

Schedule “A”

**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**

**SETTLEMENT AGREEMENT
(Claudio Fernando Maya)**

PART I – INTRODUCTION

1. By Notice of Hearing to be issued, the Ontario Securities Commission (the “Commission”) will announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Claudio Fernando Maya (“Maya”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding against Maya in accordance with the terms and conditions set out below. Maya consents to the making of an order against him in the form attached as Schedule “A” on the basis of the facts set out below.

PART III – AGREED FACTS

3. Maya agrees with the facts and conclusions set out in Parts III and IV herein. Except to the extent outlined in paragraph 27 of this Settlement Agreement, the facts and admissions of this Settlement Agreement are without prejudice to Staff

and Maya in any other proceedings including, without limitation, any civil, administrative, quasi-criminal or criminal actions or proceedings that may be brought by any person or agency. Except to the extent outlined in paragraph 27 of this Settlement Agreement, no other person or agency may raise or rely upon the terms of this Settlement Agreement, any agreement as to facts stated herein, or any admissions made herein, whether or not this Settlement Agreement is approved by the Commission.

A. BACKGROUND

i. Paladin

4. Paladin Capital Markets Inc. (“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.
5. Paladin’s primary business activity was to source capital for small-cap companies in the resources, industrial and environmental sectors. Since inception until December 31, 2008, it raised about \$640,000 for five issuers and earned about \$40,000 in fees.
6. John David Culp (“Culp”) was the President, CEO, designated compliance officer and sole director of Paladin. He was the only individual at Paladin who was registered to trade in securities. Culp was Paladin’s sole shareholder.

ii. Maya

7. Paladin hired Maya as a consultant in June 2007. Maya was not registered in any capacity with the Commission at the time. However, Maya was a registrant prior to the material time. Maya was registered in Ontario as a salesperson in the category of registered representative from January 25, 1999 until December 20, 2004 and as a salesperson in the category of broker and investment dealer from December 23,

2004 until June 23, 2006.

B. Sale of Securities of Paladin

8. Paladin issued \$400,000 in promissory notes (the “Notes”) entitled Paladin Capital Markets Inc. Non Profit Participation Convertible Promissory Note to five Ontario investors (the “Investors”), between August 23, 2007 to September 12, 2007, as a means of raising working capital for Paladin.
9. Paladin did not seek from the Commission nor have a prospectus with which to distribute the Notes in compliance with s. 53 of the Act. The sale of the Notes was not permitted under the terms of Paladin’s registration.
10. Paladin sold the Notes to the following individuals:
 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
11. The Notes were non-profit-participating, convertible to equity promissory notes with a rate of interest of 10% for a 12-month term. In the event that Paladin were to fail to make payment when due, interest would be payable at 15%.
12. 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.
13. Four of the five Investors exercised their rights according to the terms of the Notes to repayment of principal and interest. Paladin has not made any of the required repayments to the Investors and is insolvent.

Maya was Paladin's Representative and Solicited Investors to Buy the Notes

14. Between August 23, 2007 to September 12, 2007, Maya solicited the Investors to buy the Notes. He obtained \$40,000 in commission payments from Paladin for his role.
15. While Culp, as Paladin's CEO and sole compliance officer, had the primary responsibility to ensure Maya was registered, Maya failed to exercise sufficient due diligence in order to confirm his registration status prior to soliciting the sale of the Notes.
16. Maya met with investors, most of whom were his clients when he was formerly a registrant, and solicited on behalf of Paladin the purchases of the Notes by the Investors. Maya told them that they were investing in Paladin, which in turn would provide them access to invest in deals relating to Paladin's underlying business. Mr. Maya characterized the investment as low risk to some investors when in fact he had not undertaken any due diligence in respect of the investment and did not know the true risks of the Notes.

Maya's Cooperation with Staff's Investigation

17. Maya cooperated with Staff in its investigation by providing both documents and testimony on a voluntary basis. Such cooperation is contemplated in Staff Notice 15-702 "Credit for Cooperation".

Temporary Order

18. Maya has been subject to a temporary cease trade order made by the Commission on June 2, 2009.

Judgment by Investor Against Paladin

19. Pursuant to a claim against Paladin, Maya and Maya's wife, Investor 5 obtained a default judgment against Paladin solely on January 5, 2009 in court file CV-08-00368216-0000 in the Ontario Superior Court of Justice for \$287,883.56 plus costs and post-judgment interest at 15%.

Death of Culp and Settlement by Paladin

20. On July 17, 2010, Culp died.
21. On August 5, 2010, Staff's settlement agreement with Paladin was approved by order of the Commission. In respect of admissions of breaches of sections 25 and 53 of the Act, as well as acting contrary to the public interest, the terms of settlement were the following:
 - i. Paladin's registration is terminated pursuant to s. 127(1)1 of the *Act*;
 - ii. trading in any securities by Paladin shall cease permanently, pursuant to s. 127(1)2 of the *Act*;
 - iii. any exemptions contained in Ontario securities law shall not apply to Paladin permanently, pursuant to s. 127(1)3 of the *Act*;
 - iv. Paladin shall pay an administrative penalty of \$100,000, pursuant to s. 127(1)9 of the *Act*, to be allocated to or for the benefit of third parties who suffered losses as a result of the activities of Paladin described in the Settlement Agreement, pursuant to s. 3.4(2)(b) of the *Act*;
 - v. Paladin shall pay disgorgement in the amount of \$400,000, pursuant to s. 127(1)10 of the *Act*, to be allocated to or for the benefit of third parties

who suffered losses as a result of the activities of Paladin described in the Settlement Agreement, pursuant to s. 3.4(2)(b) of the *Act*; and

- vi. Paladin shall pay the Commission's costs of the investigation and hearing in the amount of \$15,000.

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

22. By engaging in the conduct described above, including acts in furtherance of trades of the Notes without being registered as a salesperson, Maya has breached Ontario securities law by contravening subsection 25(1)(a) of the *Act* and has acted contrary to the public interest.

PART V – RESPONDENT'S POSITION

23. Maya asserts that he believed Culp, as Paladin's CEO and designated compliance officer, was responsible for compliance with Ontario securities law, and in particular for obtaining the proper registration status for Maya to solicit the sale of the Notes.
24. Further, Maya asserts that he is impecunious and has no funds available to him with which he could pay disgorgement for the benefit of the Investors. Maya acknowledges that, absent his complete inability to pay, a judgment against Paladin obtained by Investor 5 described, and the order for disgorgement and administrative penalty made against Paladin on August 5, 2010 in the full amount raised from investors in the Notes, he would have been subject to orders to pay disgorgement, an administrative penalty, and costs.

PART VI – TERMS OF SETTLEMENT

25. Maya agrees to the terms of settlement listed below.

26. The Commission will make an order pursuant to s. 127(1):
- i. Approving the settlement agreement;
 - ii. that Maya be prohibited for a period of three years (commencing from the date of the temporary order dated June 2, 2009) from trading in securities, pursuant to s. 127(1)2 of the *Act*;
 - iii. that any exemptions contained in Ontario securities law do not apply to Maya for a period of three years (commencing from the date of the temporary order dated June 2, 2009), pursuant to s. 127(1)3 of the *Act*;
 - iv. that Maya be reprimanded, pursuant to s. 127(1)6 of the *Act*;
 - v. that Maya be prohibited for a period of three years (commencing from the date of the temporary order dated June 2, 2009) from becoming or acting as a director or officer of a registrant pursuant to ss. 127(1)8.2
 - vi. that Maya be prohibited for a period of three years (commencing from the date of the temporary order dated June 2, 2009) from becoming or acting as a director or officer of an investment fund manager, pursuant to ss. 127(1)8.4 of the *Act*; and
 - vii. that Maya be prohibited for a period of three years (commencing from the date of the temporary order dated June 2, 2009) from becoming or acting as a registrant, as an investment fund manager or promoter, pursuant to ss. 127(1)8.5 of the *Act*.
27. Maya undertakes that he will consent to an Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in subparagraphs 26(ii),(iii),(v),(vi), and (vii) above. This prohibition may be modified to reflect the provisions of the relevant provincial or territorial securities law. Maya further undertakes to provide reasonable notice to

Staff of any transfer whatsoever of an interest in 500,000 shares of FrontierAlt Capital Corporation he possesses or controls (the “Shares”). Maya asserts that the Shares currently have no value and are illiquid. In the case of a transfer of an interest in the Shares, Maya undertakes that, in the absence of any legal duty or order that would otherwise prevent him from doing so, prior to any completion of the transfer, he will irrevocably direct a payment to Staff to be allocated to or for the benefit of third parties who suffered losses as a result of his conduct described herein. The amount of the payment shall be no more than \$40,000. If the proceeds of any transfer contemplated herein are less than \$40,000, the amount of the payment shall be the entirety of the proceeds.

PART VII – STAFF COMMITMENT

28. If this agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in relation to the facts set out in Part III of this agreement, subject to the provisions of paragraph 30 below.
29. If this settlement agreement is approved by the Commission and at any subsequent time Maya fails to honour the terms of the settlement set out in paragraphs 26 and 27, Staff reserve the right to bring proceedings under Ontario securities law against Maya based on, but not limited to, the facts set out in Part III of this settlement agreement, as well as the as the breach of the settlement agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

30. Approval of this settlement will be sought at a public hearing before the Commission, in accordance with the procedures set out in this settlement agreement and the Commission’s Rules of Procedure.
31. Staff and Maya agree that this settlement agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding Maya’s conduct

in this matter, unless the parties agree that further facts should be submitted at the Settlement Hearing.

32. If this settlement agreement is approved by the Commission, Maya agrees to waive his rights to a full hearing, judicial review, or appeal of this matter under the *Act*.
33. If this settlement agreement is approved by the Commission, no party will make any public statement that is inconsistent with this settlement agreement.
34. Whether or not this settlement agreement is approved by the Commission, Maya agrees that he will not, in any proceeding, refer to or rely upon this 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 AGREEMENT

35. If, for any reason whatsoever, this settlement agreement is not approved by the Commission, or an order in the form attached as Schedule "A" to this settlement agreement is not made by the Commission:
 - i. this settlement agreement and its terms, including all discussions and negotiations between Staff and Maya leading up to their presentation at the Settlement Hearing, shall be without prejudice to Staff and Maya; and
 - ii. each of Staff, Maya will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations to be contained in the Statement of Allegations, unaffected by this agreement or the settlement discussions/negotiations.

36. The terms of this settlement agreement will be treated as confidential by both parties until approved by the Commission. Any obligations of confidentiality will terminate upon approval of this settlement agreement by the Commission. The terms of this settlement agreement will be treated as confidential forever if this settlement agreement is not approved for any reason whatsoever by the Commission, except with the written consent of both Maya and Staff or as may be required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

37. This agreement may be signed in one or more counterparts which together will constitute a binding agreement.
38. A facsimile copy of any signature will be as effective as an original signature.

Dated this 12th day of January 2011.

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Tom Atkinson”

Tom Atkinson
Director, Enforcement Branch

CLAUDIO FERNANDO MAYA

“Claudio Fernando Maya”

Claudio Fernando Maya

“Samreen Beg”

Witness (Print name below)