



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
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 HOWARD BLUMENFELD**

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 Howard Blumenfeld (“Blumenfeld” 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. Blumenfeld is a resident of Ontario and at all material times held the offices of the corporate secretary and treasurer, and was a director and one of the directing minds of Richvale.
9. Blumenfeld had no knowledge or experience relating to mining or exploration activities.
10. Blumenfeld invested no money in Richvale.

C. TRADING IN SECURITIES OF RICHVALE

11. Between and including August 8, 2008, and December 31, 2009, (the “Material Time”) Blumenfeld traded and engaged or held himself out as engaging in the business of trading in securities of Richvale in the Province of Ontario.

12. Blumenfeld was not registered with the Commission in any capacity during the Material Time.
13. During the Material Time, Blumenfeld was aware that 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. Blumenfeld was aware that 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 (the "Mining Claims").
15. 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 the salespersons, agents and representatives of Richvale. The Investors were resident in several Canadian provinces.
16. Blumenfeld was involved in every direction to Richvale's transfer agent respecting the issuance of Richvale shares out of treasury and was a signatory to all share certificates sent to the Investors.
17. The Investor Funds were sent to bank accounts held by Richvale at the Royal Bank of Canada ("RBC") and the Bank of Nova Scotia (the "Richvale Bank Accounts"). The Richvale Bank Accounts were both located in Ontario.
18. During the Material Time, Blumenfeld was a signatory on both Richvale Bank Accounts.
19. Together with Pasquale Schiavone ("Schiavone"), Blumenfeld was a signatory to Richvale's account at RBC (the "RBC Account"), into which over \$380,000 of Investor Funds were deposited from October 2008 to August 2009.
20. Together with Marvin Winick ("Winick"), Blumenfeld was a signatory to Richvale's account at the Bank of Nova Scotia; (the "BNS Account"), into which over \$370,000 of Investor Funds were deposited, primarily from August to December 2009.

21. As an officer, director and directing mind of Richvale, Blumenfeld 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 AND DISPOSITION OF INVESTOR FUNDS

22. During the Material Time, Blumenfeld and Richvale provided information to the Investors that was false, inaccurate and misleading, including, but not limited to, the following:

- (a) that Richvale would be going public on a stock exchange in a matter of weeks;
- (b) 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;
- (c) that Richvale claimed that they “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 some of the Mining Claims to expire;
- (e) that a certain group of the Mining Claims had a specific valuation of \$2.7 million when there was no such valuation;
- (f) that the Richvale website (the “Website”) listed the Richvale “Greater Toronto Area Satellite Office” as being located at 8171 Yonge Street, Suite 11, Thornhill, Ontario, and listed office hours and a phone number, when this address was merely a UPS Store mailbox; and,
- (g) that content on the 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, including Blumenfeld, and that material on the Website was 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. Blumenfeld spoke to or corresponded personally with at least three Richvale Investors.
25. Throughout the material period, Blumenfeld was aware that a Richvale salesperson, Shafi Khan ("Khan"), was selling Richvale securities to members of the public using the aliases "Dave Isaac" and "Sam Binder."
26. Blumenfeld supplied Khan with documentation for distribution to investors with the intention of effecting trades in Richvale securities, including subscription agreements and a "Business Summary," both containing false and misleading statements about the nature of Richvale's operations. Blumenfeld personally reviewed and signed the subscription agreements.
27. Between 30 and 50 percent of the Investor Funds were paid out as commissions to Khan for selling Richvale's securities. Blumenfeld was aware that neither the existence nor the magnitude of the sales commissions were disclosed to the Investors and took no steps to ensure that Khan made the Investors aware of his commissions.
28. Blumenfeld drafted filings under NI 45-106 that contained false statements about commissions Richvale paid for the sale of its shares. Richvale's completed 45-106 forms indicated "N/A" (not applicable) for "Item 8: Commissions & Finder's Fees" and Blumenfeld filed them with provincial securities regulators despite knowing that Khan received commissions of at least 30 percent for selling Richvale securities.
29. Blumenfeld would pick up cheques sent to Richvale by Investors at the UPS mailbox at 8171 Yonge Street.
30. As an officer, director, directing mind and one of the primary shareholders of Richvale, Blumenfeld was a signatory to an agreement that provided that 30 million shares of Richvale be divided equally among the founders of the company, not one of whom had invested any money in Richvale. Richvale treasury shares were sold to the public at a price of \$0.50 each.

31. Together with the commissions paid to Khan, approximately 70 percent of the Investor Funds were paid out to officers, directors, directing minds or employees of Richvale or removed from the Richvale Bank Accounts in the form of cash. The cash removed from the Richvale Bank Accounts totalled approximately \$205,000 while Blumenfeld was a co-signatory to those accounts.
32. Only 6 percent of the Investor Funds were used to renew any of the Mining Claims.
33. Blumenfeld wrote cheques to cash endorsed with his name totalling \$80,000 and withdrew cash from ATMs totalling \$20,743.
34. Blumenfeld withdrew \$184,840 from the BNS Account, in the form of cash and debit memos.
35. Blumenfeld was responsible for the point of sale purchases from the Richvale Bank Accounts totalling \$11,041.87;
36. Using cash drawn on Investor Funds, Blumenfeld purchased approximately \$9,000 worth of pre-paid credit cards, which he distributed to friends, family members, and other Richvale directors and employees. Blumenfeld personally retained and disposed of \$3,000 worth of these pre-paid credit cards.
37. Blumenfeld received a personal laptop computer and related equipment, which was purchased with Investor Funds for approximately \$3,000 and was not used for purposes related to Richvale.
38. The majority of the Investor Funds withdrawn from the Richvale Accounts cannot be accounted for.
39. Blumenfeld's failure to account for the disposition of Investor Funds withdrawn in cash has been considered by Staff in recommending an appropriate administrative penalty in this matter.
40. Blumenfeld engaged in a course of conduct relating to securities that, as a directing mind and officer of Richvale, he knew would result in a fraud on persons purchasing securities of Richvale.

E. BENEFITS ACCRUING TO AND AMOUNTS OBTAINED BY BLUMENFELD

41. As an officer and directing mind and one of the founders of Richvale, Blumenfeld was allotted 3.75 million shares of Richvale, as well as stock options.
42. Blumenfeld acknowledges retaining cash and benefits purchased with Richvale Investor Funds amounting to a total value of \$113,000 for personal purposes.

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

43. During the Material Time, Blumenfeld engaged or participated in acts, practices or a course of conduct relating to securities of Richvale that he knew perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the Act.
44. During the Material Time, Blumenfeld 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 section 25(1) of the Act and its predecessor s. 25(1)(a).
45. During the Material Time, as a directing mind of Richvale, Blumenfeld acquiesced to representatives of Richvale making 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.
46. During the Material Time, Blumenfeld 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 section 53(1) of the Act.
47. During the Material Time, Blumenfeld, being an officer, director and directing mind of Richvale, authorized, permitted or acquiesced 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.
48. Blumenfeld's conduct was contrary to the public interest.

PART V – THE RESPONDENT’S POSITION

49. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances:
- Blumenfeld has never been the subject of a securities-related proceeding; and
 - at the Settlement Hearing and before approval of this Settlement Agreement, Blumenfeld will provide Staff with certified funds in the amount of \$15,000 to be paid towards the disgorgement order and administrative penalty in this proceeding.

PART VI – TERMS OF SETTLEMENT

50. The Respondent agrees to the following terms of settlement listed below.
51. 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*, Blumenfeld shall cease trading in any securities permanently;
 - (c) pursuant to clause 2.1 of subsection 127(1) of the *Act*, Blumenfeld shall cease acquisitions of any securities permanently;
 - (d) pursuant to clause 3 of subsection 127(1) of the *Act*, any exemptions in Ontario securities law do not apply to Blumenfeld permanently;
 - (e) pursuant to clause 6 of subsection 127(1) of the *Act*, that Blumenfeld be reprimanded;
 - (f) pursuant to clause 8 of subsection 127(1) of the *Act*, that Blumenfeld 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 Blumenfeld is prohibited permanently from becoming or acting as a registrant;
- (h) pursuant to clause 9 of subsection 127(1) of the *Act*, that Blumenfeld pay an administrative penalty in the amount of \$250,000 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; and,
- (i) pursuant to clause 10 of subsection 127(1) of the *Act*, Blumenfeld disgorge to the Commission the amount of \$113,000 to be allocated under section 3.4(2)(b) to or for the benefit of third parties.

PART VII – STAFF COMMITMENT

- 52. 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 53, below.
- 53. 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 VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

- 54. 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*.
- 55. 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.

56. 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.
57. Whether or not the Commission approves this Settlement Agreement, Blumenfeld 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 IX – DISCLOSURE OF SETTLEMENT AGREEMENT

58. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule "A" to this Settlement Agreement:
- 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
 - 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.
59. 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

60. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

61. 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

HOWARD BLUMENFELD

“Howard Blumenfeld”

Howard Blumenfeld

Schedule A

**IN THE MATTER OF THE *SECURITIES ACT*,
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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 Howard Blumenfeld (“Blumenfeld” or the “Respondent”);

AND WHEREAS on November 10, 2010, Staff of the Commission (“Staff”) filed a Statement of Allegations and on September 13, 2011, Staff filed an Amended Statement of Allegations;

AND WHEREAS the Respondent entered into a Settlement Agreement dated October 13, 2011, (the “Settlement Agreement”) in relation to the matters set out in the Amended Statement of Allegations;

AND WHEREAS the Commission issued a Notice of Hearing dated October 13, 2011, announcing that it proposed to consider the Settlement Agreement;

UPON reviewing the Settlement Agreement, the Notice of Hearing, the Amended Statement of Allegations, and upon considering submissions from the Respondent through his 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:

1. the Settlement Agreement is hereby approved;
2. pursuant to clause 2 of subsection 127(1) of the *Act*, Blumenfeld shall cease trading in any securities permanently;
3. pursuant to clause 2.1 of subsection 127(1) of the *Act*, Blumenfeld shall cease acquisitions of any securities permanently;
4. pursuant to clause 3 of subsection 127(1) of the *Act*, any exemptions in Ontario securities law do not apply to Blumenfeld permanently;
5. pursuant to clause 6 of subsection 127(1) of the *Act*, that Blumenfeld be reprimanded;
6. pursuant to clause 8 of subsection 127(1) of the *Act*, that Blumenfeld 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 Blumenfeld is prohibited permanently from becoming or acting as a registrant;
8. pursuant to clause 9 of subsection 127(1) of the *Act*, that Blumenfeld pay an administrative penalty in the amount of \$250,000 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; and,

9. pursuant to clause 10 of subsection 127(1) of the *Act*, Blumenfeld disgorge to the Commission the amount of \$113,000 to be allocated under section 3.4(2)(b) to or for the benefit of third parties.

DATED at Toronto this of October, 2011.