



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

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

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

**THE RESPONDENTS**

1. Tess Security Services (2002) Inc. (“Tess”) was incorporated in Ontario in July, 2002.
2. On August 8, 2008, the corporate name of Tess was changed to Richvale Resource Corporation (“Richvale”).
3. The registered office address for Richvale was care of Marvin Winick (“Winick”) at 14 Pico Crescent, Thornhill, Ontario. This is Winick’s residential address.
4. Winick is a registered Director of Richvale.

5. Howard Blumenfeld is a registered Director of Richvale and the registered Secretary and Treasurer of Richvale. Blumenfeld is a resident of Ontario.
6. John Colonna (“Colonna”) is a resident of Ontario and was a directing mind of Richvale.
7. Pasquale Schiavone (“Schiavone”) is listed in Richvale on the Richvale website and in Richvale promotional material as a Director and the President of Richvale. Schiavone is a resident of the Province of Quebec.
8. Shafi Khan (“Khan”) is a resident of Ontario and was a salesperson of the Richvale securities.

## **II. BACKGROUND**

- **Trading in Securities of Richvale**

9. Staff allege that Richvale, Blumenfeld, Winick, Colonna, Schiavone and Khan (collectively the “Respondents”) traded in securities of Richvale between and including August 8, 2008 and December 31, 2009 (the “Material Time”).
10. During the Material Time, the Respondents traded in securities of Richvale from the Toronto area. Richvale never filed a prospectus or a preliminary prospectus with the Ontario Securities Commission (the “Commission”) and Richvale has never been registered with the Commission.
11. Winick, Blumenfeld, Colonna, Schiavone and Khan were not registered with the Commission in any capacity during the Material Time.
12. Winick, Blumenfeld, Colonna and Schiavone were the directing minds of Richvale during the Material Time (the “Directing Minds”).

13. During the Material Time, residents of several Canadian provinces received unsolicited phone calls from salespersons, agents and representatives of Richvale and were solicited to purchase shares of Richvale.
14. Khan was the principal salesperson of the Richvale securities.
15. The salespersons, agents and representatives of Richvale told potential investors that Richvale would be going public in the future. Potential investors were also told that Richvale owned certain properties in the Province of Quebec.
16. During the Material Time, approximately \$753,000 (the “Investor Funds”) was received from approximately 27 individuals and companies (collectively the “Investors”) that purchased shares of Richvale as a result of being solicited to do so by the salespersons, agents and representatives of Richvale. The Investors were resident in several Canadian provinces.
17. The Investors’ funds (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. The Respondents participated in acts, solicitations, conduct, or negotiations directly or indirectly in furtherance of the sale or disposition of securities for valuable consideration, in circumstances where there were no exemptions available to the Respondents under the *Securities Act*, R.S.O. 1990, c. S. 5, as amended (the “Act”).

- **Fraudulent Conduct**

19. During the Material Time, the Respondents and other employees, representatives or agents of Richvale provided information to the Investors that was false, inaccurate and misleading, including, but not limited to, the following:

- (a) That salespersons of Richvale were paid in Richvale shares and were not paid commissions;
  - (b) The names used by the sales representatives of Richvale were not their true names;
  - (c) That Richvale would be going public on a stock exchange in a matter of weeks;
  - (d) That the net 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;
  - (e) Richvale claimed that they “build value by advancing our operations, building new projects and pursuing exploration opportunities”;
  - (f) That Richvale claimed to hold certain land claims during the Material Time when these land claims had expired; and
  - (g) 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 the Directors and/or Officers of Richvale.
20. The false, inaccurate and misleading representations were made with the intention of effecting trades in Richvale securities.
21. The Richvale website listed the Richvale “Greater Toronto Area Satellite Office” being located at 8171 Yonge Street, Suite 11, Thornhill, Ontario. This address was a UPS Store mailbox.
22. Khan used the aliases “Dave Isaac” and “Sam Binder” when selling Richvale securities to members of the public. The directing minds of Richvale were aware that aliases were being used when Richvale securities were being sold to the public.

23. Some of the Investor Funds were used to make personal interest-free loans to friends of certain of the Directing Minds of Richvale. This was never disclosed to the Investors.
24. Between 30% to 50% of the Investor Funds were paid out as commissions to Khan for the sale of Richvale securities. This was never disclosed to the Investors.
25. Approximately 74% of the Investor Funds were paid out to Khan, Blumenfeld, Winick or removed from Richvale bank accounts in the form of cash.
26. Only 6% of the Investor Funds were used to renew land claims on certain properties in Quebec.
27. Richvale did not engage in any exploration on the properties for which it held land claims.
28. The Respondents and other employees, representatives or agents of Richvale engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons purchasing securities of Richvale.

### **III. Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest**

29. The specific allegations advanced by Staff are:
  - (a) During the Material Time, the Respondents engaged or participated in acts, practices or courses of conduct relating to securities of Richvale that the Respondents knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act and contrary to the public interest;
  - (b) During the Material Time, the Respondents traded in securities without being registered to trade in securities, contrary to section 25(1)(a) of the Act and contrary to the public interest;

- (c) During the Material Time, Richvale, Khan and representatives of Richvale 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 section 38(3) of the Act and contrary to the public interest;
  - (d) During the Material Time, the Respondents traded in 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 section 53(1) of the Act and contrary to the public interest;
  - (e) During the Material Time, Winick, Blumenfeld, Colonna and Schiavone, being directors and/or officers of Richvale, did authorize, permit or acquiesce in the commission of the violations of sections 25, 38, 53 and 126.1 of the Act, as set out above, by Richvale or by the employees, agents or representatives of Richvale, contrary to section 129.2 of the Act and contrary to the public interest;
30. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, November 10, 2010.