



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF
THE *SECURITIES ACT*, R.S.O. 1990, c. S.5**

- and -

**IN THE MATTER OF
NELSON PETER BRADBURY**

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

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

I. OVERVIEW

1. Nelson Peter Bradbury (“Bradbury” or the “Respondent”) is subject to an order made by the Alberta Securities Commission (the “ASC”) dated November 8, 2016 (the “ASC Order”) that imposes sanctions, conditions, restrictions or requirements upon him.
2. In its findings on liability dated November 8, 2016 (the “Findings”), a panel of the ASC (the “ASC Panel”) found that Bradbury engaged in unregistered dealing, illegal distribution and perpetrated a fraud. The ASC Panel further found that Bradbury made misleading or untrue statements to ASC Staff, and that his conduct was contrary to the public interest.
3. Staff are seeking an inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”).

II. THE ASC PROCEEDINGS

Statement of Admissions and Joint Submission on Sanction

4. Prior to the commencement of the ASC proceedings, Bradbury entered into a Statement of Admissions and Joint Submission on Sanction dated September 8, 2016 (the “Statement of Admissions”). Bradbury made admissions therein concerning the allegations of unregistered dealing, illegal distribution and fraud against him by ASC Staff. Bradbury further admitted to making misleading or untrue statements to ASC Staff, and that his conduct was contrary to the public interest.

Admitted Facts

5. Bradbury admitted certain facts within the Statement of Admissions, which the ASC Panel accepted as accurate. A summary of the admissions and the ASC Panel’s Findings is as follows.
6. The conduct for which Bradbury was sanctioned took place between January 29, 2010 and March 21, 2013 (the “Material Time”).
7. At the time of the ASC proceedings, Bradbury was a resident of Calgary, Alberta. Bradbury was not registered with the ASC in any capacity during the Material Time.
8. During the Material Time, Bradbury raised over \$1.5 million through investment agreements with at least 16 investors. Investors provided their money to Bradbury in trust, for the purpose of investing in units of investment funds, including:
 - a. Nelson Investments Short-Term Income Fund;
 - b. Nelson Investments Fund;
 - c. Nelson Investment Fund II;
 - d. Nelson Investments Facebook Fund;
 - e. NIF Facebook Fund;

- f. Nelson Investments Income Fund;
 - g. NIF Short-Term Income;
 - h. NIF Investment Fund;
 - i. NPB Investment Fund II; and
 - j. Nelson Investments Short-Term Opportunity Fund.
9. The investors agreed to let Bradbury invest on their behalf at his discretion, for trading based upon an investment model designed by Bradbury to purportedly take advantage of perceived weaknesses in the capital markets. The investment funds were to be a common enterprise, with investors relying on the efforts of Bradbury to realize the expected profits.
10. Some of the investment agreements called for profit-sharing arrangements, commonly 20% to Bradbury and 80% to the relevant investor, whereas others promised rates of return to investors of between 19% and 21%.
11. Bradbury provided some investors with periodic updates (the “Client Updates”), referencing monthly returns, gains, losses and account balances in respect of their investments.
12. In order to induce investments, Bradbury made statements to investors including, among other things, that:
- a. the invested money would be used solely for investing in funds that traded in securities based on his investment model;
 - b. the investment model Bradbury was using was generating profits;
 - c. in certain instances, investor money would be used to beneficially acquire pre-IPO shares in Facebook, Inc.; and

- d. Bradbury's fees and expenses would be paid from his share of the profits or interest earned.
13. In reality, the supposed investment funds were nothing more than bookkeeping or tracking mechanisms for Bradbury, and the promotional measures he utilized offered a semblance of legitimacy to investors.
14. As admitted by Bradbury in the Statement of Admissions, there was no "pre-IPO" investment or interest in Facebook, Inc., and Bradbury used approximately half of the monies given to him by investors to trade in his brokerage accounts. The Client Updates Bradbury provided to investors reflecting monthly performance figures were fictitious, as such representations were masking massive actual losses in his trading scheme. Bradbury's purported investment model never made any profits.
15. On or about April 18, 2013, Bradbury informed investors that all of their money was lost due to "market turmoil," despite having been led to believe by Bradbury, or the Client Updates, that their investments were profitable.
16. The ASC Panel found that Bradbury diverted at least \$370,000 of investors' funds for personal use, including "[h]ousehold, grocery, clothing, restaurant, entertainment, vacation, and recreational expenses" and "mortgage, tax, and utility payments." Further, approximately \$367,000 was used for "payments made to the investors under the guise of returns."
17. No preliminary prospectus, final prospectus or offering memoranda were filed with respect to the investments offered by Bradbury. No effort was made by Bradbury to properly qualify investors, or to comply with Alberta securities laws governing exemptions from the registration and prospectus requirements under the Alberta Securities Act, RSA 2000, c S-4 (the "Alberta Act"). While some investors did qualify as accredited investors or for exemptions, the majority did not.

Misleading Statements to the Alberta Securities Commission

18. In September 2011, Bradbury responded to an inquiry letter from ASC Staff, in which he made materially misleading or untrue statements, including, among other things, that he was not soliciting investors; he provided unsolicited investment guidance only to certain relatives and close family friends; he never accepted any compensation for which he provided the guidance; and he referred anyone else to licensed financial advisors. However, the ASC Panel found that by that time (during the Material Time), Bradbury had already solicited at least four investors, none of whom were family or close friends.

The ASC Findings

19. In its Findings, the ASC Panel concluded that:
 - a. Bradbury contravened section 75(1) of the Alberta Act by dealing in securities without being registered;
 - b. Bradbury contravened section 110(1) of the Alberta Act by distributing securities without filing a preliminary prospectus or prospectus, and without an exemption from the requirement to do so;
 - c. Bradbury contravened section 93(b) of the Alberta Act by engaging or participating in acts, practices or a course of conduct relating to securities that he knew would perpetrate a fraud on investors;
 - d. Bradbury contravened section 221.1(2) of the Alberta when he provided materially misleading or untrue statements to ASC Staff in September 2011; and
 - e. Bradbury's conduct was contrary to the public interest.

The ASC Order

20. The ASC Order imposed the following sanctions, conditions, restrictions or requirements upon Bradbury:

Market-Access Bans

- (i) under section 198(1)(d) of the Alberta Act, he must resign all positions he holds as a director or officer of any issuer, registrant, investment fund manager, recognized exchange, recognized self-regulatory organization, recognized clearing agency, recognized trade repository or recognized quotation and trade reporting system;
- (ii) under section 198(1)(b) of the Alberta Act, he must permanently cease trading in or purchasing securities or derivatives, except that the ASC Order does not preclude him from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order) in accounts maintained with that registrant for the benefit of one or more of himself and members of his immediate family;
- (iii) under section 198(1)(c) of the Alberta Act, all of the exemptions contained in Alberta securities laws do not apply to him, permanently;
- (iv) under section 198(1)(e) of the Alberta Act, he is prohibited, permanently, from becoming or acting as a director or officer (or both) of any issuer (or other person or company that is authorized to issue securities), registrant, investment fund manager, recognized exchange, recognized self-regulatory organization, recognized clearing agency, recognized trade repository or recognized quotation and trade reporting system;
- (v) under section 198(1)(e.1) of the Alberta Act, he is prohibited, permanently, from advising in securities or derivatives;
- (vi) under section 198(1)(e.2) of the Alberta Act, he is prohibited, permanently, from becoming or acting as a registrant, investment fund manager or promoter;
- (vii) under section 198(1)(e.3) of the Alberta Act, he is prohibited, permanently, from acting in a management or consultative capacity in connection with activities in the securities market;

Disgorgement

- (viii) under section 198(1)(i) of the Alberta Act, he must pay to the ASC \$370,000 obtained as a result of his non-compliance with Alberta securities laws;

Administrative Penalty

- (ix) under section 199 of the Alberta Act, he must pay to the ASC an administrative penalty of \$150,000; and

Cost Recovery

- (x) under section 202 of the Alberta Act, he must pay to the ASC \$13,000 of the costs of the ASC's investigation and hearing.

III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION

21. The Respondent is subject to an order of the ASC imposing sanctions, conditions, restrictions or requirements upon him.
22. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
23. Staff allege that it is in the public interest to make an order against the Respondent.
24. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.
25. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.

DATED at Toronto, this 23rd day of May, 2017.