



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**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**A. Background**

1. During the period between March 2005 and October 12, 2012, Imtiaz Hashmani (“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.

2. 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.

3. 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”).

4. 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.

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

6. 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.

7. 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**

8. 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*.

9. 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.

10. 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.

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

### **C. Inadequate Supervision of Personal Trading and Inappropriate Personal Trading**

12. 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.

13. During the 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.

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

15. 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**

16. 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.

17. Staff allege that by engaging in the conduct described above, Hashmani breached Ontario securities law and acted contrary to the public interest.

18. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto, this 29<sup>th</sup> day of November, 2013