



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**

**- AND -**

**IN THE MATTER OF A SETTLEMENT AGREEMENT  
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION  
AND JOHN COLONNA**

**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 John Colonna (“Colonna” 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 a 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.
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. Colonna is a resident of Ontario.
9. At all material times, Colonna was an employee of Richvale with title of Vice President of Operations. As Vice-President of operations, part of Colonna’s job responsibilities was to oversee the exploration of the mining claims held by Richvale in the Province of Quebec (the “Mining Claims”).
10. Colonna has no expertise or experience in mining or exploration.
11. Colonna invested no money in Richvale.
12. Colonna was not a directing mind of 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, Colonna traded and engaged or held himself out as engaging in the business of trading in securities of Richvale
14. Colonna was not registered with the Commission in any capacity during the Material Time.
15. During the Material Time, Colonna 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.

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 the salespersons, agents and representatives of Richvale. 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. Colonna oversaw the creation and maintenance of Richvale’s website (the “Website”), and was responsible for reviewing and posting new information.
19. Colonna was aware that the Website was one of Richvale’s primary marketing tools in the sale of its securities to the public and that all potential investors who were solicited by telephone were referred to the Website for further information about Richvale.
20. The Website contained numerous material mis-statements of fact regarding Richvale’s alleged exploration and mining activity and the value of Richvale’s assets, as set out in further detail below.
21. Colonna 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, Colonna and 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) 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 claimed to hold 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, 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, Colonna was aware that a Richvale salesperson, Shafi Khan, was selling Richvale securities to members of the public using the aliases “Dave Isaac” and “Sam Binder.”
  25. Throughout the material period, Colonna was aware that between 30 and 50 percent of the Investor Funds were paid out as commissions to Shafi Khan for the sale of Richvale securities. Neither the existence nor the magnitude of the sales commissions was disclosed to the Investors.
  26. Approximately 70 percent of the Investor Funds were paid out to certain officers, directors, directing minds or employees of Richvale or removed from the Richvale Bank Accounts in the form of cash.
  27. Only six percent of the Investor Funds were used to renew any of the Mining Claims.
  28. Richvale did not engage in any exploration of the Mining Claims.
  29. At no time did Colonna visit any of the Mining Claims.
  30. During the Material Time, Colonna had no direct knowledge of whether there were any valuable minerals on the Mining Claims.
  31. As Vice President of Operations, Colonna was allotted 3.75 million shares of Richvale, as well as stock options.

32. Throughout the material period, Colonna was aware that Investor Funds were used to make interest-free personal loans to friends of certain of the officers, directors or directing minds of Richvale. One of these was a “loan” of \$45,000 by Richvale to Gerry Gentile (“Gentile”), which was arranged by Colonna. At Colonna’s request, Blumenfeld issued to Gentile cheques of \$30,000 and \$10,000 and provided Gentile with \$5,000 in cash, all of which came from Investor Funds. Gentile had no other business relationship to Richvale. This “loan” was not documented, had no agreed interest payment amount and was not disclosed to Richvale’s Investors. The “loan” has never been paid back.
33. Colonna received benefits from Richvale including a computer, gift cards, cheques, cash and other benefits amounting to a total value of approximately \$20,000.
34. Colonna engaged in a course of conduct relating to securities that he knew would result in a fraud on persons purchasing securities of Richvale.

**E. RESPONDENT’S STATEMENT TO STAFF**

35. On June 15, 2010, Colonna attended the offices of the Commission and participated in an examination conducted by Staff. At the commencement of the examination, Colonna swore to tell the truth. Colonna has reviewed the entire transcript of his June 15, 2010, examination and the exhibits attached and confirms the truth of their contents.

**F. FINANCIAL POSITION OF THE RESPONDENT**

36. Colonna 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**

37. During the Material Time, Colonna engaged or participated in acts, practices or 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.
38. During the Material Time, Colonna 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).

39. During the Material Time, Colonna 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.
40. Colonna's conduct was contrary to the public interest.

#### **PART V – THE RESPONDENTS' POSITION**

41. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances.
- (a) Colonna has cooperated with Staff's investigation.
  - (b) Colonna has never been the subject of a securities-related proceeding.
  - (c) At the Settlement Hearing and before approval of this Settlement Agreement, Colonna will provide Staff with a certified cheque in the amount of \$3,000 to be paid towards the disgorgement order and administrative penalty in this proceeding.

#### **PART VII – TERMS OF SETTLEMENT**

42. The Respondent agrees to the following terms of settlement listed below.
43. 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*, Colonna shall cease trading in any securities for a period of 20 years with the exception that immediately following full payment of the disgorgement order and administrative penalty set out herein Colonna 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*, Colonna shall cease acquisitions of any securities for a period of 20 years, 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 Colonna for a period of 20 years, 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 Colonna be reprimanded;
- (f) pursuant to clause 8 of subsection 127(1) of the *Act*, that Colonna is prohibited for a period of 20 years 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 Colonna is prohibited for a period of 20 years from becoming or acting as a registrant;
- (h) pursuant to clause 9 of subsection 127(1) of the *Act*, that Colonna pay an administrative penalty in the amount of \$65,000 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*, Colonna disgorge to the Commission the amount of \$20,000 to be allocated under section 3.4(2)(b) to or for the benefit of third parties; and,
- (j) as set out in subparagraphs (h) and (i) above, Colonna shall pay a total amount of \$85,000, to be allocated to or for the benefit of third parties under s. 3.4(2) of the *Act*; this amount shall be paid by an initial installment of \$3,000 in the form of a certified cheque at the time of the settlement hearing and the remaining \$82,000 shall be paid in equal quarterly installments over a period of 10 years from the date this Agreement is executed.

#### **PART VIII – STAFF COMMITMENT**

44. 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.

45. 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**

46. 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*.
47. 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.
48. 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.
49. Whether or not the Commission approves this Settlement Agreement, Colonna 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**

50. 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.

51. 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**

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

**DATED** this 13<sup>th</sup> day of October, 2011.

#### **STAFF OF THE ONTARIO SECURITIES COMMISSION**

“Tom Atkinson”

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Director, Enforcement Branch  
Ontario Securities Commission

#### **JOHN COLONNA**

“John Colonna”

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John Colonna

**Schedule A**

**IN THE MATTER OF THE *SECURITIES ACT*,  
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**- AND -**

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BLUMENFELD, JOHN COLONNA, PASQUALE SCHIAVONE, and  
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**IN THE MATTER OF A SETTLEMENT AGREEMENT  
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION  
AND JOHN COLONNA**

**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 John Colonna (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, Colonna shall cease trading in any securities for a period of 20 years with the exception that immediately following full payment of the disgorgement order and administrative penalty set out herein Colonna 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, Colonna shall cease acquisitions of any securities for a period of 20 years, 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 Colonna for a period of 20 years, 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), which trades must be conducted 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 Colonna be reprimanded;
6. pursuant to clause 8 of subsection 127(1) of the Act, that Colonna is prohibited for a period of 20 years from becoming or acting as director or officer of any issuer;
7. pursuant to clause 8.5 of subsection 127(1) of the Act, that Colonna is prohibited for a period of 20 years from becoming or acting as a registrant;

8. pursuant to clause 9 of subsection 127(1) of the Act, that Colonna pay an administrative penalty in the amount of \$65,000 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, Colonna disgorge to the Commission the amount of \$20,000 to be allocated under section 3.4(2)(b) to or for the benefit of third parties.
10. as set out in paragraphs 8 and 9, above, Colonna shall pay a total amount of \$85,000, to be allocated to or for the benefit of third parties under s. 3.4(2) of the Act; this amount shall be paid by an initial installment of \$3,000 in the form of a certified cheque at the time of the settlement hearing and the remaining \$82,000 shall be paid in equal quarterly installments over a period of 10 years from the date this Agreement is executed

**DATED** at Toronto this      of October, 2011.