Ontario Securities Commission
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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
RICHVALE RESOURCE CORPORATION, MARVIN WINICK,
HOWARD BLUMENFELD, JOHN COLONNA, PASQUALE SCHIAVONE,
and SHAFI KHAN

REASONS AND DECISION ON SANCTIONS AND COSTS
(Sections 37, 127 and 127.1 of the *Securities Act*)

Hearing:	June 8 and 22, 2012	
Decision:	November 21, 2012	
Panel:	Edward P. Kerwin	- Commissioner and Chair of the Panel
Appearances:	Jonathan Feasby Christie Johnson	- For the Ontario Securities Commission
		- No one appeared on behalf of Richvale Resource Corporation or Pasquale Schiavone

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I. INTRODUCTION

[1] This was a hearing before the Ontario Securities Commission (the "**Commission**") pursuant to sections 37, 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to consider whether it is in the public interest to make an order with respect to sanctions and costs against Richvale Resource Corporation ("**Richvale**") and Pasquale Schiavone ("**Schiavone**") (collectively, the "**Respondents**").

[2] The hearing on the merits commenced as an oral hearing on October 25, 2011, continued as a written hearing and concluded as an oral hearing on January 12, 2012 (the "**Merits Hearing**"). The decision on the merits was issued on April 25, 2012 (*Re Richvale Resource Corporation* (2012), 35 O.S.C.B. 4286 (the "**Merits Decision**")).

[3] Prior to the Merits Hearing, Marvin Winick ("**Winick**"), Howard Blumenfeld ("**Blumenfeld**"), Shafi Khan ("**Khan**"), and John Colonna ("**Colonna**"), also named as respondents in this matter, settled with the Commission (See *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10805; *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10813; *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10821; and *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10829 respectively ("**Settlement Agreements**")) .

[4] After the release of the Merits Decision, a separate hearing was held on June 8, 2012 and June 22, 2012 to consider submissions from Enforcement Staff of the Commission ("Staff") and the Respondents regarding sanctions and costs (the "**Sanctions and Costs Hearing**").

[5] On June 8, 2012, Staff appeared at the Sanctions and Costs Hearing and requested an adjournment to confirm that Schiavone had received Staff's closing submissions. Schiavone had previously advised the Registrar he would attend the Sanctions and Costs Hearing, but he did not appear or send written materials. The Panel granted a short two week adjournment. On June 22, 2012, Staff appeared at the Sanctions and Costs Hearing and made brief submissions. Staff's submissions were supported by Staff's written submissions on sanctions and costs dated May 30, 2012, the Affidavit of Kathleen McMillan, sworn May 30, 2012 with respect to costs and two Briefs of Authorities. Schiavone did not appear or make submissions.

[6] The Panel is satisfied that the Respondents received notice of the Sanctions and Costs Hearing. In accordance with subsection 7(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, the Panel is satisfied that it was entitled to proceed in the absence of the Respondents.

II. THE MERITS DECISION

[7] In the Merits Decision, *supra* at para. 142, the merits panel concluded that:

(a) Richvale and Schiavone traded in Richvale securities without registration, contrary to present subsection 25(1), former subsection 25(1)(a), of the Act and contrary to the public interest;

(b) Richvale and Schiavone engaged in an illegal distribution of securities contrary to subsection 53(1) of the Act and contrary to the public interest;

(c) Richvale and Schiavone engaged or participated in acts, practices or a course of conduct relating to Richvale shares that they knew or reasonably ought to have known perpetrated a fraud, contrary to subsection 126.1(b) of the Act and contrary to the public interest;

(d) Richvale made prohibited representations contrary to subsection 38(3) of the Act and contrary to the public interest; and

(e) Schiavone authorized, permitted or acquiesced in commission of violations of securities law by Richvale, contrary to section 129.2 of the Act and contrary to the public interest.

III. SANCTIONS AND COSTS REQUESTED BY STAFF

1. Staff's Position

[8] Staff has requested that the following sanctions orders and costs order be made against Richvale:

(a) Richvale cease trading in securities permanently, pursuant to clause 2 of subsection 127(1) of the Act;

(b) the acquisition of any securities by Richvale be prohibited permanently, pursuant to clause 2.1 of subsection 127(1) of the Act;

(c) any exemptions contained in Ontario securities law not apply to Richvale permanently, pursuant to clause 3 of subsection 127(1) of the Act;

(d) Richvale be prohibited permanently from calling at any residence or telephoning from a location in Ontario to a residence in or out of Ontario for the purpose of trading in any security or derivative or in any class of securities or derivatives, pursuant to subsection 37(1) of the Act;

(e) Richvale be jointly and severally liable, together with Schiavone, to disgorge to the Commission $339,000 obtained as a result of its non-compliance with Ontario securities law, pursuant to clause 10 of subsection 127(1) of the Act, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act; and

(f) Richvale pay, on a joint and several basis with Schiavone, $39,666.62 for costs incurred in the hearing, pursuant to section 127.1 of the Act.

[9] Staff has requested that the following sanctions orders and costs order be made against Schiavone:

(a) Schiavone cease trading in securities permanently, pursuant to clause 2 of subsection 127(1) of the Act;

(b) the acquisition of any securities by Schiavone be prohibited permanently, pursuant to clause 2.1 of subsection 127(1) of the Act;

(c) any exemptions contained in Ontario securities law not apply to Schiavone permanently, pursuant to clause 3 of subsection 127(1) of the Act;

(d) Schiavone be reprimanded, pursuant to clause 6 of subsection 127(1) of the Act;

(e) Schiavone resign all positions as director or officer of an issuer, pursuant to clause 7 of subsection 127(1) of the Act;

(f) Schiavone be prohibited permanently from becoming or acting as officer or director of any issuer, registrant or investment fund manager, pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act;

(g) Schiavone be prohibited permanently from calling at any residence or telephoning from a location in Ontario to a residence located in or out of Ontario for the purpose of trading in any security or derivative or in any class of securities or derivatives, pursuant to subsection 37(1) of the Act;

(h) Schiavone pay an administrative penalty of $300,000, pursuant to clause 9 of subsection 127(1) of the Act, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;

(i) Schiavone be jointly and severally liable, together with Richvale, to disgorge $339,000, pursuant to clause 10 of subsection 127(1) of the Act, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act; and

(j) Schiavone pay, on a joint and several basis with Richvale, $39,666.62 for costs incurred in the hearing, pursuant to section 127.1 of the Act.

[10] Staff submitted that the sanctions requested are appropriate in light of the conduct of the Respondents and take into account multiple breaches of the Act. In addition, Staff submitted that their proposed sanctions will deter the Respondents, as well as like-minded individuals, from involvement in similar conduct in the future.

2. The Settlements

[11] As mentioned above, Winick, Blumenfeld, Khan and Colonna (the "**Settling Respondents**") entered into Settlement Agreements, *supra* with Staff. In my view, any sanctions imposed on the Respondents should be proportionate and take into consideration the sanctions imposed on the Settling Respondents in this matter. The following sanctions and costs were ordered against the Settling Respondents:

- Blumenfeld, Winick and Khan to cease trading permanently, and Colonna to cease trading for twenty (20) years, except that following full payment of amounts ordered as disgorgement and administrative penalties, Khan, Winick and Colonna shall be permitted to trade through a registrant in a registered retirement savings plan ("**RRSP**") account and Winick's trading ban shall be reduced to 20 years;

- Blumenfeld, Winick and Khan to cease acquisitions permanently, and Colonna to cease acquisitions for twenty (20) years, except that following full payment of amounts ordered as disgorgement and administrative penalties, Khan, Winick and Colonna shall be permitted to acquire securities through a registrant in an RRSP account and Winick's acquisition ban shall be reduced to 20 years;

- Any exemptions in Ontario securities law do not apply to Blumenfeld, Winick and Khan permanently, and Colonna for twenty (20) years, except that following full payment of amounts ordered as disgorgement and administrative penalties, Khan, Winick and Colonna shall be permitted to use exemptions in connection with trades in his RRSP account and Winick's exemption ban shall be reduced to 20 years;

- Blumenfeld, Winick, Khan and Colonna were reprimanded;

- Blumenfeld, Winick and Khan are prohibited permanently and Colonna is prohibited for twenty (20) years, from becoming or acting as directors or officers of any issuer;

- Blumenfeld, Winick and Khan are prohibited permanently and Colonna is prohibited for twenty (20) years, from becoming or acting as registrants;

- Blumenfeld shall pay $250,000, Winick shall pay $160,000, Khan shall pay $40,000 and Colonna shall pay $65,000 as administrative penalties for non-compliance with Ontario securities law;

- Blumenfeld shall disgorge $113,000, Winick shall disgorge $42,000, Khan shall disgorge $239,000 and Colonna shall disgorge $20,000 as amounts obtained as a result of non-compliance with Ontario securities law; and

- Administrative penalties and disgorgement amounts were ordered to be allocated under s. 3.4(2)(b) of the Act to or for the benefit of third parties.

(*Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10774; *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10775 (the "**Blumenfeld Settlement**"); *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10776; and *Re Richvale Resource Corporation* (2011), 34 O.S.C.B. 10778 (collectively, the "**Richvale Settlement Orders**"))

IV. SANCTIONS ANALYSIS

1. Commission's Mandate and Public Interest

[12] Pursuant to section 1.1 of the Act, the Commission's mandate is to: (i) provide protection to investors from unfair, improper or fraudulent practices; and (ii) foster fair and efficient capital markets and confidence in capital markets. As stated by the Supreme Court of Canada in *Committee for Equal Treatment of Asbestos Minority Shareholders v. Ontario Securities Commission*, [2001] 2 S.C.R. 132 ("***Asbestos***") at para. 42, the Commission's public interest mandate in making an order under section 127 of the Act is neither remedial nor punitive;

instead, it is protective and preventive, and it is intended to prevent future harm to Ontario's capital markets.

[13] The purpose of an order under section 127 of the Act is "to restrain future conduct that is likely to be prejudicial to the public interest in fair and efficient capital markets" and the role of the Commission under section 127 of the Act is "to protect the public interest by removing from the capital markets those whose past conduct is so abusive as to warrant apprehension of future conduct detrimental to the integrity of the capital markets" (*Asbestos, supra* at para. 43).

2. Specific Sanctioning Factors Applicable in this Matter

[14] Deterrence is an important factor that the Commission may consider when determining appropriate sanctions. In *Re Cartaway Resources Corp.*, [2004] 1 S.C.R. 672 at para. 60, the Supreme Court of Canada stated that: "…it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative". This consideration is indifferent as to the degree of culpability, but rather focuses on the harm done and the deterrence that is appropriate.

[15] In determining appropriate sanctions, the Commission is also guided by the factors set out in *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 at paras. 23-26; and *Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 at para. 26). I have taken into account those factors summarized in the following subparagraphs.

a) Seriousness of misconduct and breaches of the Act: Fraud is among the most egregious securities law violations; it decreases confidence in the fairness and efficiency of the capital markets (*Re Al-Tar Energy Corp.* (2010), 33 O.S.C.B. 5535 ("***Al-Tar Merits Decision***") at para. 214). Registration is one of the cornerstones of securities law which serves as a gate-keeping function to ensure only properly qualified individuals are permitted to trade with, or on behalf of, the public (*Gregory & Co. v. Quebec (Securities Commission)*, [1961] S.C.J. No. 38 at p. 4 (QL); *Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 1727 at para. 135). In the Merits Decision *supra*, it was found that Richvale and Schiavone perpetrated and participated in a fraud on investors contrary to subsection 126.1(b) of the Act and engaged in unregistered trading contrary to subsection 25(1), formerly 25(1)(a), of the Act and engaged in the distribution of securities without a prospectus or a prospectus exemption contrary to subsection 53(1) of the Act. Richvale engaged in a deceitful course of conduct, which included its salesperson making prohibited representations to investors, contrary to subsection 38(3) of the Act, and disseminating promotional materials that contained false information. The Respondents also misappropriated investor funds, seventy-eight percent of which were paid to enrich directors, officers or employees of Richvale or withdrawn in cash (Merits Decision, *supra* at para. 111).

b) Level of activity in the marketplace: Richvale sold shares to 27 investors, raising a total of approximately $753,000 (Merits Decision, *supra* at para. 79).

c) Size of profit gained or loss avoided from illegal conduct: Of the approximate $753,000 raised, $380,650 of investor funds were deposited into the Richvale bank account, which Schiavone opened and for which he was signatory (Merits Decision, *supra* at para. 79). As a result of his conduct, Schiavone personally benefitted by: (a) receiving five cheques

totalling $18,300 from Richvale's bank account; (b) writing a cheque for $20,000 from Richvale to a company that Schiavone personally owned; (c) receiving $2,000 worth of pre-paid Mastercards for promotional purposes, which he knew were purchased with investor funds; and (d) receiving a computer and digital camera worth approximately $3,000, which were purchased with investor funds (Merits Decision, *supra* at para. 119). The Respondents should not be allowed to profit from breaches of Ontario securities law.

d) Sanctions imposed on the Settling Respondents: As noted above at paragraph 11, four individual Settling Respondents were ordered to cease trading and acquiring securities and that exemptions would not apply to them, either permanently or for a period of twenty years, subject to certain exceptions for each Settling Respondent other than Blumenfeld. They were further prohibited from becoming or acting as directors or officers of any issuer or from becoming or acting as registrants, either permanently or for a period of twenty years. The Settling Respondents were further ordered to pay administrative penalties ranging from $40,000 to $250,000 and to disgorge various amounts totaling $414,000, (Richvale Settlement Orders, *supra*). I find that Schiavone's involvement is most comparable to Blumenfeld's. Blumenfeld and Schiavone were co-founders of Richvale, co-signatories to Richvale's first bank account and directors of Richvale, or a *de facto* director in the case of Schiavone. I note that Blumefeld was not granted exceptions with respect to trading and market prohibitions. I also note that the monetary sanctions reflect Blumenfeld's acknowledgement of wrongdoing and his cooperation with Staff; those mitigating factors are not present for Schiavone.

e) Specific and general deterrence: Given the seriousness of the conduct, it is important that the Respondents and like-minded individuals engaging in fraudulent activity, through a corporation with no apparent legitimate business purpose, should be deterred from doing so in the future by imposing appropriate sanctions which reflect the harm done to investors.

3. Trading and Other Market Prohibitions

[16] Staff submits it would be appropriate to order the Respondents to cease trading in securities and be prohibited from acquiring securities permanently and that exemptions contained in Ontario securities law not apply to them permanently. According to Staff, Schiavone should not be granted any exception for personal trading in an RRSP account because he cannot be trusted to participate in Ontario's capital markets even in a limited capacity. Staff also seek a permanent prohibition in respect of Richvale and Schiavone's ability to call at a residence or telephone from a location in Ontario to a residence located in or out of Ontario for the purpose of trading in any security.

[17] I agree that the Respondents cannot be trusted to participate in the capital markets. The Respondents raised approximately $753,000 from investors through the sale of securities in contravention of the Act (Merits Decision, *supra* at para. 79). This scheme was found to be fraudulent and affected at least 27 Canadian investors. Furthermore, Richvale deceived investors, disseminated misleading promotional materials in order to sell Richvale shares and solicited potential investors by telephone. Given this misconduct, the Respondents should not be permitted to trade in or acquire securities or rely on exemptions, nor should they be allowed to call at a residence or telephone from a location in Ontario to a residence located in or out of

Ontario for such purposes. To protect the public, I find that it is appropriate to impose these market prohibitions on the Respondents on a permanent basis as requested by Staff.

4. Director and Officer Bans

[18] Staff requests that the Schiavone resign all positions that he may hold as a director or officer of an issuer and that he be permanently prohibited from becoming or acting as a director or officer of any issuer, registrant or investment fund manager. Staff submits that permanent director and officer bans, coupled with permanent trading and exemption prohibitions, are necessary where a respondent violated section 25 and engaged in misleading and deceptive behaviour (*Re Ochnik* (2006), 29 O.S.C.B. 3929 at paras. 108-113).

[19] In the Merits Decision, the panel found that Richvale, of which Schiavone was admittedly the co-founder and president, conducted a fraudulent scheme resulting from: (a) a salesperson of Richvale using aliases to solicit potential investors; (b) Richvale's salesperson leading investors to believe that Richvale was in the business of mining and that the company had achieved positive testing results when in reality Richvale had spent no money on exploration; (c) Richvale's salesperson disseminating promotional materials, including Richvale's Business Summary and website, which contained a number of falsehoods; and (d) the misappropriation of investors' funds, which were intended for the purpose of exploration, but went directly to benefit Richvale directors, officers or employees (Merits Decision, *supra* at paras. 108-112). In *Al-Tar*, the Commission ordered permanent director or officer bans for a fraudulent scheme where a similar amount was raised from sales of shares and investors were harmed (*Re Al-Tar Energy Corp.* (2011), 34 O.S.C.B. 447 ("***Al-Tar Sanctions Decision***") at paras. 12 and 82). In my view, the imposition of permanent director and officer bans requested by Staff will ensure that Schiavone will not be placed in a position of control or trust with respect to any issuer, registrant or investment fund manager in the future.

5. Reprimand

[20] I find it appropriate for Schiavone to be reprimanded given his multiple breaches of Ontario securities law, which include unregistered trading, illegal distribution of securities, fraud and authorizing, permitting or acquiescing in commission of violations of securities law by Richvale (Merits Decision, *supra* at para. 142). A reprimand will provide the appropriate censure of his misconduct and will impress on the public the importance of complying with the Act. Schiavone is hereby reprimanded for the conduct set out in the Merits Decision.

6. Disgorgement

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

(a) whether an amount was obtained by a respondent as a result of non-compliance with the Act;

(b) the seriousness of the misconduct and the breaches of the Act and whether investors were seriously harmed;

(c) whether the amount that a respondent obtained as a result of non-compliance with the Act is reasonably ascertainable;

(d) whether the individuals who suffered losses are likely to be able to obtain redress; and

(e) the deterrent effect of a disgorgement order on the respondents and other market participants.

[22] Richvale raised approximately $753,000 from the illegal distribution of Richvale shares to 27 investors (Merits Decision, *supra* at para. 79). The sales were effected as a result of Richvale's acts of deceit or falsehood including making false and misleading statements to investors about its salesperson's identity, the nature of the business, and the allocation of investor funds (Merits Decision, *supra* at para. 113). The Settling Respondents have been ordered to disgorge various amounts totaling $414,000 under the Richvale Settlement Orders, *supra*. The amount obtained as a result of Richvale's non-compliance with Ontario securities law, which has not otherwise been ordered disgorged, is therefore $339,000.

[23] The Commission has found that where a scheme was wholly fraudulent and the respondent was a director or officer of the company, it is not necessary for the individual respondent to have obtained the funds "personally" for the Commission to order disgorgement (*Re Global Partners Capital* (2011), 34 O.S.C.B. 10023 at paras. 83-84; *Limelight Sanctions Decision*, *supra* at paras. 59-62).

[24] At subparagraph 15 (c) above, it is clear that Schiavone personally benefitted from approximately $43,300 of investor funds. In addition, of the approximate $753,000 raised from investors, a total of $380,650 was deposited into the Richvale bank account for which Schiavone was signatory (Merits Decision, *supra* at para. 79). Schiavone was found to be a *de facto* director and officer of Richvale and admitted to being co-founder, co-signatory to the first bank account and president of Richvale (Merits Decision, *supra* at paras. 135-136, 138 and 141).

[25] I accept Staff's submission that Richvale and Schiavone should be jointly and severally liable for the amount obtained from Richvale investors as a result of non-compliance with the Act, less the amounts that have already been ordered to be disgorged by the Settling Respondents. Given the reasonably ascertainable value of funds personally obtained by Schiavone, I order that Schiavone shall individually disgorge the amount of $43,300 and be jointly and severally be liable with Richvale to disgorge the amount of $295,700 obtained as a result of non-compliance with Ontario securities law.

7. Administrative Penalty

[26] Staff seeks an order for an administrative penalty against Schiavone in the amount of $300,000. Staff submit that this sum is appropriate in the circumstances because Schiavone committed multiple and repeated violations of the Act, including fraud, which caused serious harm to Richvale investors and requires a clear deterrent message.

[27] The panel in the *Limelight Sanctions Decision*, *supra* at para. 67, stated:

> The purpose of an administrative penalty is to deter the particular respondents from engaging in the same or similar conduct in the future and to send a clear

deterrent message to other market participants that the conduct in question will not be tolerated in Ontario capital markets.

[28] Factors to be considered in determining an appropriate administrative penalty include: the scope and seriousness of the misconduct; whether there were multiple and/or repeated breaches of the Act; whether the respondent realized profit as a result of the misconduct; the amount of money raised from investors; and the level of administrative penalties imposed in other cases (*Re Rowan* (2010), 33 O.S.C.B. 91 at para. 67; *Limelight Sanctions Decision, supra* at paras. 71 and 78). Further, I agree that the penalty "may not act as a sufficient deterrent if its magnitude is inadequate compared with the benefit obtained by non-compliance" (*Re Rowan*, *supra* at para. 74).

[29] Schiavone violated several provisions of the Act, including fraud. Repeated violations continued over a one year period. Schiavone personally benefitted and authorized, permitted or acquiesced in the breaches which led to Richvale raising approximately $753,000 from the misconduct. I note that Blumenfeld was ordered to pay a $250,000 administrative penalty for his role as a director of Richvale (Blumenfeld Settlement, *supra*). In a similar case, where a total of $658,109 was raised from investors and the Commission also found breaches of sections 25, 53, 126.1(b) and 129.2 of the Act, it was ordered that the directors of the companies which had breached the Act pay $200,000 and $500,000, respectively (*Al-Tar Merits Decision*, supra at paras. 324-332 and 349; *Al-Tar Sanctions Decision*, supra at paras. 27, 53 and 55).

[30] Under the circumstances, I find that it would be appropriate to order Schiavone to pay an administrative penalty in the amount of $300,000 for his failure to comply with Ontario securities law.

V. COSTS

[31] Pursuant to subsections 127.1(1) and 127.1(2) of the Act, the Commission has discretion to order a person or company to pay the costs of an investigation and hearing if the Commission is satisfied that the person or company has not complied with the Act or has not acted in the public interest. Rule 18.2 of the Commission's *Rules of Procedure* (2010), 33 O.S.C.B. 8017 (the "***Rules of Procedure***") sets out a number of factors a panel may consider in exercising its discretion to order costs.

[32] Staff seeks costs of $39,666.62 on a joint and several basis. The total costs sought include the time of two Staff litigators and costs of copying and printing materials for the Merits Hearing. Costs are requested as incurred from the point that the Settling Respondents were no longer a part of the proceeding, and after which any amounts incurred were solely attributable to the hearing against Schiavone and Richvale. The total does not include investigation costs or costs of the ten additional members of the Enforcement Branch who worked on this matter.

[33] In support of this request, Staff provided written submissions, an affidavit of Kathleen McMillan dated May 30, 2012, supported by a summary timesheet (as required by Rule 18.1(2)(b) of the *Rules of Procedure*) and printing disbursement receipts. The timesheet provided dates, numbers of hours worked and details of the tasks performed by each of the Staff members listed.

[34] I agree with Staff's conservative estimate of costs in the circumstances. I find that it would be appropriate to order Schiavone and Richvale to pay hearing costs of $39,666.62 on a joint and several basis.

VI. CONCLUSION

[35] I consider that it is important in this case to: (1) impose sanctions that reflect the seriousness of the securities law violations that occurred in this matter; and (2) impose sanctions that not only deter the Respondents but also like-minded people from engaging in future conduct that violates securities law.

1. Richvale

[36] I make the following orders against Richvale:

(a) Richvale shall cease trading in securities permanently, pursuant to clause 2 of subsection 127(1) of the Act;

(b) the acquisition of any securities by Richvale is prohibited permanently, pursuant to clause 2.1 of subsection 127(1) of the Act;

(c) any exemptions contained in Ontario securities law do not apply to Richvale permanently, pursuant to clause 3 of subsection 127(1) of the Act;

(d) Richvale is prohibited permanently from calling at any residence or telephoning from a location in Ontario to a residence located in or out of Ontario for the purpose of trading in any security or derivative or in any class of securities or derivatives, pursuant to subsection 37(1) of the Act;

(e) Richvale is jointly and severally liable, together with Schiavone, to disgorge to the Commission the amount of $295,700 obtained as a result of its non-compliance with Ontario securities law, pursuant to clause 10 of subsection 127(1) of the Act, to be designated by the Commission pursuant to subsection 3.4(2)(b) of the Act; and

(f) Richvale shall pay, on a joint and several basis with Schiavone, the amount of $39,666.62 representing costs and disbursements incurred by the Commission in the hearing of this matter, pursuant to subsection 127.1(2) of the Act.

2. Pasquale Schiavone

[37] I make the following orders against Schiavone:

(a) Schiavone shall cease trading in securities permanently, pursuant to clause 2 of subsection 127(1) of the Act;

(b) the acquisition of any securities by Schiavone is prohibited permanently, pursuant to clause 2.1 of subsection 127(1) of the Act;

(c) any exemptions contained in Ontario securities law do not apply to Schiavone permanently, pursuant to clause 3 of subsection 127(1) of the Act;

(d) Schiavone is reprimanded, pursuant to clause 6 of subsection 127(1) of the Act;

(e) Schiavone shall resign all positions as director or officer of an issuer, pursuant to clause 7 of subsection 127(1) of the Act;

(f) Schiavone is prohibited permanently from becoming or acting as officer or director of any issuer, registrant or investment fund manager, pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act;

(g) Schiavone is prohibited permanently from calling at any residence or telephoning from a location in Ontario to a residence located in or out of Ontario for the purpose of trading in any security or derivative or in any class of securities or derivatives, pursuant to subsection 37(1) of the Act;

(h) Schiavone shall pay an administrative penalty in the amount of $300,000, pursuant to clause 9 of subsection 127(1) of the Act, to be designated by the Commission pursuant to subsection 3.4(2)(b) of the Act;

(i) Schiavone shall disgorge the amount of $43,300 individually and shall be jointly and severally liable, together with Richvale, to disgorge the amount of $295,700 obtained as a result of his non-compliance with Ontario securities law, pursuant to clause 10 of subsection 127(1) of the Act, to be designated by the Commission pursuant to subsection 3.4(2)(b) of the Act; and

(j) Schiavone shall pay, on a joint and several basis with Richvale, the amount of $39,666.62 representing costs and disbursements incurred by the Commission in the hearing of this matter, pursuant to subsection 127.1(2) of the Act.

[38] I will issue a separate order giving effect to my decision on sanctions and costs.

Dated this 21st day of November, 2012.

"Edward P. Kerwin"

Edward P. Kerwin