



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  
MORGAN DRAGON DEVELOPMENT CORP.,  
JOHN CHEONG (aka KIM MENG CHEONG),  
HERMAN TSE, DEVON RICKETTS  
and MARK GRIFFITHS**

**- and -**

**IN THE MATTER OF  
A SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE ONTARIO SECURITIES COMMISSION and  
MORGAN DRAGON DEVELOPMENT CORP.,  
JOHN CHEONG and HERMAN TSE**

**PART I - INTRODUCTION**

1. By Amended Notice of Hearing dated March 26, 2012, the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing, 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 orders, as specified therein, against Morgan Dragon Development Corp. (“MDDC”), John Cheong (“Cheong”), Herman Tse (“Tse”), Devon Ricketts (“Ricketts”) and Mark Griffiths (“Griffiths”) (collectively, the “Respondents”; MDDC, Cheong and Tse, collectively referred to as the “Settling Respondents”). The Amended Notice of Hearing was issued in connection with the allegations set out in the Statement of Allegations of Staff of the Commission (“Staff”) dated March 22, 2012.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of the Settling Respondents.

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

3. Staff agree to recommend settlement of the proceeding initiated by the Amended Notice of Hearing, dated March 26, 2012, against the Settling Respondents (the “Proceeding”) in accordance with the terms and conditions set out below. The Settling Respondents consent to the making of an order in the form attached as Schedule “A,” based on the facts set out below.

## **PART III – AGREED FACTS**

4. For this proceeding, and any other regulatory proceeding commenced by securities regulatory authorities in Canada, the Settling Respondents agree with the facts as set out in Part III of this Settlement Agreement. To the extent the Settling Respondents do not have direct personal knowledge of certain facts as described below, the Settling Respondents believe the facts to be true and accurate.

5. Unless specifically stated to the contrary, the facts set out in this agreement concern events taking place from September 2007 through July 2011 (the “Material Time”).

## **OVERVIEW**

6. During the Material Time, Cheong and Tse and their employees, including Ricketts and Griffiths, solicited the sale of Limited Partnership Units (“LP Units”), which constituted securities as defined in the Act, from Ontario to residents of Alberta, British Columbia, Saskatchewan and Alberta (“LP Investors”). The majority of the LP Units were sold through MDDC, an Ontario corporation. The LP Units were sold in circumstances where no registration or prospectus exemption was available. Some of the LP Investors would not have met the income

or asset requirements to be accredited investors if the accredited investor exemption had been available in the circumstances.

7. Although MDDC was registered with securities regulators during parts of the Material Time, the majority of the solicitations and sales of the LP Units was conducted through MDDC sales staff who were not registered in any jurisdiction to engage in the business of trading in securities, and who sold securities for MDDC as their primary job function.

## **THE RESPONDENTS**

8. MDDC is a company incorporated pursuant to the laws of Ontario with its head office in Markham, Ontario. MDDC is in the business of promoting and distributing units of limited partnerships that hold and develop interests in real estate in the Province of Saskatchewan.

9. On May 15, 2009, MDDC registered with the Commission as a Limited Market Dealer (“LMD”), and continued its registration with the Commission as an Exempt Market Dealer (“EMD”) on September 28, 2009. On October 5, 2010, MDDC also became registered as an EMD with securities regulators in British Columbia, Alberta and Manitoba. MDDC has not been registered with any securities regulator in any capacity since January 27, 2012.

10. Cheong, also known as Kim Meng Cheong, is an Ontario resident and is the Secretary, the Treasurer, and a Director of MDDC, and also holds the title of Managing Director of the company. From May 15, 2009 until January 27, 2012, Cheong was designated as MDDC’s Dealing Representative. Cheong was also designated as MDDC’s Designated Compliance Officer while MDDC was registered as a Limited Market Dealer, and became the Chief Compliance Officer after MDDC’s transition to the Exempt Market Dealer regime in September 2009. Cheong owns 50% of the shares of MDDC and is a directing mind of the company.

11. Tse is a Saskatchewan resident and is the President and a Director of MDDC. Tse operates MDDC’s Saskatoon office. Tse’s activities were primarily directed to developing the real estate assets in Saskatchewan. He did not have any direct involvement with investors or with the sale of LP Units. From May 15, 2009 until January 27, 2012, Tse was designated as

MDDC's Ultimate Designated Person. Tse owns 50% of the shares of MDDC and is a directing mind of the company.

12. On January 27, 2012, following an opportunity to be heard, the Deputy Director, Compliance and Registrant Regulation Branch, ordered that Cheong, Tse and MDDC were permanently suspended as registrants (the "CRR Decision"). The Deputy Director's findings, in written reasons dated February 10, 2012, included that Cheong, Tse and MDDC had relied on an unavailable prospectus exemption, had failed to collect KYC information and ensure suitability of trades, and had failed to deal fairly, honestly and in good faith with clients.

13. Ricketts is an Ontario resident. Ricketts has never been registered with the Commission in any capacity. Throughout the Material Time, Ricketts was employed by MDDC to sell and solicit the sale of LP Units on behalf of MDDC and to train and supervise a staff of unregistered telephone salespeople engaged in the same activity. During the Material Time, Ricketts held the job title of "Office Manager."

14. Griffiths is an Ontario resident. From April 2008 through July 2011, Griffiths was employed at MDDC selling LP Units with the job titles of "Senior Sales Representative" and "Senior Marketing Consultant." Griffiths has never been registered with the Commission in any capacity.

## **PARTICULARS**

### **Illegal Distribution and Trading Without Registration**

15. The Respondents' distribution of LP Units was accomplished through an organized campaign of telephone solicitation conducted from MDDC's offices in Markham, Ontario. The distribution of LP Units was overseen by Cheong and managed by Ricketts. Sales calls were made by Ricketts, Griffiths and other MDDC sales staff, all of whom were employed to sell securities as their primary job function, and compensated on the basis of a commission of between 8% and 10% of the value of the securities they sold.

16. Ricketts and Griffiths both made cold calls to prospective and existing LP Investors for the sole purpose of selling them LP Units, as well as corresponding with them regarding the purchase of LP Units and coordinating the signing of subscription agreements and the receipt of investor funds by MDDC once LP Units were purchased. Cheong supervised this activity, and also spoke to and corresponded with potential and existing investors for the purpose of selling securities.

17. Except as indicated above, after MDDC, Cheong and Tse registered with the Commission in May 2009, Cheong, Tse and MDDC improperly delegated the tasks of calling and making presentations to investors and assisting investors with filling out forms to unregistered sales representatives. Cheong's direct involvement in the sales process was limited to putting his name on correspondence to investors delivering subscription agreements, offering memoranda and newsletters.

18. In some cases, the Respondents failed to take adequate steps to ensure that the LP Investors were either accredited investors or qualified for any other exemption available under Ontario securities law. In some cases, the Respondents did not adequately explain the definitions of "accredited investor" or "financial assets" or other relevant terms to prospective purchasers, and did not follow up with investors who provided documentation to MDDC in which they purported to rely on exemptions that could not possibly have applied to them.

19. The Respondents sold units in three limited partnerships registered under the *Limited Partnerships Act*, R.S.O. 1990, c. L.16, as amended, which are as follows:

- a. MD Land Pool Limited Partnership ("Phase 1"). The general partner of Phase 1 is Morgan Dragon Capital Fund Inc. ("MDCF"), an Ontario corporation;
- b. MD Land Pool Phase 2 Limited Partnership ("Phase 2"). The general partner of Phase 2 is Morgan Dragon Land Holding Inc. ("MDLH"), an Ontario corporation; and
- c. MD Land Pool Dundurn Limited Partnership ("Dundurn") (Phase 1, Phase 2 and Dundurn are collectively referred to as the "Limited Partnerships"). The general partner of Dundurn is Morgan Dragon Management Inc. ("MDMI"), an Ontario

corporation, (MDCF, MDLH and MDMI are collectively referred to as the “General Partners”).

20. Cheong and Tse each own 50% of the General Partners and are the directing minds of these corporations.

21. From September 2007 through June 2008, the Respondents sold units of Phase 1 to 46 LP Investors and raised approximately \$2,236,000. To date, MDCF has sold \$564,000, net of fees, worth of real estate lots. MDCF has entered into agreements, which have not yet closed, to sell \$1,926,320, net of fees, worth of Phase 1 real estate lots. There is one final real estate lot which has not been sold. It is valued at \$110,000, net of fees.

22. From July 2008 through March 2009, the Respondents sold units of Phase 2 to 38 LP Investors and raised approximately \$2,113,000. MDLH has entered into an agreement, which has not yet closed, to sell all Phase 2 real estate lots. The agreement is valued \$2,508,000, net of fees.

23. From July 30, 2009, through December 31, 2010, the Respondents sold units of Dundurn to at least 39 LP Investors and raised a total of \$898,000. MDMI has not yet sold any Dundurn real estate lots.

24. In total, the Respondents raised approximately \$5,247,000 from the distribution of LP Units.

25. The solicitation and sale of LP Units by the Respondents constituted trading and acts in furtherance of trading, as defined in the Act.

26. The LP Units sold by the Respondents were not previously issued and the trading of such securities was a distribution, as defined in the Act.

27. No preliminary prospectus or prospectus was ever filed by any of the Limited Partnerships or by MDDC, nor was any receipt issued by the Director.

**PART IV - CONDUCT CONTRARY TO THE ACT AND  
CONTRARY TO THE PUBLIC INTEREST**

28. By virtue of the securities-related conduct described above, MDDC admits that:

- (a) From the commencement of the Material Time to May 14, 2009, MDDC engaged in or held itself out as engaging in the business of trading in securities without being registered to do so, in circumstances in which no exemption was available, contrary to s. 25(1)(a) of the Act;
- (b) From May 15, 2009, to the conclusion of the Material Time, MDDC retained employees whose primary job function was to engage in or hold themselves out as engaging in the business of trading in securities without being registered to do so, in circumstances in which no exemption was available, contrary to s. 25(1)(a) of the Act, as that section existed at the time the conduct commenced, and contrary to s. 25(1) of the Act, as subsequently amended on September 28, 2009; and,
- (c) Throughout the Material Time, MDDC distributed securities without a preliminary prospectus and prospectus having been filed and receipts having been issued for them by the Director, and without an exemption from the prospectus requirement, contrary to section 53(1) of the Act.

29. MDDC admits and acknowledges that it acted contrary to the public interest by contravening Ontario securities law as set out in paragraph 28 above.

30. By virtue of the securities-related conduct described above, Cheong admits that

- (a) From the commencement of the Material Time to May 14, 2009, Cheong engaged in or held himself out as engaging in the business of trading in securities without being registered to do so, in circumstances in which no exemption was available, contrary to s. 25(1)(a) of the Act;

- (b) From May 15, 2009, to the conclusion of the Material Time, Cheong retained employees whose primary job function was to engage in or hold themselves out as engaging in the business of trading in securities without being registered to do so, in circumstances in which no exemption was available, contrary to s. 25(1)(a) of the Act, as that section existed at the time the conduct commenced, and contrary to s. 25(1) of the Act, as subsequently amended on September 28, 2009;
- (c) Throughout the Material Time, Cheong distributed securities without a preliminary prospectus and prospectus having been filed and receipts having been issued for them by the Director, and without an exemption from the prospectus requirement, contrary to section 53(1) of the Act; and
- (d) Throughout the Material Time, Cheong, being a director, officer and directing mind of MDDC, did authorize, permit or acquiesce in the commission of the violations of sections 25 and 53 of the Act, as set out above, by MDDC and by the employees of MDDC, contrary to section 129.2 of the Act.

31. Cheong admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in paragraph 30 above.

32. By virtue of the securities-related conduct described above, Tse admits that throughout the Material Time, Tse, being a director, officer and directing mind of MDDC, did authorize, permit or acquiesce in the commission of the violations of sections 25 and 53 of the Act, as set out above, by MDDC and by the employees of MDDC, contrary to section 129.2 of the Act.

33. Tse admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in paragraph 32 above.

#### **PART V – RESPONDENTS’ POSITION**

34. MDDC requests that the settlement hearing panel consider the following mitigating circumstances:



- (a) Cheong has arranged for a local developer to take over the development of Dundurn and to deal with any unsold lots in the other developments and anticipates that MDDC will be wound up after the remaining real estate assets are sold, if not sooner;
- (b) All three General Partners have purchased real estate assets with the funds raised from investors. In the case of Phases 1 and 2, the investors will receive a small profit if the real estate lots that are currently under contract close as scheduled;
- (c) As a result of the CRR Decision described above, MDDC has not been registered with the Commission since January 27, 2012, and is subject to a permanent suspension; and
- (d) Prior to this matter and the CRR Decision, MDDC had no previous record of securities regulatory proceedings against it.

35. Cheong requests that the settlement hearing panel consider the following mitigating circumstances:

- (a) Prior to the settlement hearing in this matter, Cheong will provide Staff with certified funds in the amount of \$10,000 as an initial payment of the administrative penalty and costs order flowing from this settlement agreement;
- (b) All three General Partners have purchased real estate assets with the funds raised from investors. In the case of Phases 1 and 2, the investors will receive a small profit if the real estate lots that are currently under contract close as scheduled;
- (c) As indicated above, Cheong has arranged for a local developer to take over the development of Dundurn and to deal with any unsold lots in the other developments and anticipates that MDDC will be wound up after the remaining real estate assets are sold, if not sooner;
- (d) Cheong did not draw a significant salary from MDDC during the Material Time;

- (e) As a result of the CRR Decision, Cheong has not been registered with the Commission since January 27, 2012, and is subject to a permanent suspension; and
- (f) Prior to this matter and the CRR Decision, Cheong had no previous record of securities regulatory proceedings against him.

36. Tse requests that the settlement hearing panel consider the following mitigating circumstances:

- (a) Prior to the settlement hearing in this matter, Tse will provide Staff with certified funds in the amount of \$5,000 as an initial payment of the administrative penalty and costs order flowing from this settlement agreement;
- (b) All three General Partners have purchased real estate assets with the funds raised from investors. In the case of Phase 1 and 2, the investors will receive a small profit, if the real estate lots that are currently under contract close as scheduled;
- (c) Tse did not draw a significant salary from MDDC during the Material Time;
- (d) As a result of the CRR Decision described above, Tse has not been registered with the Commission since January 27, 2012, and is subject to a permanent suspension; and
- (e) Prior to this matter and the CRR Decision, Tse had no previous record of securities regulatory proceedings against him.

#### **PART VI - TERMS OF SETTLEMENT**

- 37. The Settling Respondents agree to the terms of settlement listed below.
- 38. The Commission will make an order, pursuant to subsection 127(1) of the Act, that:
  - (a) the Settlement Agreement is approved;

(b) trading in any securities by the Settling Respondents shall cease for a period of 5 years from the date of the approval of the Settlement Agreement, except that:

1. immediately following full payment of the administrative penalty and costs orders against him set out herein Cheong shall be permitted to trade securities through a registrant and only for the account of his registered retirement savings plan, as defined in the *Income Tax Act*, 1985, c.1, as amended (the "Income Tax Act"); and,
2. immediately following full payment of the administrative penalty and costs orders against him set out herein Tse shall be permitted to trade securities through a registrant and only for the account of his registered retirement savings plan, as defined in the *Income Tax Act*;

(c) the acquisition of any securities by the Settling Respondents is prohibited for a period of 5 years from the date of the approval of the Settlement Agreement, except that:

1. immediately following full payment of the administrative penalty and costs orders against him set out herein Cheong shall be permitted to purchase securities through a registrant and only for the account of his registered retirement savings plan, as defined in the *Income Tax Act*; and,
2. immediately following full payment of the administrative penalty and costs orders against him set out herein Tse shall be permitted to purchase securities through a registrant and only for the account of his registered retirement savings plan, as defined in the *Income Tax Act*;

(d) any exemptions contained in Ontario securities law do not apply to the Settling Respondents for a period of 5 years from the date of the approval of the Settlement Agreement;

(e) the Settling Respondents are reprimanded;

- (f) the Settling Respondents are prohibited for a period of 5 years from becoming or acting as a registrant;
- (g) Cheong and Tse are prohibited for a period of 5 years from becoming or acting as an investment fund manager or as a promoter;
- (h) Cheong and Tse are prohibited for a period of 5 years from becoming or acting as an officer or director of a registrant or investment fund manager;
- (i) Cheong and Tse shall resign all positions either of them may hold as a director or officer of any of the General Partners and MDDC, or their successors or assignee companies, and are prohibited for a period of 5 years from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of the General Partners or MDDC or their successors or assignee companies;
- (j) The Commission will order a total administrative penalty of \$75,000, for the breaches of Ontario securities law in this matter, payable as follows:
  - 1. Cheong and MDDC shall be jointly and severally liable to pay an administrative penalty in the amount of \$37,500; and
  - 2. Tse and MDDC shall be jointly and severally liable to pay an administrative penalty in the amount of \$37,500;
- (k) The Commission will order that a total amount of \$13,000 shall be payable as investigation and hearing costs in this matter, payable as follows:
  - 1. Cheong and MDDC shall be jointly and severally liable to pay costs in the amount of \$6,500; and
  - 2. Tse and MDDC shall be jointly and severally liable to pay costs in the amount of \$6,500.

39. Any amounts paid to the Commission under the administrative penalty order in this matter shall be allocated to or for the benefit of third parties, in accordance with subsection 3.4(2)(b) of the Act.

40. The Settling Respondents undertake to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 38 above.

#### **PART VII - STAFF COMMITMENT**

41. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against any of the Settling Respondents in relation to the facts set out in Part III herein, subject to the provisions of paragraph 42 below.

42. If this Settlement Agreement is approved by the Commission, and at any subsequent time any of the Settling Respondents fails to comply with any of the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against the particular Settling Respondent based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

43. The Commission remains entitled to bring any proceedings necessary to recover any amounts the Settling Respondents are ordered to pay as a result of any order imposed pursuant to this agreement.

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

44. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and the Settling Respondents for the scheduling of the hearing to consider the Settlement Agreement.

45. Staff and the Settling Respondents agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding the Settling Respondents' conduct in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

46. If this Settlement Agreement is approved by the Commission, the Settling Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

47. If this Settlement Agreement is approved by the Commission, neither Staff nor any of the Settling Respondents will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

48. Whether or not this Settlement Agreement is approved by the Commission, the Settling Respondents agrees that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

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

49. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and the Settling Respondents leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and the Settling Respondents; and
- (b) Staff and the Settling Respondents shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and Statement of Allegations of Staff,

unaffected by the Settlement Agreement or the settlement discussions and negotiations.

50. The terms of this Settlement Agreement will be treated as confidential by all parties hereto, but such obligations of confidentiality shall terminate upon commencement of the public hearing. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of the Settling Respondents and Staff or as may be required by law.

**PART X - EXECUTION OF SETTLEMENT AGREEMENT**

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

52. A facsimile copy of any signature will be as effective as an original signature.

Dated this “8<sup>th</sup>” day of April, 2013.

**STAFF OF THE ONTARIO SECURITIES COMMISSION**

“Tom Atkinson”

Director, Enforcement Branch  
Ontario Securities Commission

Signed in the presence of:

“Bruce O’Toole”

Witness:

“John Cheong”

**John Cheong, Director:**

**Morgan Dragon Development Corp.**

Dated this “8<sup>th</sup>” day of April, 2013

Signed in the presence of:

“Bruce O’Toole”

“John Cheong”

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Witness:

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**John Cheong**

Dated this “10<sup>th</sup>” day of April, 2013

Signed in the presence of:

“Bruce O’Toole”

“Herman Tse”

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Witness:

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**Herman Tse**

Dated this “10<sup>th</sup>” day of April, 2013



Schedule "A"

**IN THE MATTER OF THE *SECURITIES ACT*  
R.S.O. 1990, c.S.5, as amended**

- and -

**IN THE MATTER OF  
MORGAN DRAGON DEVELOPMENT CORP.,  
JOHN CHEONG (aka KIM MENG CHEONG),  
HERMAN TSE, DEVON RICKETTS  
and MARK GRIFFITHS**

- and -

**IN THE MATTER OF  
A SETTLEMENT AGREEMENT BETWEEN  
STAFF OF THE ONTARIO SECURITIES COMMISSION and  
MORGAN DRAGON DEVELOPMENT CORP.,  
JOHN CHEONG and HERMAN TSE**

**ORDER**

**WHEREAS** on March 22, 2012, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* (the "Act") in respect of Morgan Dragon Development Corp. ("MDDC"), John Cheong ("Cheong") and Herman Tse ("Tse") (collectively the "Settling Respondents");

**AND WHEREAS** on March 22, 2012, Staff of the Commission filed a Statement of Allegations;

**AND WHEREAS** on March 26, 2012, Staff of the Commission filed an Amended Notice of Hearing;

**AND WHEREAS** the Settling Respondents entered into a Settlement Agreement dated April 8, 2013 (the "Settlement Agreement") in relation to the matters set out in the Statement of Allegations;

**AND WHEREAS** the Commission issued a Notice of Hearing dated April 8, 2013 setting out that it proposed to consider the Settlement Agreement;

**UPON** reviewing the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and upon considering submissions from the Respondents through their counsel and from Staff of the Commission;

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this Order;

**IT IS HEREBY ORDERED:**

1. the Settlement Agreement is hereby approved;
2. pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by the Settling Respondents shall cease for a period of 5 years from the date of the approval of the Settlement Agreement, except that:
  - (a) immediately following full payment of the administrative penalty and costs orders against him set out herein Cheong shall be permitted to trade securities through a registrant and only for the account of his registered retirement savings plan, as defined in the *Income Tax Act*, 1985, c.1, as amended (the "Income Tax Act"); and,
  - (b) immediately following full payment of the administrative penalty and costs orders against him set out herein Tse shall be permitted to trade securities through a registrant and only for the account of his registered retirement savings plan, as defined in the *Income Tax Act*;

3. pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by the Settling Respondents is prohibited for a period of 5 years from the date of the approval of the Settlement Agreement, except that:
  - (a) immediately following full payment of the administrative penalty and costs orders against him set out herein Cheong shall be permitted to purchase securities through a registrant and only for the account of his registered retirement savings plan, as defined in the Income Tax Act; and,
  - (b) immediately following full payment of the administrative penalty and costs orders against him set out herein Tse shall be permitted to purchase securities through a registrant and only for the account of his registered retirement savings plan, as defined in the Income Tax Act;
4. pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the Settling Respondents for a period of 5 years from the date of the approval of the Settlement Agreement;
5. pursuant to clause 6 of subsection 127(1) of the Act, the Settling Respondents are reprimanded;
6. pursuant to clause 8.5 of subsection 127(1) of the Act, the Settling Respondents are prohibited for a period of 5 years from becoming or acting as a registrant;
7. pursuant to clause 8.5 of subsection 127(1) of the Act, Cheong and Tse are prohibited for a period of 5 years from becoming or acting as an investment fund manager or as a promoter;
8. pursuant to clause 8.4 of subsection 127(1) of the Act, Cheong and Tse are prohibited for a period of 5 years from becoming or acting as a director or officer of a registrant or investment fund manager;

9. pursuant to clauses 7 and 8 of subsection 127(1) of the Act, Cheong and Tse shall resign all positions either of them may hold as a director or officer of MDDC, Morgan Dragon Capital Fund Inc. (“MDCF”), Morgan Dragon Land Holding Inc. (“MDLH”), Morgan Dragon Management Inc. (“MDMI”) (collectively, the “Prohibited Companies”), or any successor or assignee of the Prohibited Companies, and are prohibited for a period of 5 years from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of the Prohibited Companies or their successors or assignee companies;
  
10. pursuant to clause 9 of subsection 127(1) of the Act, the Commission hereby orders a total administrative penalty of \$75,000 for the breaches of Ontario securities law in this matter, to be allocated under section 3.4(2)(b) to or for the benefit of third parties, payable by the Settling Respondents as follows:
  - (a) Cheong and MDDC shall be jointly and severally liable to pay an administrative penalty in the amount of \$37,500; and
  - (b) Tse and MDDC shall be jointly and severally liable to pay an administrative penalty in the amount of \$37,500;
  
11. pursuant to clauses (1) and (2) of section 127.1 of the Act, the Commission hereby orders that a total amount of \$13,000 shall be payable as investigation and hearing costs in this matter, payable by the Settling Respondents as follows:
  - (a) Cheong and MDDC shall be jointly and severally liable to pay costs in the amount of \$6,500; and
  - (b) Tse and MDDC shall be jointly and severally liable to pay costs in the amount of \$6,500.

**DATED** at Toronto this \_\_\_\_\_ of April, 2013.