



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- and -**

**IN THE MATTER OF  
7997698 CANADA INC., carrying on business as  
INTERNATIONAL LEGAL AND ACCOUNTING SERVICES INC., WORLD  
INCUBATION CENTRE, or WIC (ON), JOHN LEE also known as CHIN LEE, and  
MARY HUANG also known as NING-SHENG MARY HUANG**

**- and -**

**IN THE MATTER OF A  
SETTLEMENT AGREEMENT BETWEEN STAFF  
OF THE ONTARIO SECURITIES COMMISSION AND  
7997698 CANADA INC., carrying on business as  
INTERNATIONAL LEGAL AND ACCOUNTING SERVICES INC., WORLD  
INCUBATION CENTRE, or WIC (ON), JOHN LEE also known as CHIN LEE, and  
MARY HUANG also known as NING-SHENG MARY HUANG**

**SETTLEMENT AGREEMENT**

**PART I - INTRODUCTION**

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of 7997698 Canada Inc., carrying on business as International Legal and Accounting Services Inc. (“ILAS”), World Incubation Centre (“WIC”), and WIC (ON) (collectively, “799”), John Lee also known as Chin Lee (“Lee”), and Mary Huang also known as Ning-Sheng Mary Huang (“Huang”) (collectively, the “Respondents”).

## **PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by the Notice of Hearing dated March 11, 2015 (the “Proceeding”) against the Respondents according to the terms and conditions set out in Part VI of this Settlement Agreement (“the Settlement Agreement”). The Respondents agree to the making of an order in the form attached as Schedule “A” (“the Order”), based on the facts set out below.

3. For the purposes of this Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees with the facts as set out in Part III and the conclusion in Part IV of this Settlement Agreement. The Respondents expressly deny that this Settlement Agreement is intended to be an admission of civil liability to any person, and the Respondents expressly deny such liability.

## **PART III – AGREED FACTS**

### **A. OVERVIEW**

4. During the period from October 17, 2011 until May 13, 2013, (the “Relevant Period”), from Ontario, without being registered with the Commission as was required, 799 and Lee solicited and sold shares of 799 to residents of the People’s Republic of China. In addition to investing in a business in Ontario, the documents related to the investment indicated that the investment could qualify the investors to obtain permanent resident status in Canada through the investor stream of the Opportunities Ontario Provincial Nominee Program (“OPNP”).

### **B. BACKGROUND**

5. 799 was incorporated on October 13, 2011 pursuant to the laws of Canada. 799’s registered office is in Welland, Ontario. ILAS, WIC, and WIC (ON) are some of the business names used by the Respondents for 799.

6. During the Relevant Period, Lee and Huang were Ontario residents. During the Relevant Period, Lee and Huang were directors and the directing minds of 799.

### **C. UNREGISTERED TRADING**

7. 799 has never been a reporting issuer in Ontario and has never been registered with the Commission in any capacity. Lee and Huang have never been registered with the Commission in any capacity.

8. During the Relevant Period, from or in Ontario, 799 and Lee solicited, advertised, and sold securities of 799 to residents of the People's Republic of China through the use of 799 sales agents and the 799 web page.

9. 799 and Lee or their agents provided investors with an immigration service agreement with ILAS, an offering memorandum, a subscription agreement for convertible preferred shares or common shares of 799, and, if they invested, a 799 share certificate.

10. The securities of 799 solicited and sold by 799 and Lee were common shares "series" in which each common share was marketed to be sold for \$1,000,000, and 799 preferred shares "series" in which each preferred share was marketed to be sold for \$150,000 or \$225,000.

11. The 799 offering memorandum indicated that, among other things, 799 would build a facility in Welland, Ontario, bring Chinese manufacturers to the facility so that they could market themselves directly to small to medium sized North American retailers, provide adjacent space for the final stage of product assembly, and market the centre to small and medium sized retail businesses in Canada and the United States of America.

12. The shares issued by 799 are "securities" as defined in subsection 1(1) of the Act and, in particular, clauses (a), (b), (e), (g), (i), and/or (n) of that definition.

13. Through 799 and Lee's conduct described above, \$6,779,581 was paid from or on behalf of approximately fifty-six investors into bank accounts controlled by the Respondents in Ontario. A total of \$1,990,000 was repaid to or on behalf of seventeen investors from 799's bank accounts in Ontario. The difference between the funds received by the relevant Ontario bank accounts and the funds repaid is \$4,789,581.

14. During the Relevant Period, 799 and Lee were in the business of selling securities to the public.

15. 799 and Lee's conduct has negatively affected the reputation and integrity of Ontario's capital markets.

#### **D. FREEZE DIRECTIONS AND CEASE TRADE ORDER**

16. On November 21, 2014, the Commission issued six freeze directions pursuant to subsection 126(1) of the Act (collectively, the "Commission Freeze Directions"): three directed at banks holding investor funds, and three directed at the Respondents. The Commission also directed that a Certificate of Direction respecting commercial real property (the "Property Direction") located at 555 Canal Bank Street, Welland, Ontario (the "Property") be registered on title pursuant to clause 126(1)(a) of the Act. The Commission Freeze Directions froze approximately \$3.1 million and 799's interest in the Property. \$1,187,280.60 of investor funds was paid towards the Property.

17. That same day, the Commission issued a temporary order pursuant to subsections 127(1) and (5) of the Act against the Respondents providing that all trading in any securities by the Respondents shall cease, and that the exemptions contained in Ontario securities law do not apply to any of the Respondents (the "Temporary Order").

18. On November 25, 2014, the Commission commenced an application on the Commercial List of the Ontario Superior Court of Justice in Court File CV-14-10768-00CL for an order to continue the Commission Freeze Directions pursuant to subsection 126(5) of the Act (the "Freeze Direction Application"). The Court continued the Commission Freeze Directions by orders made

on December 9, 2014 and on May 28, 2015 until further order of the Court or until the Commission revokes the Commission Freeze Directions or consents to the release of the funds, securities, or property from the Commission Freeze Directions.

19. On July 22, 2015, the Commission extended the Temporary Order to April 29, 2016.

20. An investor group of sixteen investors, another investor, and the beneficial co-owner of the Property have made claims against some or all of the Respondents, and have appeared in the Freeze Direction Application.

21. It is contemplated that, in the Freeze Direction Application, the Court will be asked to issue an order, and that the Commission and the Respondents will consent to such order, for the payment into Court of the funds frozen by the Commission Freeze Directions and additional funds, and to order the implementation of a distribution plan for these funds (the “Court Ordered Distribution Process”). There should be funds within the Court Ordered Distribution Process sufficient to satisfy the claims of 799 investors who paid their investment into Ontario bank accounts.

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

22. By engaging in the conduct described above, 799 and Lee admit and acknowledge that they have breached Ontario securities law, and acknowledge that they have acted contrary to the public interest in that:

- a. During the Relevant Period, 799 and Lee traded and engaged in, or held themselves out as engaging in the business of trading in securities of 799 and/or participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of these securities for valuable consideration, without being registered to trade in securities, in circumstances where there were no exemptions available to the Respondents under the Act, contrary to subsection 25(1) of the Act.

**PART V – RESPONDENT’S POSITION**

23. The Respondents request that the settlement hearing panel consider the following mitigating circumstances:

- a. Huang is prepared to undertake to the Commission to comply with Ontario securities law.

**PART VI – TERMS OF SETTLEMENT**

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

- (a) the Settlement Agreement is approved;
- (b) trading in any securities or derivatives by 799 shall cease for a period of six years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 2 of subsection 127(1) of the Act;
- (c) trading in any securities or derivatives by Lee shall cease for a period of six years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 2 of subsection 127(1) of the Act;
- (d) the acquisition of any securities by 799 is prohibited for a period of six years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- (e) the acquisition of any securities by Lee is prohibited for a period of six years commencing on the date of the Commission’s order approving this Settlement Agreement, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

- (f) any exemptions contained in Ontario securities law do not apply to 799 for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 3 of subsection 127(1) of the Act;
- (g) any exemptions contained in Ontario securities law do not apply to Lee for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 3 of subsection 127(1) of the Act;
- (h) 799 and Lee be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
- (i) Lee resign one or more positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
- (j) Lee resign one or more positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
- (k) Lee resign one or more positions that he holds as a director or officer of an investment fund manager, pursuant to paragraph 8.3 of subsection 127(1) of the Act;
- (l) Lee is prohibited from becoming or acting as a director or officer of any issuer for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act;
- (m) Lee is prohibited from becoming or acting as a director or officer of any registrant for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
- (n) Lee is prohibited from becoming or acting as a director or officer of any investment fund manager for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8.4 of subsection 127(1) of the Act;

- (o) Lee is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
- (p) 799 and Lee pay an administrative penalty on a joint and several basis in the amount of \$50,000, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act;
- (q) 799 and Lee disgorge on a joint and several basis to the Commission the amount of \$4,789,581, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 10 of subsection 127(1) of the Act, which amount shall be subject to reduction equivalent to the amount of 799 investor claims satisfied by the Court Ordered Distribution Process;
- (r) 799 and Lee shall pay costs on a joint and several basis in the amount of \$10,000, pursuant to section 127.1 of the Act;
- (s) Lee's right to (i) call at any residence for the purpose of trading in securities, or (ii) telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in securities, is suspended for six years from commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to subsection 37(1) of the Act; and
- (t) Huang undertakes to the Commission to comply with Ontario securities law.

25. With respect to the payments to be ordered in paragraph 24(p) and (r) above, Lee agrees to make payment of \$60,000 by certified cheque or bank draft when the Commission approves this Settlement Agreement.



26. 799 and Lee undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub-paragraphs (b) to (o) and (s) to (u) above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

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

28. 799 and Lee acknowledge that failure to pay in full any monetary sanctions and/or costs ordered will result in 799 and Lee's names being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the OSC website.

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

## **PART VII – STAFF COMMITMENT**

30. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law against the Respondents in relation to the facts set out in Parts A, B, and C of Part III of this Settlement Agreement, subject to the provisions of paragraph 31 below.

31. If the Commission approves this Settlement Agreement and the Respondents fail to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondents. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement. In addition, if this Settlement Agreement is approved by the Commission, and the

Respondents fail to comply with the terms of the Settlement Agreement, the Commission is entitled to bring any proceedings necessary to recover the amounts set out in paragraphs 24 (p), (q) and (r) above.

#### **PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT**

32. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission on a date agreed to by Staff and the Respondents, according to the procedures set out in this Settlement Agreement and the Commission’s Rules of Procedure.

33. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents’ conduct, unless the parties agree that additional facts should be submitted at the settlement hearing. The parties agree the Commission may be advised of the particulars of the Freeze Direction Application and of the Court Ordered Distribution Process.

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

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

36. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission’s jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

## **PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT**

37. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:

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

38. The parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. The parties agree the Court and the parties to the Freeze Direction Application may be advised of the terms of the Settlement Agreement. Any obligations of confidentiality shall terminate upon the commencement of the public settlement hearing. If, for whatever reason, the Commission does not approve the Settlement Agreement, the terms of the Settlement Agreement remain confidential indefinitely, unless Staff and the Respondents otherwise agree or if required by law.

## **PART X – EXECUTION OF SETTLEMENT AGREEMENT**

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

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

Dated at Toronto this 7th day of April, 2016.

“John Lee”

7997698 Canada Inc., carrying on business as International Legal and Accounting Services Inc., World Incubation Centre, and WIC (ON)

“Eden Kaill”

Eden Kaill [Print]

Witness

Per: John Lee [Print]

I am authorized to bind the corporation.

“John Lee”

John Lee also known as Chin Lee

“Eden Kaill”

Eden Kaill [Print]

Witness

“Mary Huang”

Mary Huang also known as Ning-Sheng Mary Huang

“Eden Kaill”

Eden Kaill [Print]

Witness

“Kelly Gorman”, Deputy Director

per Tom Atkinson

Director, Enforcement Branch

## Schedule “A”



Ontario  
Securities  
Commission

Commission des  
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**IN THE MATTER OF THE *SECURITIES ACT*,  
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- and -

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MARY HUANG also known as NING-SHENG MARY HUANG**

### ORDER

(Subsections 127(1) and 127.1)

**WHEREAS:**

1. on March 11, 2015, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to subsections 127(1) 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 orders, as specified therein, against and in respect of 7997698 Canada Inc., carrying on business as International Legal and Accounting Services Inc. (“ILAS”), World Incubation Centre (“WIC”),

and WIC (ON) (collectively, “799”), John Lee also known as Chin Lee (“Lee”), and Mary Huang also known as Ning-Sheng Mary Huang (“Huang”) (collectively, the “Respondents”). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission (“Staff”) dated March 11, 2015 (the “Statement of Allegations”);

2. the Respondents entered into a Settlement Agreement with Staff dated April 7, 2016 (the “Settlement Agreement”) in which the Respondents agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated March 11, 2015, subject to the approval of the Commission;

3. on [date], the Commission issued a Notice of Hearing to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve a settlement agreement entered into between Staff and the Respondents;

4. On November 25, 2014, the Commission commenced an application pursuant to subsection 126(5) of the Act on the Commercial List of the Ontario Superior Court of Justice in Court File CV-14-10768-00CL (the “Freeze Direction Application”) for an order to continue six freeze directions, made pursuant to subsection 126(1) of the Act, which were issued on November 21, 2014 (collectively, the “Commission Freeze Directions”). It is contemplated that in the Freeze Direction Application, the Court will be asked to issue an order, and that the Commission and the Respondents will consent to such order, for the payment into Court of the funds frozen by the Commission Freeze Directions and additional funds, and to order the implementation of a distribution plan for these funds (the “Court Ordered Distribution Process”);

5. Huang undertakes to comply with Ontario securities law;

6. 799 and Lee acknowledge that failure to pay in full any monetary sanctions and/or costs ordered will result in their names being added to the list of “Respondents Delinquent in Payment of Commission Orders” published on the OSC website;

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

8. the Commission has reviewed the Settlement Agreement, the Notices of Hearing, and the Statement of Allegations of Staff, and heard submissions from Lee, counsel for Huang, and from Staff;

9. the Commission is of the opinion that it is in the public interest to make this Order;

**IT IS ORDERED THAT:**

1. the Settlement Agreement is approved;

2. trading in any securities or derivatives by 799 shall cease for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2 of subsection 127(1) of the Act;

3. trading in any securities or derivatives by Lee shall cease for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2 of subsection 127(1) of the Act;

4. the acquisition of any securities by 799 is prohibited for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2.1 of subsection 127(1) of the Act;

5. the acquisition of any securities by Lee is prohibited for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
6. any exemptions contained in Ontario securities law do not apply to 799 for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 3 of subsection 127(1) of the Act;
7. any exemptions contained in Ontario securities law do not apply to Lee for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 3 of subsection 127(1) of the Act;
8. 799 and Lee be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
9. Lee resign one or more positions that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
10. Lee resign one or more positions that he holds as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
11. Lee resign one or more positions that he holds as a director or officer of an investment fund manager, pursuant to paragraph 8.3 of subsection 127(1) of the Act;
12. Lee is prohibited from becoming or acting as a director or officer of any issuer for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act;
13. Lee is prohibited from becoming or acting as a director or officer of any registrant for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8.2 of subsection 127(1) of the Act;



14. Lee is prohibited from becoming or acting as a director or officer of any investment fund manager for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8.4 of subsection 127(1) of the Act;

15. Lee is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for a period of six years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

16. 799 and Lee pay an administrative penalty on a joint and several basis in the amount of \$50,000, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 9 of subsection 127(1) of the Act;

17. 799 and Lee disgorge on a joint and several basis to the Commission the amount of \$4,789,581, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act, pursuant to paragraph 10 of subsection 127(1) of the Act, which amount shall be subject to reduction equivalent to the amount of 799 investor claims satisfied by the Court Ordered Distribution Process;

18. 799 and Lee shall pay costs on a joint and several basis in the amount of \$10,000, pursuant to section 127.1 of the Act;

19. Lee's right to (i) call at any residence for the purpose of trading in securities, or (ii) telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in securities, is suspended for six years from commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to subsection 37(1) of the Act.

20. With respect to the payments to be ordered in paragraph 16 and 18 above, Lee shall make payment of \$60,000 by certified cheque or bank draft when the Commission approves this Settlement Agreement.

**DATED** at Toronto, this [day] day of [month], [year].

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