



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 IMTIAZ HASHMANI

**SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
and IMTIAZ HASHMANI**

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 section 127 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement between Staff and Imtiaz Hashmani (“Hashmani”) (the “Settlement Agreement”), and to make certain orders in respect of Hashmani.

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing against Hashmani in accordance with the terms and conditions set out below. Hashmani consents to the making of an order against him in the form attached as Schedule “A” on the basis of the facts set out below.

PART III – AGREED FACTS

A. Background

3. During the period between March 2005 and October 12, 2012, Hashmani was the Chief Financial Officer (“CFO”) of MineralFields Management Inc. (“MFMI”), Limited Market Dealer Inc. (“LMDI”) and Pathway Investment Counsel Inc. (“Pathway”) which comprised a group of companies (the “MineralFields Group”). Hashmani was also registered as the Chief Compliance Officer (“CCO”) and as a dealing representative with LMDI. However, he was not the directing mind of any of those companies and played no role in establishing the companies or their ownership structure.

4. The MineralFields Group was involved in the distribution and management of flow-through limited partnership products. These limited partnership products invested primarily in flow-through shares of junior Canadian resource issuers through private placement issues.

5. MFMI was registered in the category of investment fund manager. It acted as the investment fund manager for flow-through limited partnerships which were sold through prospectuses and offering memoranda under the branding of MineralFields, Pathway, and EnergyFields LPs (the “MineralFields LPs”).

6. LMDI was registered as a dealer in the category of exempt market dealer. LMDI sourced private placement issues of resource companies for the MineralFields LPs to invest in, and received a finder’s fee (in cash and/or warrants) from these resource issuers for its services as an agent/finder. LMDI was also involved in negotiating the terms of the private placement issues with management of the resource issuers in connection with the purchase of securities by the MineralFields LPs.

7. Pathway was registered as an adviser in the category of portfolio manager. It was retained to provide portfolio management services to the MineralFields LPs.

8. Between April 28, 2011 and August 31, 2011, Staff conducted reviews of MFMI, LMDI and Pathway (the “Compliance Reviews”) for the period between April 1, 2010 and March 31, 2011 (the “Review Period”). Significant concerns were identified. During the course of the Compliance Reviews, certain matters came to the attention of Staff respecting Hashmani.

9. The Compliance Reviews conducted by Staff revealed that Hashmani breached Ontario securities law and acted contrary to the public interest. In particular:

B. Untrue Statements and Misleading Omissions to the Commission

10. During the Compliance Reviews, it was revealed that the CCO of MFMI and Pathway and the Ultimate Designated Person of MFMI, LMDI and Pathway (the “UDP”) consistently disclosed in regulatory filings with the Commission that he was the 100% owner of the registered firms within the MineralFields Group. In fact, another person (the “Undisclosed Partner”) owned 49.99% of the non-voting shares MFMI and LMDI since inception of these firms until after the Compliance Reviews. The Undisclosed Partner was not registered under the Act in any capacity and was not designated as a “permitted individual” within the meaning of National Instrument 33-109-*Registration Information*.

11. During the Compliance Reviews, Staff made a books and records request that included a request for “a copy of the Registrant’s current organization chart and employee list with telephone numbers.” In response to this request, Hashmani provided to Staff an organizational chart showing the UDP (directly and through his personal companies) as owning 100% of MFMI and LMDI. At the time, Hashmani was the CCO and CFO of LMDI.

12. At that time, Hashmani did not know that the Undisclosed Partner was part-owner of the non-voting shares of MFMI and LMDI. However, Hashmani acknowledges that he ought to have made additional inquiries concerning the ownership structure of the companies in the MineralFields Group prior to submitting the organizational chart.

13. In July 2011, Hashmani participated in making corrective disclosures to Staff.

C. Inadequate Supervision of Personal Trading and Inappropriate Personal Trading

14. In addition to his position as CCO of LMDI, Hashmani was delegated various compliance functions for the registered firms in the MineralFields Group reporting to the UDP. This included monitoring compliance with the MineralFields Group trade pre-clearance policy which required trades to be pre-approved by Hashmani or the UDP.

15. During Review Period, Hashmani failed to monitor and ensure that all trades by access persons to the MineralFields Group firms were pre-approved and complied with Ontario

securities law including provisions respecting insider trading, self-dealing and other conflicts of interest. Hashmani was required to establish, maintain and apply policies and procedures that established a system of controls and supervision to ensure compliance with Ontario securities law which he failed to do.

16. During the Review Period, the UDP sold shares in an issuer ahead of MineralFields LPs at more favourable prices.

17. During the Review Period, Hashmani neglected to pre-clear with the UDP his sale of shares of an issuer at a price that was more favourable than the price at which the MineralFields LPs sold shares of the same issuer. Hashmani sold ahead of the Explorer Fund, one of the MineralFields LPs, by selling 7,500 shares of an issuer at a price of \$2.57 per share on November 22, 2010, while the Explorer Fund sold 100,000 shares of that issuer at a price of \$2.51 on November 24, 2010.

D. Inadequate Supervision of Compliance Activities

18. During the Compliance Reviews, Staff identified deficiencies respecting the inadequate compliance structures in the MineralFields Group. In particular, Hashmani failed to ensure that:

- (a) individuals conducting registerable activities and acting on behalf of the MineralFields Group were properly registered, approved and/or disclosed to the Commission
- (b) adequate portfolio management was performed for clients, including ensuring that a registered adviser was determining the investment terms of private placement transactions entered into by the MineralFields LPs and performing adequate due diligence for all investments;
- (c) sufficient know your client (“KYC”) information was collected for all clients and that MineralFields Group properly discharged their suitability obligations;
- (d) the net asset value (“NAV”) of the funds managed by MFMI were computed correctly;

- (e) the impact of the NAV errors were assessed, documented and rectified in a timely manner;
- (f) reliance on prospectus exemptions was appropriate for all clients;
- (g) conflicts of interest among the MineralFields Group were identified and were adequately managed;
- (h) claims and representations made to clients were accurate and could be substantiated;
- (i) NRD was updated regarding the business locations and trade names used by the MineralFields Group;
- (j) appropriate steps were taken to protect the confidentiality of clients' information;
- (k) adequate insurance coverage was maintained by the MineralFields Group; and
- (l) written policies and procedures were complete and adequately addressed key areas related to each of the MineralFields Group's obligations under Ontario securities law.

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

19. By engaging in the conduct described above, Hashmani admits and acknowledges that he contravened Ontario securities law and acted contrary to the public interest.

PART V - TERMS OF SETTLEMENT

20. Hashmani agrees to the terms of settlement listed below.

21. The Commission will make an order, pursuant to subsection 127(1) and section 127.1 of the Act, that:

- (a) the Settlement Agreement is approved;
- (b) Hashmani resign any position he holds as a director, CCO or UDP of a registrant;
- (c) Hashmani shall be prohibited from becoming or acting as a director or a UDP of a registrant permanently;

- (d) Hashmani shall be prohibited from becoming or acting as a CCO of a registrant for a period of six years commencing on the date of approval of the Settlement Agreement;
- (e) Hashmani shall be prohibited from becoming or acting as a registrant or a “permitted individual” within the meaning of section 1.1 of *National Instrument 33-109*, for a period of two years from the date of the approval of the Settlement Agreement and until Hashmani successfully completes, in addition to any applicable proficiency requirements, Partners, Directors and Senior Officers Course and the Conduct and Practices Handbook Course and, upon such registration, the Respondent will be subject to strict supervision for a period of one year;
- (f) Hashmani is reprimanded;
- (g) Hashmani shall pay an administrative penalty of \$34,000 to the Commission which is designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
- (h) Hashmani shall pay the costs of the Commission’s investigation in the amount of \$6,000; and
- (i) in the event that Hashmani fails to pay the monetary orders in subparagraphs 21(g) and (h) (the “Monetary Orders”), then the six year period referred to in subparagraph 21(d) is extended until the Monetary Orders are paid in full.

22. With respect to sub-paragraphs 20(g) and (h), the Respondent agrees to personally make a payment of \$6,666.66 by certified cheque or bank draft payable to the Ontario Securities Commission within one year of the date when the Commission approves this Settlement Agreement and agrees to pay a further \$6,666.66 by certified cheque or bank draft payable to the Ontario Securities Commission within one year of each preceding payment of \$6,666.66 until the sum of the administrative penalty of \$34,000 and the costs of \$6,000 has been paid in full.

23. In the event that the Respondent fails to make any of the payments in compliance with the payment schedule set out in paragraph 21 then the remaining unpaid balance becomes due and owing immediately.

24. Hashmani undertakes to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all sanctions set out in subparagraphs 20(b) to (e) above.

PART VI - STAFF COMMITMENT

25. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Hashmani in relation to the facts set out in Part III herein, subject to the provisions of paragraph 25 below.

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

PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT

27. 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 Hashmani for the scheduling of the hearing to consider the Settlement Agreement.

28. Staff and Hashmani agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding their conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

29. If this Settlement Agreement is approved by the Commission, Hashmani agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

30. If this Settlement Agreement is approved by the Commission, none of the parties shall make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

31. Whether or not this Settlement Agreement is approved by the Commission, Hashmani agrees that he 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 VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

32. 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 Hashmani leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Hashmani; and
- (b) Staff and Hashmani 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 the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

33. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. 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 Hashmani and Staff or as may be required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

34. This Settlement Agreement may be signed on one or more counterparts which together will constitute a binding agreement.

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

Signed in the presence of:

“Tazim Hashmani”

“Imtiaz Hashmani”

Witness

Imtiaz Hashmani

“Tazim Hashmani”

(Print Name)

Dated this “27th” day of November, 2013

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Tom Atkinson”

Tom Atkinson

Director, Enforcement Branch

Dated this “29th” day of November, 2013.



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Toronto ON M5H 3S8

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20, rue queen ouest
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Schedule "A"

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

- and -

IN THE MATTER OF IMTIAZ HASHMANI

- and -

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE
ONTARIO SECURITIES COMMISSION AND IMTIAZ HASHMANI**

ORDER

(Subsection 127(1) and Section 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in connection with a Statement of Allegations filed by Staff of the Commission ("Staff") to consider whether it is in the public interest to make certain orders against Imtiaz Hashmani;

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

IT IS HEREBY ORDERED THAT:

- (a) the Settlement Agreement is approved;
- (b) pursuant to paragraph 7 of subsection 127(1) of the Act, Hashmani resign any position he holds as a director, Ultimate Designated Person, or Chief Compliance Officer of a registrant;
- (c) pursuant to paragraph 8.2 of subsection 127(1), Hashmani shall be prohibited from acting or becoming a director or an Ultimate Designated Person of a registrant permanently;

- (d) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Hashmani shall be prohibited from becoming or acting as a Chief Compliance Officer of a registrant for a period of six years commencing on the date of approval of the Settlement Agreement;
- (e) pursuant to paragraph 8.2 of subsection 127(1) of the Act, Hashmani shall be prohibited from becoming or acting as a registrant or a “permitted individual” within the meaning of section 1.1 of *National Instrument 33-109*, for a period of two years from the date of the approval of the Settlement Agreement and until Hashmani successfully completes, in addition to any applicable proficiency requirements, Partners, Directors and Senior Officers Course and the Conduct and Practices Handbook Course and, upon such registration, the Respondent will be subject to strict supervision for a period of one year;
- (f) pursuant to paragraph 6 of subsection 127(1) of the Act, Hashmani is reprimanded;
- (g) pursuant to paragraph 9 of subsection 127(1) of the act, Hashmani shall pay an administrative penalty of \$34,000 to the Commission which is designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
- (h) pursuant to section 127.1 of the Act, Hashmani shall pay the costs of the Commission’s investigation in the amount of \$6,000;
- (i) in the event that Hashmani refuses or fails to pay the monetary orders in clauses (g) and (h) of this Order (the “Monetary Orders”), then the six year period referred to in clause (d) is extended until the Monetary Orders are paid in full;
- (j) with respect to clauses (g) and (h) of this Order, the Respondent agrees to personally make a payment of \$6,666.66 by certified cheque or bank draft payable to the Ontario Securities Commission within one year of the date when the Commission approves this Settlement Agreement and agrees to pay a further \$6,666.66 by certified cheque or bank draft payable to the Ontario Securities Commission within one year of each preceding payment of \$6,666.66 until the sum of the administrative penalty of \$34,000 and the costs of \$6,000 has been paid in full; and

- (k) in the event that the Respondent fails to make any of the payments in compliance with the payment schedule set out in clause (j) of this Order then the remaining unpaid balance becomes due and owing immediately.

DATED AT TORONTO this day of November, 2013.
