



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
PALADIN CAPITAL MARKETS INC.,
JOHN DAVID CULP, AND CLAUDIO FERNANDO MAYA**

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

Staff of the Ontario Securities Commission (“Staff”) allege as follows:

I. THE RESPONDENTS

i. Paladin

1. Paladin was registered with the Commission as a limited market dealer from February 27, 2007 to June 2, 2009, when a temporary order was made suspending its registration. It was not registered in any other jurisdiction. Its business location was 275 Richmond Street West, Suite 1, Toronto.
2. Paladin’s stated primary business activity was to source capital for small-cap companies in the resources, industrial and environmental sectors. From inception it appears that Paladin generated \$64,125 worth of revenue.

ii. Culp

3. Culp was the President, CEO, designated compliance officer, and sole director of Paladin. He was the only individual employed at Paladin who was registered in a limited capacity to trade in securities between August 23, 2007 to September 12, 2007 (the “Material Time”). Culp is Paladin’s sole shareholder.

iii. Maya

4. Paladin hired Claudio Fernando Maya (“Maya”) as a consultant and Maya engaged in the conduct detailed below. Maya was not registered in any capacity with the Commission at the Material Time. Maya, however, was registered with the Commission until June 23, 2006.

II. OVERVIEW

5. Paladin issued \$400,000 in promissory notes (the “Notes”) to five Ontario investors (the “Investors”), between August 23, 2007 to September 12, 2007, as a means of raising working capital for Paladin.
6. Paladin, Culp and Maya were not registered to sell securities in Paladin, namely, the Notes, contrary to s. 25(1)(a). Paladin did not seek from the Commission a prospectus receipt in order to distribute the Notes in compliance with s. 53 of the Act.
7. When investors sought to redeem their Notes according to their terms, Paladin did not have the funds to make any redemptions. Investors remain unpaid.

III. DISTRIBUTION OF SECURITIES

i. Sale of Securities of Paladin

8. On instructions from Culp, Maya solicited the sale of the Notes on behalf of Paladin. Maya approached individuals already known to him. Between August 23, 2007 and September 12, 2007, Paladin sold the Notes to the Investors resident in Ontario in the following amounts:

1. Investor 1 - \$25,000
2. Investor 2 - \$25,000
3. Investor 3 - \$50,000
4. Investor 4 - \$50,000
5. Investor 5 - \$250,000

9. The Notes were non-profit-participating, convertible-to-equity promissory notes with a rate of interest of 10% for a 12-month term.
10. Investors also had the right to convert the outstanding amount due into fully-paid, non-assessable Class A Voting Profit Participation Shares of Paladin and a 1/2 share purchase warrant. It appears that none of the Investors converted to equity.
11. Investors exercised their rights to repayment of principal and interest in accordance with the terms of the Notes. Paladin has not made any of the required repayments to the Investors.

ii. Paladin is Insolvent and Investor Funds Dissipated

12. Paladin has insufficient funds to meet its obligations to the Investors who have requested repayment under the terms of the Notes. As at December 31, 2008, Paladin had \$2,030 in cash and current liabilities of approximately \$455,000 (including funds owed to Investors). As of March 26, 2009 Paladin had \$37.10 in its bank account.
13. Culp, Maya and other employees were paid by Paladin with funds generated from the sale of the Notes. Culp received over \$90,000 from Paladin, including reimbursement of personal expenses. Paladin paid Maya \$69,200, including a 10% commission on the above sales of the Notes and advances out of the proceeds of the sales of the Notes.

iii. Illegal Distribution

(a) Notes Were Securities

14. The Notes fall under the definition of “security” as defined in section 1(1)(e) of the Act.

(b) Unregistered Trading

15. The activities of the respondents constituted trading and advising in securities without registration (in respect of which no exemption was available), contrary to sections 25(1)(a) of the Act.

(c) Unlawful Distributions

16. The activities of the respondents constituted distributions of securities for which no preliminary prospectus and prospectus were issued nor received by the Director, contrary to section 53 of the Act.

(d) Culp's Non-Compliance

17. Culp authorized, permitted or acquiesced in the conduct of Paladin described herein and is liable under section 129.2 of the Act.

iv. Conduct Contrary to the Public Interest

18. The respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.
19. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, Ontario, this 9th day of June 2010.