



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor CP 55, 19^e étage
20 Queen Street West 20, rue queen ouest
Toronto ON M5H 3S8 Toronto ON M5H 3S8

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

- AND -

**IN THE MATTER OF
RICHVALE RESOURCE CORPORATION, MARVIN WINICK, HOWARD
BLUMENFELD, JOHN COLONNA, PASQUALE SCHIAVONE, and
SHAFI KHAN**

- AND -

**IN THE MATTER OF A SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION
AND SHAFI KHAN**

PART I – INTRODUCTION

1. By Notice of Hearing dated November 10, 2010, the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Shafi Khan (“Khan” or the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) recommend settlement with the Respondent of the proceeding commenced by Notice of Hearing dated November 10, 2010, (the “Proceeding”) according to the terms and conditions set out in Part VI of this Settlement Agreement. The Respondent agrees to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. For this proceeding, and any other regulatory proceeding commenced by securities regulatory authorities in Canada, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

A. RICHVALE RESOURCE CORPORATION

4. Richvale Resource Corporation (“Richvale”) was incorporated in 2002 under the name Tess Security Services (2002) Inc., and changed names in August 8, 2008, to Richvale Resource Corporation.
5. At all material times, Richvale held itself out to be a mining and exploration company holding, exploring and developing mining interests in the Province of Quebec (the “Mining Claims”).
6. Richvale has never been registered with the Commission in any capacity.
7. Richvale has never filed a prospectus or a preliminary prospectus with the Commission.

B. THE RESPONDENT

8. Khan is a resident of Ontario.
9. At all material times, Khan was an employee of Richvale with the title of Director of Sales. As Director of Sales, Khan’s job responsibilities included soliciting investments in Richvale, promoting Richvale, and engaging in ongoing investor relations.
10. Khan was not a directing mind of Richvale.
11. Khan has no expertise or experience in mining or exploration.
12. Khan invested no money in Richvale.

C. TRADING IN SECURITIES OF RICHVALE

13. Between and including August 8, 2008, and December 31, 2009, (the “Material Time”) in the Toronto area, Khan traded and engaged or held himself out as engaging in the business of trading in securities of Richvale
14. Khan was not registered with the Commission in any capacity during the Material Time.
15. During the Material Time, Khan made unsolicited phone calls to residents of several Canadian provinces and solicited individuals to purchase shares of Richvale. Khan was the principal salesperson of Richvale securities.
16. During the Material Time, approximately \$753,000 (the “Investor Funds”) was received from approximately 27 individuals and companies (collectively, the “Investors”) who purchased shares of Richvale as a result of being solicited by Khan. The Investors were resident in several Canadian provinces.
17. The Investor Funds were sent to bank accounts held by Richvale at the Royal Bank of Canada and the Bank of Nova Scotia (the “Richvale Bank Accounts”). The Richvale Bank Accounts were both located in Ontario.
18. Khan directed all potential investors he solicited by telephone to the Richvale website (the “Website”) for further information about Richvale.
19. The Website contained numerous material misstatements of fact regarding Richvale’s alleged exploration and mining activity, the value of Richvale’s assets, and the nature of Richvale’s operations, as set out in further detail below.
20. Khan also provided potential investors with documentation, including a “Business Summary”, containing further false and misleading information about Richvale.
21. Khan participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of previously unissued securities for valuable consideration, in circumstances where there were no exemptions available under the Act.

D. FRAUDULENT CONDUCT

22. During the Material Time, Khan provided information to the Investors that was false, inaccurate and misleading, including, but not limited to, the following:
- (a) that Khan did not reveal to potential investors that he was receiving a commission of 30 percent of the value of the securities he sold;
 - (b) that Richvale would be going public on a stock exchange in a matter of weeks;
 - (c) that Richvale would “build value by enhancing our operation, building new projects and pursuing exploration opportunities”;
 - (d) that Richvale held the Mining Claims during the Material Time when Richvale had allowed certain of the Mining Claims to expire;
 - (e) that the Website listed the Richvale “Greater Toronto Area Satellite Office” as being located at 8171 Yonge Street, Suite 11, Thornhill, Ontario, and provided office hours and a telephone number for the “Greater Toronto Area Satellite Office” when this address was merely a UPS Store mailbox; and,
 - (f) that content on the Richvale website was false or misleading to investors, including statements with respect to the compensation of directors and/or officers of Richvale and the business experience of directors and/or officers of Richvale, and material copied from the websites of other companies.
23. These false, inaccurate and misleading representations were made with the intention of effecting trades in Richvale securities.
24. Throughout the material period, Khan was selling Richvale securities to members of the public using the aliases “Dave Isaac” and “Sam Binder.”
25. Khan represented to potential investors that the proceeds of the sale of Richvale securities would be used primarily for costs associated with the exploration of the properties owned by Richvale, for ongoing operations and to acquire other properties or entities. However, Khan knew that an amount equal to 30 percent of the proceeds had

been paid to him as commissions and had no specific knowledge of whether the remaining Investor Funds had been spent on ongoing operations and to acquire other properties or entities. Further, Khan reasonably ought to have known that little, if any, of the remaining funds were spent on exploration of the Mining Claims or any other legitimate Richvale business.

26. At no time did Khan visit any of the Mining Claims.
27. During the Material Time, Khan had no direct knowledge of whether there were any valuable minerals on the Mining Claims.
28. Khan engaged in a course of conduct relating to securities that he reasonably ought to have known would result in a fraud on persons purchasing securities of Richvale.
29. On May 18, 2010, Khan attended the offices of the Commission and participated in an examination conducted by Staff. At the commencement of the examination, Khan swore to tell the truth. Khan has reviewed the entire transcript of his May 18, 2010, examination and the exhibits attached and confirms the truth of their contents.

E. BENEFITS ACCRUING TO KHAN

30. Khan and corporations controlled by Khan received at least \$239,000 from Richvale, drawn on Investor Funds in the form of cheques, debit memos and money transfers issued from the Richvale Bank Accounts as commission for conducting the sale of Richvale securities.
31. Portions of these funds are subject to freeze directions (the “Frozen Funds”; the “Freeze Directions”) issued by the Commission on March 19, 2010, and continued by the Superior Court of Justice in the following accounts and amounts:

RBC 5040092:	\$95,846.20
RBC 5041025:	\$446.06
RBC DI 48040:	\$56,555.96
TD 6272956:	\$10,211.66
TD Waterhouse 610060:	\$30,513.70
TD Waterhouse 610060:	\$5,389.79 USD

32. As part of his compensation as Director of Sales, Khan was the beneficiary of an agreement granting him options to purchase Richvale stock.

F. FINANCIAL POSITION OF THE RESPONDENT

33. Khan has provided evidence to Staff that he is of limited financial means and Staff have taken this evidence into account in recommending the administrative penalty in this matter.

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

34. During the Material Time, Khan engaged or participated in acts, practices or course of conduct relating to securities of Richvale that he reasonably ought to have known perpetrated a fraud on persons or companies, contrary to s. 126.1(b) of the Act.
35. During the Material Time, Khan made representations without the written permission of the Director, with the intention of effecting a trade in securities of Richvale, that such security would be listed on a stock exchange or quoted on any quotation and trade reporting system, contrary to s. 38(3) of the Act.
36. During the Material Time, Khan traded and engaged or held himself out as engaging in the business of trading in securities of Richvale in securities without being registered to do so, contrary to s. 25(1) of the Act and its predecessor s. 25(1)(a).
37. During the Material Time, Khan committed acts in furtherance of the trading of securities of Richvale when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to s. 53(1) of the Act.
38. Khan's conduct was contrary to the public interest.

PART V – THE RESPONDENTS' POSITION

39. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances.
- (a) Khan has cooperated with Staff's investigation.

- (b) At the Settlement Hearing and before approval of this Settlement Agreement, Khan will provide Staff with a certified cheque in the amount of \$5,000 to be paid towards the disgorgement order and administrative penalty in this proceeding.
- (c) Khan will provide to Staff, executed directions to the institutions listed in the Freeze Directions, authorizing and instructing those institutions to transfer forthwith all funds, securities and property in those accounts in the name of or under the control of Khan to the Commission towards the satisfaction of the disgorgement order and administrative penalty set out in this Settlement Agreement. Further, upon request of Staff, Khan will forthwith sign any further documents necessary to effect the surrender and transfer of the Frozen Funds to Staff, failing which he acknowledges that he will be in breach of this Settlement Agreement.
- (d) Khan has separately provided to Staff the Affidavit of Shafi Khan, dated October 13, 2011 (the “Statement of Net Worth”), setting out Khan’s net worth based on his assets, liabilities, income and expenses at the present date. Khan hereby confirms that his Statement of Net Worth completely and accurately reflects all assets and income to which he is directly or beneficially entitled, and completely and accurately recites his liabilities and expenses.

PART VII – TERMS OF SETTLEMENT

- 40. The Respondent agrees to the following terms of settlement listed below.
- 41. The Commission will make an order pursuant to sections 127(1) and 127.1 of the Act as follows:
 - (a) the Settlement Agreement is hereby approved;
 - (b) pursuant to clause 2 of subsection 127(1) of the *Act*, Khan shall cease trading in any securities permanently with the exception that immediately following full payment of the disgorgement order and administrative penalty set out herein Khan 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*”);

- (c) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Khan shall cease acquisitions of any securities permanently, except acquisitions undertaken in connection with his registered retirement savings plan account (as defined in the *Income Tax Act*) and only following full payment of the disgorgement order and administrative penalty set out herein;
- (d) pursuant to clause 3 of subsection 127(1) of the *Act*, any exemptions in Ontario securities law do not apply to Khan permanently, except to the extent such exemption is necessary for trades undertaken in connection with his registered retirement savings plan account (as defined in the *Income Tax Act*) through a registrant and only following full payment of the disgorgement order and administrative penalty set out herein;
- (e) pursuant to clause 6 of subsection 127(1) of the *Act*, that Khan be reprimanded;
- (f) pursuant to clause 8 of subsection 127(1) of the *Act*, that Khan is prohibited permanently from becoming or acting as a director or officer of any issuer;
- (g) pursuant to clause 8.5 of subsection 127(1) of the *Act*, that Khan is prohibited permanently from becoming or acting as a registrant;
- (h) pursuant to clause 9 of subsection 127(1) of the *Act*, that Khan pay an administrative penalty in the amount of \$40,000 for his non-compliance with Ontario securities law to be allocated under section 3.4(2)(b) to or for the benefit of third parties;
- (i) pursuant to clause 10 of subsection 127(1) of the *Act*, Khan disgorge to the Commission the amount of \$239,000 to be allocated under section 3.4(2)(b) to or for the benefit of third parties;
- (j) as set out in subparagraphs (h) and (i) above, Khan shall pay a total amount of \$279,000, to be allocated to or for the benefit of third parties under s. 3.4(2) of the *Act*; this amount shall be payable as follows:

- (i) an initial installment of \$5,000 in the form of a certified cheque at the time of the settlement hearing
 - (ii) the transfer of the Frozen Funds to Staff as set out more particularly in paragraph (k), below;
 - (iii) the amount remaining shall be paid in equal quarterly installments over a period of 5 years from the date this Agreement is executed.
- (k) Khan will provide to Staff, executed directions to the institutions listed in the Freeze Directions, authorizing and instructing those institutions to transfer forthwith all funds, securities and property in those accounts in the name of or under the control of Khan to the Commission in satisfaction of the disgorgement and costs awards set out in this Settlement Agreement. Further, upon request of Staff, Khan will forthwith sign any further documents necessary to effect the surrender and transfer of the Frozen Funds to Staff, failing which he will be in breach of this Settlement Agreement.

PART VIII – STAFF COMMITMENT

42. If the Commission approves this Settlement Agreement, Staff will not commence any proceeding under Ontario securities law in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 43, below.
43. If the Commission approves this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Ontario securities law against the Respondent. 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.

PART IX – PROCEDURE FOR APPROVAL OF SETTLEMENT

44. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission, according to the procedures set out in this Settlement Agreement and the Commission's *Rules of Procedure*.
45. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondent's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
46. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
47. Whether or not the Commission approves this Settlement Agreement, Khan will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this 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 X – DISCLOSURE OF SETTLEMENT AGREEMENT

48. 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 Respondent before the settlement hearing takes place will be without prejudice to Staff and the Respondent; and
 - (b) Staff and the Respondent 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.

49. All parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, all parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

50. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.
51. A fax copy of any signature will be treated as an original signature.

DATED this 13th day of October, 2011.

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Tom Atkinson”

Director, Enforcement Branch
Ontario Securities Commission

SHAFI KHAN

“Shafi Khan”

Shafi Khan

Schedule A

**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**

- AND -

**IN THE MATTER OF A SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION
AND SHAFI KHAN**

ORDER

WHEREAS on November 10, 2010, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* (the “Act”) in respect of Shafi Khan (the “Respondent”);

AND WHEREAS on November 10, 2010, Staff of the Commission filed a Statement of Allegations;

AND WHEREAS the Respondent entered into a Settlement Agreement dated October 12, 2011, (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 October , 2011, setting out that it proposed to consider the Settlement Agreement;

UPON reviewing the Settlement Agreement, the Notice of Hearing, the Statement of Allegations, and upon considering submissions from the Respondent 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, PURSUANT TO SECTION 127 OF THE ACT THAT:

1. the Settlement Agreement is hereby approved;
2. pursuant to clause 2 of subsection 127(1) of the Act, Khan shall cease trading in any securities permanently with the exception that immediately following full payment of the disgorgement order and administrative penalty set out herein Khan 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*");
3. pursuant to clause 2.1 of subsection 127(1) of the Act, Khan shall cease acquisitions of any securities permanently, except acquisitions undertaken in connection with his registered retirement savings plan account (as defined in the *Income Tax Act*) and only following full payment of the disgorgement order and administrative penalty set out herein;
4. pursuant to clause 3 of subsection 127(1) of the Act, any exemptions in Ontario securities law do not apply to Khan permanently, except to the extent such exemption is necessary for trades undertaken in connection with his registered retirement savings plan account (as defined in the *Income Tax Act*) through a registrant and only following full payment of the disgorgement order and administrative penalty set out herein;
5. pursuant to clause 6 of subsection 127(1) of the Act, that Khan be reprimanded;

6. pursuant to clause 8 of subsection 127(1) of the Act, that Khan is prohibited permanently from becoming or acting as a director or officer of any issuer;
7. pursuant to clause 8.5 of subsection 127(1) of the Act, that Khan is prohibited permanently from becoming or acting as a registrant;
8. pursuant to clause 9 of subsection 127(1) of the Act, that Khan pay an administrative penalty in the amount of \$40,000 for his non-compliance with Ontario securities law to be allocated under section 3.4(2)(b) to or for the benefit of third parties;
9. pursuant to clause 10 of subsection 127(1) of the Act, Khan disgorge to the Commission the amount of \$239,000 to be allocated under section 3.4(2)(b) to or for the benefit of third parties; and,
10. as set out in subparagraphs (h) and (i) above, Khan shall pay a total amount of \$279,000, to be allocated to or for the benefit of third parties under s. 3.4(2) of the Act, which amount shall be payable as follows:
 - (i) an initial installment of \$5,000 in the form of a certified cheque at the time of the settlement hearing
 - (ii) the transfer of the Frozen Funds to Staff as set out more particularly in paragraph 11, below;
 - (iii) the amount remaining shall be paid in equal quarterly installments over a period of 5 years from the date this Agreement is executed.
11. Khan will provide Staff with all necessary documents, including executed directions to the institutions listed in the Freeze Directions, authorizing and instructing those institutions to transfer forthwith all funds, securities and property in those accounts in the name of or under the control of Khan to the Commission in partial satisfaction of the disgorgement and costs awards set out in this Settlement Agreement. Further, upon request of Staff, Khan will forthwith sign any further documents necessary to

effect the surrender and transfer of the Frozen Funds to Staff, failing which he will be in breach of this Settlement Agreement.

DATED at Toronto this of October, 2011.