



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  
BRADON TECHNOLOGIES LTD., JOSEPH COMPTA,  
ENSIGN CORPORATE COMMUNICATIONS INC.  
and TIMOTHY GERMAN**

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

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

**I. OVERVIEW**

1. Timothy German (“German”) and Ensign Corporate Communications Inc. (“Ensign”) participated in a scheme whereby they sold shares of a private issuer, Bradon Technologies Ltd. (“Bradon”), to investors in Ontario and elsewhere. German and Ensign sold Bradon shares to investors for an average of \$5 per share, without disclosing to investors that German had purchased the shares for an average of \$1 per share. German promised investors that he would instruct Bradon to register the shares in their names, but he did not do so.
2. Between December 28, 2007 and April 20, 2011 (the “Material Time”), German purchased 748,000 Bradon shares in his own name for \$808,000. German and Ensign sold a portion of these shares to at least 43 investors, and raised at least \$1,510,245.

3. During the Material Time, Joseph Compta (“Compta”), the President and Chief Executive Officer (“CEO”) of Bradon, became aware of German’s and Ensign’s sale of Bradon shares to investors. Compta participated in the deception of investors by endorsing German in communications intended for current and prospective investors and by failing to advise that German was not authorized to sell Bradon shares and that the shares sold to German were subject to restrictions on transfer. Bradon used the funds it received for the shares it sold to German to pay for the company’s operating expenses.
4. During the Material Time, German and Ensign breached the registration and prospectus provisions of the *Securities Act*, R.S.O. 1990, c.S-5, as amended (the “Act”). German, Ensign, Compta and Bradon also engaged in a course of conduct that they knew or reasonably ought to have known would perpetrate a fraud on persons or companies purchasing shares of Bradon.

## **II. THE RESPONDENTS**

5. Ensign was incorporated in Ontario on June 4, 2004. Ensign is not a reporting issuer.
6. German is the Director and President of Ensign and Ensign’s sole shareholder. He is the directing mind of Ensign. German is also a Bradon shareholder. German resides in Toronto, Ontario.
7. Bradon was incorporated in Ontario on March 18, 2004. Bradon is a software development company. Bradon is not a reporting issuer.
8. Compta founded Bradon and is the President and CEO of Bradon. Compta is also a director and shareholder of Bradon. Compta is the directing mind of Bradon. Compta resides in Toronto, Ontario.
9. None of German, Ensign, Compta or Bradon (collectively, the “Respondents”) has ever been registered with the Commission in any capacity.

### III. RESPONDENTS' CONDUCT

10. German was a friend and associate of Compta and met with him a number of times during the Material Time. At these meetings, Compta and German discussed the business of Bradon, including the prospect of a sale of Bradon's assets to a strategic partner.
11. During the Material Time, German purchased 748,000 Bradon shares for \$808,000. The shares were registered in German's name. The funds received from German were used by Bradon to cover the company's operating expenses. German's Bradon shares were subject to restrictions on transfer.
12. Bradon issued shares to German and other shareholders under the private issuer exemption in section 2.4 of National Instrument 45-106 *Prospectus and Registration Exemptions* ("NI 45-106"). This exemption permits a company to sell shares to up to 50 close and personal friends or associates of a director without the need for a prospectus. During the Material Time, Compta knew that Bradon was approaching the 50 shareholder limit.
13. Ensign, acting through German, both directly or indirectly, entered into agreements entitled "Private Share Purchase Agreement" (the "Purchase Agreement") with at least 43 investors for the purchase and sale of Bradon shares. German prepared and signed all of the Purchase Agreements, which were on Ensign letterhead.
14. The shares offered by German and Ensign are securities as defined in subsection 1(1) of the Act.
15. German solicited investors in Ontario and elsewhere to purchase Bradon shares by meeting with investors, describing the nature of Bradon's business, offering investors the opportunity to purchase Bradon shares and providing investors instructions on how to make payment for the shares.
16. Funds provided by investors for the purchase of Bradon shares were deposited into Ensign's bank account (the "Ensign Account"). German controlled and was the sole signatory on the Ensign Account.

17. During the Material Time, German and Ensign raised at least \$1,510,245 from the sale of Bradon shares to investors.
18. German did not disclose that although he was selling Bradon shares typically for \$5 per share, he had acquired the majority of his Bradon shares for \$1 per share. Most investors acquired Bradon shares from German at a time when German was acquiring Bradon shares for \$1 per share.
19. Before their purchases in Bradon shares, German also falsely represented to investors that:
  - (a) German had an exclusive agreement with Bradon and was the only person outside the company authorized to find investors for Bradon;
  - (b) Bradon was involved in senior level negotiations and due diligence reviews with several of its clients and strategic partners with an anticipated sale of all of its assets within 60-90 days;
  - (c) the anticipated profits on the shares once Bradon's assets were sold would be 20 to 50 times the investor's initial investment; and
  - (d) upon execution of a Purchase Agreement, German would instruct Bradon to register the shares in the names of the investors.
20. German met and held conference calls with existing and prospective investors, during which he repeated some of these misrepresentations.
21. German also represented to investors that if an investor provided 30 days' notice, he or Ensign would buy back the investor's Bradon shares at the price paid by the investor or an agreed upon price. Although investors have attempted to exercise the buy back option, the funds of only four investors, totalling \$100,100, have been returned. The remaining funds obtained by German and Ensign from investors, approximately \$1.4 million, are still outstanding.

22. Compta was aware that German was purchasing Bradon shares during the Material Time, and at a minimum, by October 2009, he was aware that German was selling Bradon shares to investors. Compta was also aware that during the Material Time, no shares purchased by German were registered in the name of any other investors.
23. Compta was contacted by investors who purchased Bradon shares through German. Compta failed to inform them that:
  - (a) German was not authorized to sell Bradon shares;
  - (b) German was purchasing shares in his own name and the shares were subject to share transfer restrictions; or
  - (c) German purchased the majority of his shares for \$1 per share.
24. Rather, in communications from his Bradon email address and on Bradon letterhead that were intended for and provided to current and prospective Bradon investors, Compta vouched for German's integrity and endorsed German's purported connection with Bradon.
25. After receiving Compta's endorsement of German, investors continued to purchase Bradon shares from German and German continued to provide Bradon with funds to finance its activities in exchange for the issuance of Bradon shares in his name.

#### **IV. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

26. In participating in the conduct described above during the Material Time:
  - (a) German and Ensign traded in securities or engaged in, or held themselves out as engaging in the business of trading in securities without being registered to do so contrary to subsection 25(1)(a) of the Act for the period before September 28, 2009 and subsection 25(1) of the Act for the period on and after September 28, 2009;

- (b) German and Ensign, with the intention of effecting trades in securities, made prohibited representations contrary to subsection 38(1)(a) of the Act;
  - (c) German and Ensign distributed securities without filing a preliminary prospectus and obtaining a receipt from the Director, contrary to section 53(1) of the Act;
  - (d) the Respondents engaged or participated in acts, practices or courses of conduct relating to the securities of Bradon that they knew or reasonably ought to have known perpetrated a fraud on persons or companies purchasing securities contrary to section 126.1(b) of the Act;
  - (e) German and Compta, who are directors and officers of Ensign and Bradon, respectively, (the “Corporate Respondents”), authorized, permitted or acquiesced in the Corporate Respondents’ non-compliance with Ontario securities law, and accordingly failed to comply with Ontario securities law, contrary to section 129.2 of the Act; and
  - (f) the Respondents’ conduct was contrary to the public interest and harmful to the integrity of the capital markets in Ontario.
27. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, October 3, 2013.