merits Decision turns on this point and the Merits Decision found at paragraph 119 that "Regardless of whether Mr. Landucci resided at this motel, no credible evidence was presented by Mr. Landucci about the business purpose of the use of the motel."

d. Ground #4 deals with the evidentiary ruling in the Merits Decision to exclude the medical evidence provided by Mr. Landucci. Paragraph 57a.iii. of the Merits Decision sets out that Mr. Landucci's evidence was inadmissible as the documents pertained "to his case well after his interview" and "did not provide information containing his condition at the time of this interview." Further, the Merits Decision states at paragraph 68 that "Any differences in evidence given by Mr. Landucci at the merits hearing compared to his investigation interview on May 8, 2018 are not material to my findings."

e. Ground #5 deals with findings made in the Merits Decision with respect to the Respondents' sales projections estimates. I heard evidence about this at the merits hearing and my findings are set out in paragraph 79 of the Merits Decision.

[21] The grounds listed above were already considered and adjudicated on during the merits hearing. Further, none of the breaches of the Act found in the Merits Decision turned on Grounds #1, 2, 3 and 4 above. Regarding Ground #5, I found that the sales projections and estimates were false; they were misrepresentations used to induce recipients of the Marketing Materials to invest

and these findings fall within the expertise of the Commission as a specialized securities tribunal.[8]

[22] Disagreements with a finding in the Merits Decision or an evidentiary ruling does not constitute bias. This has also been acknowledged by the Commission's case law in *Khan*.[9] In that case, the Commission found that a respondent's argument that the Commission is biased because the respondent disagreed with a procedural motion decision made by the Commission was insufficient to establish the existence of a reasonable apprehension of bias.

[23] The Respondents take issue with findings and evidentiary rulings made in the Merits Decision, and the appropriate forum to raise such concerns is on appeal and not at the sanctions and costs hearing. The Merits Decision speaks for itself and the sanctions and costs hearing is not the time to revisit and re-argue findings and evidentiary rulings that were previously made. The Respondents had the chance and did in fact raise all of these issues at the merits hearing and these issues have already been adjudicated. The Respondents have not met the burden to demonstrate actual bias or a reasonable apprehension of bias and I dismiss their motion.

C. Mr. Landucci's Participation

[24] Mr. Landucci participated during the first part of the hearing that dealt with the removal motion. He provided oral submissions on the motion and, while Staff was in the process of providing oral submissions on the motion, Mr. Landucci informed me that he would no longer participate.

[25] I asked Mr. Landucci if he wished to request an adjournment and, if so, when he thought he would be available to resume the hearing. Mr. Landucci explained that he had to go for a medical treatment. He declined to seek an adjournment and could not say when he would be sufficiently recovered from his treatment to participate.[10] He again indicated that the proceedings were a joke[11] and that he would be initiating various legal proceedings against the Commission.[12] On this basis, he elected not to participate further in the hearing.

[26] Mr. Landucci had ample notice of the date of the hearing and opportunities to request an adjournment or inform the Commission of any timing conflicts and medical appointments. The sanctions and costs hearing was scheduled by order on July 3, 2019, a month earlier. He did not inform the Commission of any timing conflict until the day of the actual hearing.

[27] Ms. Chickalo continued to participate in the hearing and, similarly, she did not request an adjournment. I asked Ms. Chickalo if she was in a position to speak for NBW and she said that it would depend on the subject matter, but she was unwilling to say that she was acting as its representative in these proceedings. I concluded that, with Mr. Landucci's departure, NBW was also no longer present at the hearing but that the sanctions and costs hearing should proceed in Mr. Landucci's and NBW's absence. Given the ample notice they had of the sanctions

[8] Merits Decision at paras 79 and 80
[9] *Khan* at para 30
[10] Hearing Transcript, Natural Bee Works Apiaries Inc (Re), August 6, 2019 at 18 line 10 – 19 line 11
[11] Hearing Transcript, Natural Bee Works Apiaries Inc (Re), August 6, 2019 at 16 line 18
[12] Hearing Transcript, Natural Bee Works Apiaries Inc (Re), August 6, 2019 at 14 lines 16-21 and 22 lines 2-17

and costs hearing, Mr. Landucci had the opportunity to request an adjournment in advance and he declined to request an adjournment when I raised the issue with him at the hearing.

D. Ms. Chickalo's Evidence and Submissions

[28] Very early in the morning on the day of the sanctions and costs hearing, the Respondents sent four e-mails to the Registrar that contained written submissions in connection with the sanctions and costs hearing as well as materials proposed to be entered as evidence.

[29] The title of the written submissions stated that "This document constitutes the Response and Reasons from Rinaldo Landucci on behalf of himself and Natural Bee Works (NBW) and from Tawlia Chickalo on behalf of herself." I accepted this document as the joint written submissions of the Respondents for the sanctions and costs hearing, and I explained that these submissions do not constitute documentary evidence but submissions, including a synthesis of the Respondents' views, that I would consider.

[30] With regard to the documents sought to be entered as evidence, Ms. Chickalo was sworn and described the documents accompanying each e-mail sent to the Registrar. Staff did not object to the marking of any of the documents as exhibits, stating that they would make submissions as to the weight to be accorded to them. Each set of documents accompanying consecutive e-mails were entered as a group as exhibits 2 to 5.

[31] Most of the documents entered in evidence were product and price lists and brochure-type materials designed to demonstrate the level of activity that the Respondents claimed NBW had engaged in. Similar evidence was considered at the merits hearing, and Ms. Chickalo was not able to explain how these documents were relevant to sanctions. Rather, they were introduced to challenge the description of the scale of NBW's business in the Merits Decision.

[32] One document was also a revised table of assets from Ms. Chickalo's former business that she claimed to have transferred to NBW in return for consideration equal to the amounts she retained from investors, raising again one of the defences she advanced during the merits hearing. This revised table was also introduced to challenge the finding in the Merits Decision that the amounts received from investors were misappropriated by her for impermissible purposes. Although this evidence was designed primarily to contest findings made in the Merits Decision, I considered it to also be potentially relevant to the amount of disgorgement.

[33] Ms. Chickalo also entered a document from the authority in British Columbia responsible for licensing bee-keepers regarding a survey they were conducting. The document was in the form of an e-mail dated June 7, 2019 addressed from the British Columbia's Provincial Apiculturist to himself. On the face of this document, it was not addressed to Mr. Landucci or anyone else since it seemed to blind-copy other recipients. Ms. Chickalo stated that this document was offered to demonstrate that Mr. Landucci was a registered bee-keeper in British Columbia. Under cross-examination, Ms. Chickalo admitted that she had cut and pasted this document so that it was not in its original form, but in doing so, she omitted to include the name of the entity with whom Mr. Landucci was apparently associated. Under cross-examination, Ms. Chickalo was shown the e-

mail from the authority to Staff indicating that Mr. Landucci was not registered and indicating that only individuals and not entities could be registered bee-keepers.

[34] The e-mail with the accompanying bee-keeper survey was introduced to contest the Merits Decision finding that there was no evidence that Mr. Landucci was registered as a bee-keeper. This is also something that could be potentially raised on an appeal and has little relevance to sanctions. Further, the document was dated June 7, 2019 which falls outside of the Material Time for this proceeding. The irregularities with the document itself also severely limit the weight to be accorded this document, if any, for the purposes for which Ms. Chickalo offered it as evidence.

III. ANALYSIS – SANCTIONS

A. Contraventions of the Act

[35] In the Merits Decision, I found that the Respondents violated Ontario securities law as enumerated in paragraph [1] above.

B. Sanctions Requested by Staff

[36] Staff submits that the following sanctions in respect of each of the Respondents are appropriate and in the public interest in the circumstances of this case.

[37] With respect to market conduct sanctions for Mr. Landucci and Ms. Chickalo, Staff seeks:

a. an order pursuant to paragraph 2 of s. 127(1) of the Act that trading in any securities or derivatives by Mr. Landucci and Ms. Chickalo shall cease permanently;

b. an order pursuant to paragraph 2.1 of s. 127(1) of the Act that the acquisition of any securities by Mr. Landucci and Ms. Chickalo shall cease permanently;

c. an order pursuant to paragraph 3 of s. 127(1) of the Act that any exemptions contained in Ontario securities law do not apply to Mr. Landucci and Ms. Chickalo permanently;

d. an order pursuant to paragraph 6 of s. 127(1) of the Act that Mr. Landucci and Ms. Chickalo be reprimanded;

e. an order pursuant to paragraphs 7, 8.1 and 8.3 of s. 127(1) of the Act that Mr. Landucci and Ms. Chickalo resign any positions that they hold as directors or officers of an issuer, registrant or investment fund manager;

f. an order pursuant to paragraphs 8, 8.2 and 8.4 of s. 127(1) of the Act that Mr. Landucci and Ms. Chickalo are prohibited permanently from becoming or acting as directors or officers of any issuer, registrant or investment fund manager; and

g. an order pursuant to paragraph 8.5 of s. 127(1) of the Act that Mr. Landucci and Ms. Chickalo are prohibited permanently from becoming or acting as registrants, investment fund managers or as promoters.

[38] With respect to NBW, Staff seeks:

a. an order pursuant to paragraph 2 of s. 127(1) of the Act that trading in any securities or derivatives by NBW shall cease permanently;

b. an order pursuant to paragraph 2.1 of s. 127(1) of the Act that the acquisition of any securities by NBW shall cease permanently;

c. an order pursuant to paragraph 3 of s. 127(1) of the Act that any exemptions contained in Ontario securities law do not apply to NBW permanently; and

d. an order pursuant to paragraph 8.5 of s. 127(1) of the Act that NBW is prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter.

[39] Staff submits that carve-outs for personal trading are not appropriate in this case. As the Respondents were involved in fraud and misused investor funds, Staff submits that they therefore cannot be trusted to participate in the capital markets even in a limited capacity.

[40] With respect to financial sanctions, Staff seeks with respect to Mr. Landucci and NBW:

a. an order pursuant to paragraph 9 of s. 127(1) of the Act that Mr. Landucci and NBW, jointly and severally, shall pay an administrative penalty of $500,000, to be allocated to or for the benefit of third parties in accordance with s. 3.4(2)(b) of the Act; and

b. an order pursuant to paragraph 10 of s. 127(1) of the Act that Mr. Landucci and NBW, jointly and severally, shall disgorge to the Commission $234,922, to be allocated to or for the benefit of third parties in accordance with s. 3.4(2)(b) of the Act.

[41] With respect to Ms. Chickalo, Staff seeks:

a. an order pursuant to paragraph 9 of s. 127(1) of the Act that Ms. Chickalo shall pay an administrative penalty of $150,000, to be allocated to or for the benefit of third parties in accordance with s. 3.4(2)(b) of the Act; and

b. an order pursuant to paragraph 10 of s. 127(1) of the Act that Ms. Chickalo shall disgorge to the Commission $32,281, to be allocated to or for the benefit of third parties in accordance with s. 3.4(2)(b) of the Act.

[42] Staff submits that the financial sanctions requested are proportionate to the misconduct of the Respondents and fall within the range of sanctions ordered by the Commission in previous fraud cases of similar magnitude.

C. Respondents' Submissions

[43] The written submissions of the Respondents state that the Respondents will not be paying the financial sanctions sought by Staff. Further, the written submissions state that the Respondents will be filing other lawsuits against the Commission and its Staff and demand that the Commission compensate the Respondents for loss of revenue, among other things.

[44] The Respondents' oral and written submissions essentially take issue with the conduct of the proceedings overall and the findings in the Merits Decision. Instead of focusing on submissions with respect to appropriate sanctions, the submissions focused on disagreements with the findings of the Merits Decision,

many of which reiterated the same arguments raised on the motion to remove me as a panel member.

[45] An exception to the general attack on the Merits Decision that is relevant to sanctions are Ms. Chickalo's submissions that she was relying on Mr. Landucci for the veracity of certain statements found to be fraudulent misrepresentations and did not have direct knowledge of these matters. She states that she later understood that these statements were not to be made to prospective investors. Implicit in these submissions is the view that her reliance on Mr. Landucci should be taken into account when considering appropriate sanctions as she was not the architect of the fraud and they played different roles in the scheme.

[46] The Merits Decision acknowledges that she was a secondary participant in the fraudulent conduct, responsible because of her reckless disregard as to whether those statements were true or false.[13] With regard to the intention to list the securities on the NASDAQ Stock Market, she stated in her evidence and submissions that she stands by the accuracy of that statement.

D. Application of the Relevant Sanctioning Factors

[47] The sanctions listed in s. 127(1) of the Act are protective and are intended to prevent future harm to Ontario's capital markets.

[48] The Commission has identified a non-exhaustive list of factors to be considered with respect to sanctions generally, including the seriousness of the misconduct, the size of the profit made from the illegal conduct, any mitigating factors, and the likely effect that any sanction would have on the respondent ("specific deterrence") as well as on others ("general deterrence"). Sanctions must be proportionate to the respondent's conduct in the circumstances of the case.[14]

[49] The sanctioning factors set out below are most relevant in the circumstances of this case.

1. Seriousness of the Misconduct

[50] Fraud is "one of the most egregious securities law violations" and is both an "affront to the individual investors targeted" and conduct that "decreases confidence in the fairness and efficiency of the entire capital markets system".[15]

[51] In this case, I found the existence of "extravagant deceit" since the misrepresentations made NBW appear to be a very substantial enterprise preparing to list on the NASDAQ Stock Market where, to the contrary, there was no significant evidence provided by the Respondents of work being undertaken to attain such a listing.[16] They portrayed NBW as a substantial company with a multi-million dollar line of credit and with investors lined up to invest in anticipation of a stock market launch but with little or no evidence to support these claims.

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[13] Merits Decision at paras 133 and 134

[14] *Cartaway Resources Corp (Re),* 2004 SCC 26; *Belteco Holdings Inc (Re),* (1998) 21 OSCB 7743 at 7746; and *MCJC Holdings Inc (Re),* (2002) 25 OSCB 1133

[15] *Al-Tar Energy Corp (Re),* 2010 ONSEC 11, (2010) 33 OSCB 5535 (***Al-Tar (Re)***) at para 214

[16] Merits Decision at para 105

[52] Mr. Landucci provided false information regarding the state of development of NBW to Ms. Chickalo knowing that she would use it to solicit investors from her network of contacts, primarily prior candle buyers and friends or both.[17]

[53] Ms. Chickalo implemented this sales effort with these individuals without considering the truth of these statements and was reckless as to their truth or falsehood. She was an officer or director of this company, at various times was in frequent communication with Mr. Landucci, and did not take the most basic precautions in seeking to determine the accuracy of these statements. And, without probing into the accuracy of these statements, she did not consider whether they could appropriately be incorporated in marketing materials for the investment and communicated to her friends and former customers to entice them to invest in NBW.[18]

[54] It was also established that Ms. Chickalo and Mr. Landucci used the proceeds raised for their own personal expenses or purposes not reasonably related to the business described to the investors.

[55] As a result of this scheme, Staff's evidence demonstrated that they were able to match $267,203 of funds in the Respondents' bank accounts to investor payments.[19] In total, 69 individuals invested over a period of approximately nine months. These funds were diverted to the personal use of the Respondents or uses that were inconsistent with the business described to the investors.

[56] Mr. Landucci was the controlling person for NBW and orchestrated this fraudulent scheme.[20]

[57] To this day, the Respondents have not acknowledged their role in the investor losses. They have not returned funds to investors. In fact, the written submissions of the Respondents submit that "every investment includes risk" and implies that the investors should have been prepared to accept this risk. Further, the Respondents written submissions state that Investor CK:

> … actually said many positive statements about Ms. Chickalo's intentions, passion and dedication to the project. The only negative statement she made in testimony was that her request to have her money refunded was not complied with. … [21]

This statement shows a disregard of the harm the Respondents caused to Investor CK.

[58] In my view, these statements demonstrate that the Respondents have not recognized the seriousness of their misconduct.

2. Respondents' Continuing Activities in the Marketplace

[59] At several times during the proceeding, Mr. Landucci indicated that NBW was sold or negotiations were being conducted for its sale to others who would continue the business. The sale of its shares to another party would have been a

[17] Merits Decision at para 113
[18] Merits Decision at para 115
[19] Merits Decision at para 75
[20] Merits Decision at para 134
[21] Respondents' written submissions at 4

direct contravention of the temporary order in place, which continued in effect until the date of the issuance of the sanctions and costs decision.

[60] At other times, Ms. Chickalo indicated that she and Mr. Landucci were moving forward with the business and she supplied numerous product sheets listing products they either were or were intending to market. Since the Respondents used the funds raised from investors to sustain their personal expenses and for other impermissible purposes, I am concerned that they will seek to raise new funds from investors to further these goals. I have concerns that the Respondents may well embark on additional capital-raising activities based on the same types of misrepresentations that they have employed in the past.

[61] These concerns point to a need for sanctions that will act to specifically deter such future activities.

3. The Respondents' Activity was not an Isolated Event

[62] The raising of at least $267,203 from 69 investors over a period of approximately nine months indicates relatively widespread activity given that the source of funds was exclusively from Ms. Chickalo's previous candle customers and/or friends. The unlawful activity was not limited to an isolated event and their statements about their future activities suggests that the temporary order could well have prevented other sales to investors based on the fraudulent misrepresentations they made to solicit NBW's investors. Based on these circumstances, a permanent order is necessary to prevent a recurrence of this misconduct.

4. Size of the Profit

[63] Overall, Mr. Landucci received approximately $234,922 of investor funds through the two personal accounts in his own name and through the NBW account he controlled (funds were transferred through Ms. Chickalo, or in some cases from investors directly into the NBW account). Staff demonstrated that out of the co-mingled funds from investors and other sources deposited in Ms. Chickalo's account, she retained $32,281 of investor funds. The entire amount of $267,203 was devoted either to personal expenditures of the Respondents or to uses that were inconsistent with the uses promised to investors.

[64] Ms. Chickalo's evidence that a portion of these funds was used to pay for a transfer of assets from her prior business to NBW does not point to a reduction in the size of the profit earned since these funds would not have been received but for the deceit the Respondents' engaged in. She received these proceeds and could apply them to her living expenses only because of their misconduct, and those funds are not transformed into legitimate business proceeds merely because she justified their retention as proceeds from the apparent sale of assets in NBW.

[65] The two investor witnesses demonstrated the impact of these losses on them personally. Specifically, Investor CK lost in excess of $100,000 and as a friend of Ms. Chickalo at the time she invested, she testified about the loss and betrayal she experienced.[22] Ms. Chickalo's statements to this investor that she was proud that she went forward with this investment and ignored the concerns expressed

[22] Merits Decision at para 88

by representatives of her bank branch that the proposed investment involved warning signs[23] showed a disturbing lack of concern for this investor's financial wellbeing while benefiting Ms. Chickalo at her friend's expense.

5. Lack of Mitigating Factors

[66] Ms. Chickalo has stated, as a potentially mitigating factor, that she was inexperienced in capital-raising activities and did not know that the information conveyed to her by Mr. Landucci should not be passed on to others. She provided no explanation as to why she, as an officer or director of an issuer, should not have made some investigation into the accuracy of these statements and their appropriate use other than her trust in Mr. Landucci. She asserted that the accuracy of the statements she passed on to these investors were Mr. Landucci's responsibility since he was the one who best knew about these plans. The explanation that it was not her job to know the accuracy of these statements, when she was the only one communicating with the investors, does not afford grounds for these circumstances to be mitigating factors.

[67] The Respondents have not advanced any other mitigating factors with regard to sanctions.

6. Deterrence

[68] As explained earlier, I have significant concerns that these Respondents may continue to engage in improper capital-raising activities unless deterred by strong market prohibitions and other sanctions. Such sanctions are also necessary to provide general deterrence in relation to others who think they can make similar fraudulent misrepresentations or prey on communities similar to those in Ms. Chickalo's network with impunity.

E. Appropriate Sanctions

1. Market Bans

[69] For the reasons given above, each of the Respondents needs to be prohibited from having any significant role in the markets, and Staff's proposed sanctions would have this effect.

[70] At the sanctions and costs hearing, it was pointed out to Ms. Chickalo that the prohibition on being an officer and director of an issuer relates to persons exercising such functions for public or private entities, including NBW or other entities. After this explanation, she did not make any submissions concerning why this was inappropriate.

[71] Similarly, I explained that the prohibition on trading and the acquisition of securities relates to all securities and not just those involved in the business of NBW. I indicated by way of example that it would relate to trading in connection with any account, including a registered retirement account, she or Mr. Landucci might have. Her response was "That is not going to go down well."[24] I then explained to Ms. Chickalo that now was the opportunity to make submissions on this issue. She responded that she did "not have enough knowledge in this field

[23] Merits Decision at para 86 and Hearing Transcript, Natural Bee Works Apiaries Inc (Re), April 23, 2019 at 37 lines 20-27

[24] Hearing Transcript, Natural Bee Works Apiaries Inc (Re), August 6, 2019 at 81 lines 7-8

to really comment" and expressed dismay about the possibility that she would not be allowed to invest in another independent company.[25]

[72] In other cases involving respondents who have engaged in violations of Ontario securities law of a comparable magnitude, the Commission has sometimes granted a respondent a trading carve-out to trade solely through a registered retirement account through a registered dealer who receives a copy of the sanctions order. This has been done in some cases based on the fact that the respondents' misconduct did not involve trading of securities on a marketplace or over-the-counter market as would trading through a registrant on their behalf. Allowing such an exception potentially helps mitigate the risk that respondents will become a charge on society and does not pose a risk to the public. In my view, in this case, a complete prohibition without such a carve-out is unnecessary for specific or general deterrence and I have included this exception even though Ms. Chickalo, after an explanation of the scope of the prohibition, did not specifically ask for it, and Mr. Landucci was no longer participating in the hearing. I will therefore order that Mr. Landucci and Ms. Chickalo shall permanently cease trading securities and derivatives and acquiring securities, except that they may trade securities and derivatives or acquire securities:

a. in a registered retirement savings plan, registered retirement income fund, and/or tax-free savings account (as defined in the *Income Tax Act* (Canada)) at a registered dealer in each their own name of which he or she has the sole beneficial interest;

b. in respect of holdings in each such account described in paragraph a., he or she does not own legally or beneficially more than five percent of the outstanding securities of the class or series of the class in question; and

c. that he or she carries out exclusively through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in his or her name only.

[73] Staff also requested that the Respondents be subject to market bans whereby:

a. Mr. Landucci and Ms. Chickalo resign any positions that they hold as directors or officers of an issuer, registrant or investment fund manager;

b. Mr. Landucci and Ms. Chickalo are prohibited permanently from becoming or acting as directors or officers of any issuer, registrant or investment fund manager; and

c. Mr. Landucci, Ms. Chickalo and NBW are prohibited permanently from becoming or acting as registrants, investment fund managers or as promoters.

[74] In my view, such bans are necessary to ensure that the Respondents are not in positions of influence where they can raise capital for and control and direct any issuer or registrant. However, the inclusion of the term "investment fund manager" is not necessary. As set out by the Commission in previous decisions,[26] the distinction between a "registrant" and "investment fund manager" is

[25] Hearing Transcript, Natural Bee Works Apiaries Inc (Re), August 6, 2019 at 81 lines 15-20

[26] *Meharchand (Re),* 2019 ONSEC 7, (2019) 42 OSCB 1135 at para 65 citing *Inverlake Property Investment Group Inc (Re),* 2018 ONSEC 35, (2018) 41 OSCB 5309 at para 39; and *Vantooren (Re)*, 2018 ONSEC 36, (2018) 41 OSCB 5603 at para 30

unnecessary, given that the definition of "registrant" in s. 1(1) of the Act includes an investment fund manager, by virtue of s. 25(4) of the Act. As a result, the order I shall issue refers to registrants, which term includes investment fund managers.

[75] Staff requests and I agree that the serious misconduct by Mr. Landucci and Ms. Chickalo is deserving of a reprimand, which is set forth in the order resulting from this Decision.

2. Disgorgement

[76] Paragraph 10 of s. 127(1) of the Act provides that if "a person or company has not complied with Ontario securities law," the Commission may, if it determines it to be in the public interest to do so, issue "an order requiring the person or company to disgorge to the Commission any amounts obtained as a result of the non-compliance."

[77] The Commission has set out various factors that it will take into account in determining whether a disgorgement order is appropriate, and if so, in what amount: (a) whether an amount was obtained by a respondent as a result of the non-compliance with Ontario securities law; (b) the seriousness of the misconduct and whether that misconduct caused serious harm, whether directly to original investors or otherwise; (c) whether the amount obtained as a result of the non-compliance is reasonably ascertainable; (d) whether those who suffered losses are likely to be able to obtain redress; and (e) the deterrent effect of a disgorgement order on the Respondents and on other market participants.[27]

[78] The amounts obtained by the Respondents as a result of non-compliance are accurately described in paragraphs 18 to 19 of Staff's written Sanctions and Costs Submissions. As discussed above, these amounts were received as a result fraud, one of the most serious and egregious[28] breaches of the Act.

[79] The amounts described by Staff are ascertainable since the amounts raised from investors that passed through their bank accounts is known with precision, and where these funds were co-mingled with other funds with indeterminate sources in the case of Ms. Chickalo, those additional non-accountable funds were subtracted from the amounts computed by Staff.

[80] Mr. Landucci received $234,922 of investor funds through his two personal bank accounts and through an account in the name of NBW that he controlled. All these funds were received as a result of the fraudulent misrepresentations originating with Mr. Landucci and communicated to the investors by Ms. Chickalo. The Respondents argue in their written submissions that it was not established that these funds were not used for business purposes. The Merits Decision established that the funds were raised based on fraud, a sufficient basis to order disgorgement, and then were misapplied for personal uses or purposes not consistent with the business described to investors, also supporting disgorgement. This fraudulent conduct violates Ontario securities law as established in the Merits Decision and disgorgement may be ordered.

[81] Ms. Chickalo retained $32,281 of investor funds. These funds were also obtained by fraud and also involved a misapplication of funds. Ms. Chickalo's argument

[27] *Pro-Financial Asset Management (Re*), 2018 ONSEC 18, (2018) 41 OSCB 3512 at para 56
[28] *Al-Tar (Re)* at para 214

that these funds were also compensation for assets sold to NBW, although computed like a commission, even if accepted as a rationale for discounting the amount of disgorgement, does not reduce the disgorgement of funds obtained through fraud. In any event, the Merits Decision concludes that these funds were both raised through fraud and misapplied even if they also may have compensated for the transfer of assets.

[82] As to the prospect of redress, as stated in a recent decision of the Commission:

> The onus does not lie on Staff to demonstrate that victims of misconduct are unlikely to obtain redress. The difficulties inherent in such a determination would impose a burden that is inconsistent with the Commission's investor protection mandate. Rather, if the Respondents were to show that those who suffered losses are likely to obtain redress, the Commission might reduce the disgorgement amount, or not order any disgorgement at all.[29]

[83] In this case, no such evidence was brought forward by any of the Respondents.

[84] Ordering disgorgement of the full ascertainable amounts obtained by the Respondents in this fraud is necessary to deter these Respondents and others from engaging in such misconduct in the future.

[85] Since NBW was the entity for which the funds were raised, and since Mr. Landucci controlled NBW, based on the findings against them, NBW is appropriately jointly and severally responsible for the amounts ordered to be disgorged by Mr. Landucci.

[86] Based on the foregoing, it is in the public interest to require Mr. Landucci and NBW to jointly and severally disgorge the amount of $234,922 sought by Staff and for Ms. Chickalo to disgorge the amount of $32,281 sought by Staff.

3. Administrative Penalty

[87] Given the nature of the fraudulent conduct of the Respondents, their statements regarding their future plans for NBW and the absence of any substantial mitigating factors, an administrative penalty against each of the Respondents is necessary in the public interest to both deter future violations by each of them and to deter others from following a similar course of misconduct.

[88] A $500,000 administrative penalty for Mr. Landucci and NBW, imposed on them jointly and severally, as sought by Staff, is at the mid- to higher-end of the range compared to the precedents provided by Staff. Staff cites *Winick (Re)*[30], *Richvale Resources Corp (Re)*[31], *Lehman Brothers and Associates (Re)*[32], *Rezwealth Financial Services Inc (Re)*[33] *and Portfolio Capital Inc (Re)*[34] as

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[29] *Meharchand (Re)* at para 73
[30] *Winick (Re)*, 2013 ONSEC 51, (2013) 37 OSCB 501
[31] *Richvale Resources Corp (Re)*, 2012 ONSEC 40, (2012) 35 OSCB 10699
[32] *Lehman Brothers & Associates Corp (Re),* 2012 ONSEC 15, (2012) 35 OSCB 5357: see sanctions imposed relating to the respondent Greg Marks.
[33] *Rezwealth Financial Services Inc (Re),* 2014 ONSEC 18, (2014) 37 OSCB 6731 (***Rezwealth (Re)***): see sanctions imposed relating to the respondent Sylvan Blackett.
[34] *Portfolio Capital Inc (Re)*, 2015 ONSEC 27, (2015) 38 OSCB 7357: see sanctions imposed relating to the respondent David Rogerson.

providing a reasonable comparison where sanctions are imposed on the directing mind of a fraud, demonstrating a range of administrative penalties of $250,000 to $750,000. An administrative penalty of $500,000 is supported by these cases and is appropriate in the circumstances. In conjunction with the other sanctions imposed, the quantum of the administrative penalty requested by Staff is appropriate based on Mr. Landucci's status as the controlling person of NBW and the finding that he is the architect of the fraudulent scheme and creator of the misrepresentations. In addition, through his deceit, Mr. Landucci received the majority of the investor funds raised.

[89] Staff proposes a lower administrative penalty of $150,000 for Ms. Chickalo, given that she acted with reckless disregard rather than actual knowledge that the fraudulent misrepresentations were false. Her role in the fraud was subordinate to that of Mr. Landucci who originated and passed along to her the fraudulent misrepresentations that she used to raise capital for NBW. Her actions were comparable to the respondents Hanna-Rogerson in *Portfolio Capital Inc (Re)*, Kurichh in *Blue Gold Holdings Ltd (Re)*[35], and the Ramoutars in *Rezwealth (Re)*, who all played supporting but significant roles in carrying out their frauds. The $150,000 administrative penalty is consistent with the sanctions imposed in these cases, I find an administrative penalty of $150,000, in conjunction with the other sanctions imposed on Ms. Chickalo, to be appropriate and proportionate in the circumstances.

IV. ANALYSIS – COSTS

A. Introduction

[90] Staff requests that the Respondents pay some of the costs associated with this proceeding.

[91] Given the Commission's finding that the Respondents did not comply with Ontario securities law, s. 127.1 of the Act empowers the Commission to order them to pay the costs of the investigation and/or hearings in this matter. Such an order is not a sanction; instead, it allows the Commission to recover some of the costs expended in connection with the investigation and hearings.

B. Staff's Request

[92] Staff seeks the following costs:

a. Mr. Landucci and NBW, jointly and severally, pay $187,464.61 for the costs of the investigation and hearing, and

b. Ms. Chickalo pay $80,341.98 for the costs of the investigation and hearing.

[93] The Respondents did not make any submissions as to costs.

C. Relevant Factors

[94] Staff's submissions are persuasive that:

a. the misconduct established in this case was serious and necessitated an appropriate regulatory response;

[35] *Blue Gold Holdings Ltd (Re),* 2016 ONSEC 37, (2016) 39 OSCB 10177

b. Staff conducted itself in an efficient manner. For example, most of Staff's investigator's testimony was provided by affidavit and made available to the Respondents months before the merits hearing in order to give the Respondents time to review this evidence and prepare.[36] The use of affidavit evidence saved hearing time. In addition, Staff only called two investor witnesses, each of whom testified to the financial and emotional impact and harm experienced.

c. the factual basis for all of Staff's allegations were satisfied, notwithstanding that the Merits Decision declined to find a violation of the allegations relating to ss. 38(3) and 126.2 since these allegations were effectively included in the fraud allegation.

[95] The Respondents' conduct did not, in many ways, contribute to an efficient process. Mr. Landucci never provided his address to receive Staff's disclosure notwithstanding repeated promises to do so and an order requiring it. In addition, he never provided a hearing brief as ordered and provided documents very late in the process. Ms. Chickalo also provided certain documents late in the process, although her participation was more orderly than Mr. Landucci and she displayed a greater level of cooperation during the hearing and the pre-hearing stages. Specifically, she attempted to comply with procedural directions, for example, by providing her witness summary. On the other hand, Mr. Landucci failed to provide various documents that would have contributed to a more efficient hearing even when given time extensions to do so. This difference in the promotion of efficiency in the proceeding is reflected in the apportionment of costs: 70% to Mr. Landucci and NBW, jointly and severally, amounting to $187,464.61, and the remainder of 30%, or $80,341.98, to Ms. Chickalo.

[96] Staff employed a conservative approach to costs. They only claimed for the work of two employees for each phase of the proceeding. No time has been claimed for the work of law clerks, articling students or any other staff. A discount of 24.25% has been applied to the actual costs incurred.

D. Conclusion as to Costs

[97] The costs sought by Staff are appropriate and proportionate and reflect the principle that wrongdoers ought to pay some portion of the costs associated with investigations and proceedings.

[98] Staff's proposed basis for apportionment of costs between the Respondents is appropriate based on the conduct of Mr. Landucci and Ms. Chickalo during the investigation and proceeding. I will therefore make the order requested by Staff.

V. CONCLUSION

[99] For the reasons set out above, I shall issue an order as follows:

1. pursuant to paragraph 2 of s. 127(1) of the Act, trading in any securities or derivatives by Mr. Landucci and Ms. Chickalo shall cease permanently, with the exception that they may each trade securities or derivatives:

   (a) in a registered retirement savings plan, registered retirement income fund, and/or tax-free savings account (as defined in the *Income Tax Act*

[36] Merits Decision at para 52

(Canada)) at a registered dealer in each their own name of which he or she has the sole beneficial interest;

(b) in respect of holdings in each such account described in paragraph 1(a), he or she does not own legally or beneficially more than five percent of the outstanding securities of the class or series of the class in question; and

(c) that he or she carries out exclusively through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in his or her name only;

2. pursuant to paragraph 2 of s. 127(1) of the Act, trading in any securities or derivatives by NBW shall cease permanently;

3. pursuant to paragraph 2.1 of s. 127(1) of the Act, the acquisition of any securities by Mr. Landucci and Ms. Chickalo shall cease permanently, with the exception that they may each acquire securities:

(a) in a registered retirement savings plan, registered retirement income fund, and/or tax-free savings account (as defined in the *Income Tax Act* (Canada)) at a registered dealer in each their own name of which he or she has the sole beneficial interest;

(b) in respect of holdings in each such account described in paragraph 3(a), he or she does not own legally or beneficially more than five percent of the outstanding securities of the class or series of the class in question; and

(c) that he or she carries out exclusively through a registered dealer (which dealer must be given a copy of this Order) and through accounts opened in his or her name only;

4. pursuant to paragraph 2.1 of s. 127(1) of the Act, the acquisition of any securities by NBW shall cease permanently;

5. pursuant to paragraph 3 of s. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Mr. Landucci, Ms. Chickalo and NBW permanently;

6. pursuant to paragraph 6 of s. 127(1) of the Act, Mr. Landucci and Ms. Chickalo are reprimanded;

7. pursuant to paragraphs 7 and 8.1 of s. 127(1) of the Act, Mr. Landucci and Ms. Chickalo resign any positions that they hold as directors or officers of an issuer or registrant;

8. pursuant to paragraphs 8 and 8.2 of s. 127(1) of the Act, Mr. Landucci and Ms. Chickalo are prohibited permanently from becoming or acting as directors or officers of any issuer or registrant;

9. pursuant to paragraph 8.5 of s. 127(1) of the Act, Mr. Landucci, Ms. Chickalo and NBW are prohibited permanently from becoming or acting as a registrant or as a promoter;

10. pursuant to paragraph 9 of s. 127(1) of the Act, the Respondents shall pay an administrative penalty of $650,000 to the Commission, as follows:

(a) Mr. Landucci and NBW, jointly and severally, shall pay an administrative penalty of $500,000; and

(b) Ms. Chickalo shall pay an administrative penalty of $150,000;

11. pursuant to paragraph 10 of s. 127(1) of the Act, the Respondents shall disgorge $267,203 to the Commission, as follows:

(a) Mr. Landucci and NBW, jointly and severally, shall disgorge to the Commission $234,922; and

(b) Ms. Chickalo shall disgorge to the Commission $32,281;

12. each of the payments in paragraphs 10 and 11 is designated for allocation or use by the Commission in accordance with s. 3.4(2)(b) of the Act; and

13. pursuant to s. 127.1 of the Act, the Respondents shall pay costs of $267,806.59 to the Commission as follows:

(a) Mr. Landucci and NBW, jointly and severally, shall pay $187,464.61 for the costs of the investigation and hearing; and

(b) Ms. Chickalo shall pay $80,341.98 for the costs of the investigation and hearing.

Dated at Toronto this 25th day of September, 2019.

"D. Grant Vingoe"

D. Grant Vingoe