



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
LOCATE TECHNOLOGIES INC., TUBTRON CONTROLS CORP., BRADLEY
CORPORATE SERVICES LTD., 706166 ALBERTA LTD., LORNE DREVER, HARRY
NILES, MICHAEL CODY AND DONALD NASON**

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

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

I. THE RESPONDENTS

1. Locate Technologies Inc. (“Locate”) is a company incorporated in Alberta with a registered office in Edmonton, Alberta.
2. Tubtron Controls Corp., (“Tubtron”) formerly known as 733754 Alberta Inc., is a company incorporated in Alberta with a registered office in Edmonton, Alberta.
3. 706166 Alberta Ltd. (“706166”) is a company incorporated in Alberta with a registered office in Edmonton, Alberta. 706166 is wholly owned by Lorne Drever (“Drever”). 706166 owns more than 33% of the shares of Locate and more than 25% of the shares of Tubtron.
4. Drever is the President and sole director of Locate, Tubtron and 706166, and resides in Edmonton, Alberta. Drever was at all material times the directing mind of Locate, Tubtron and 706166.

5. Bradley Corporate Services Inc. (“Bradley”), formerly known as Bradley Insurance Services Ltd., is a company incorporated in New Brunswick with an office in Fredericton, New Brunswick.
6. Harry Niles (“Niles”) is the President and sole director of Bradley, and resides in Fredericton, New Brunswick. Niles was at all material times the directing mind of Bradley.
7. Michael Cody (“Cody”) resides in Fredericton, New Brunswick. Cody was registered with the New Brunswick Securities Commission (“NBSC”) as a salesperson from August 2005 to May 2006.
8. Donald Nason (“Nason”) resided in Tracy, New Brunswick at the time he engaged in the conduct for which he was sanctioned in New Brunswick. Nason was registered with the Administrator of the Securities Branch of the Department of Justice (the “Administrator”) and/or the NBSC at various times from November 1995 to November 2007.

II. OVERVIEW

9. On August 14, 2008, Locate, Tubtron, 706166 and Drever entered into a settlement with the NBSC in which they admitted to violations of the *New Brunswick Securities Act* (the “NBSA”) involving trading in securities or engaging in acts in furtherance of trading without registration and without filing a prospectus, violating cease trade orders and misleading the NBSC. The NBSC ordered sanctions against Locate, Tubtron, 706166 and Drever on August 25, 2008.
10. On October 29, 2008, Bradley and Niles entered into a settlement with the NBSC in which they admitted to violating the NBSA by trading in securities or engaging in acts in furtherance of trading without registration and violating cease trade orders. The NBSC ordered sanctions against Bradley and Niles on November 4, 2008.
11. On January 19, 2009, Cody and Nason entered into an agreed statement of facts filed with the NBSC in which they admitted to violations of the NBSA involving trading without registration and without filing a prospectus, violating cease trade orders, making prohibited representations and misleading the NBSC. Following a sanctions hearing, the NBSC ordered sanctions against Cody and Nason on April 3, 2009.
12. On November 5, 2008, the Alberta Securities Commission (the “ASC”) issued a reciprocal order providing for sanctions against Locate, Tubtron, 706166 and Drever.
13. On January 22, 2009, the British Columbia Securities Commission (the “BCSC”) issued reciprocal orders providing for sanctions against Drever and Niles. On January 25, 2010, the BCSC issued a reciprocal order providing for sanctions against Cody and Nason.

III. ALLEGATIONS

Conduct in New Brunswick

14. The NBSC has entered into settlement agreements with Locate, Tubtron, 706166, Drever, Bradley and Niles in which those Respondents made formal admissions of fact. Cody and Nason have also entered into an agreed statement of facts filed with the NBSC in which they made formal admissions of fact.
15. On August 14, 2008, Locate, Tubtron, 706166 and Drever entered into a settlement agreement with the NBSC (the "Locate Settlement Agreement"). As part of the Locate Settlement Agreement, Locate, Tubtron, 706166 and Drever admitted that:
 - a. They have never been registered with the NBSC or with the Administrator to trade in securities, nor have they ever filed or sought to file a prospectus;
 - b. Locate repeatedly sold its shares to New Brunswick residents between December 2000 and September 2006, raising at least \$1,160,000;
 - c. Tubtron repeatedly sold its shares to New Brunswick residents between April 2002 and September 2006, raising at least \$180,000;
 - d. 706166 received at least \$840,000 from investors further to Locate share sales to New Brunswick residents between February 2004 and September 2006;
 - e. None of the funds provided to 706166 were advanced to Locate or Tubtron for share purchases, but rather part of these funds were used by Drever for personal and other expenses unrelated to the activities of Locate or Tubtron;
 - f. Locate, Tubtron and 706166 paid Nason, Cody and Niles to promote and effect Locate and Tubtron share sales;
 - g. Locate, Tubtron and Drever repeatedly traded in securities while not registered to do so, contrary to section 45 of the NBSA;
 - h. Locate, Tubtron and Drever repeatedly traded in securities without having filed a prospectus, contrary to section 71 of the NBSA;
 - i. 706166 repeatedly engaged in acts in furtherance of trading in securities while not registered to do so;
 - j. Locate, Tubtron and Drever repeatedly violated New Brunswick court orders issued in February and March 2004 which prohibited them from trading;
 - k. Drever repeatedly made untrue and misleading statements to Staff of the NBSC regarding sales of shares in Locate and Tubtron, contrary to sections 179(2) and 58 of the NBSA; and
 - l. Their conduct was contrary to the public interest.

16. On October 29, 2008, Bradley and Niles entered into a settlement agreement with the NBSC (the "Bradley Settlement Agreement"). As part of the Bradley Settlement Agreement, Bradley and Niles admitted that:

- a. They have never been registered with the NBSC or with the Administrator to trade in securities;
- b. Niles acted as a promoter for Locate and traded or acted in furtherance of trades with New Brunswick residents by soliciting, effecting or facilitating trades in Locate and/or Tubtron shares from December 2000 to September 2006;
- c. Niles repeatedly violated undertakings to the Administrator not to trade in securities of Locate and not to trade in any securities without proper registration between November 2001 and October 2003;
- d. Niles was paid over \$50,000 by Locate for his services in promoting the sale of Locate and Tubtron shares;
- e. Bradley received at least \$160,000 from investors further to sales of Locate and/or Tubtron shares to New Brunswick residents between May 2004 and January 2005;
- f. None of the \$160,000 received by Bradley from investors was advanced to Locate or Tubtron for share purchases, but rather was retained and spent by Bradley;
- g. Bradley and/or Niles paid Cody and Nason to promote and effect Locate and Tubtron share sales;
- h. They repeatedly traded in securities and engaged in acts in furtherance of trading while not registered to do so, contrary to section 45 of the NBSA;
- i. They repeatedly violated New Brunswick court orders issued in February and March 2004 which prohibited them from trading; and
- j. Their conduct was contrary to the public interest.

17. On January 19, 2009, an agreed statement of facts with respect to the conduct of Cody and Nason was filed with the NBSC (the "Agreed Statement of Facts"). As part of the Agreed Statement of Facts, Cody and Nason admitted that:

- a. Cody solicited New Brunswick residents with respect to the sale of shares in Locate and Tubtron from May 2003 until mid-2006, raising approximately \$210,000;
- b. Cody was paid \$31,800 by Locate, Tubtron, Niles and/or Bradley for his services in promoting the sale of Locate and Tubtron shares;
- c. Nason solicited New Brunswick residents with respect to the sale of shares in Locate and Tubtron from September 2004 until mid-2006, raising approximately \$545,000;
- d. Nason was paid \$88,350 by Locate, Tubtron, Niles and/or Bradley for his services in promoting the sale of Locate and Tubtron shares;

- e. They traded in securities or engaged in acts in furtherance of trading while not registered to do so, contrary to section 45 of the NBSA;
- f. They made prohibited representations to investors, including statements that the shares would be listed on an exchange and that the market value of the shares would increase in the future, contrary to section 58 of the NBSA;
- g. They made misrepresentations to Staff of the NBSC about their involvement with the distribution of Locate and Tubtron shares, including denying any involvement and denying having received any money or consideration from Locate, Tubtron, Niles or Bradley, contrary to sections 58 and 179(2) of the NBSA;
- h. They violated New Brunswick court orders issued in February and March of 2004 which prohibited trading in securities of Locate and Tubtron; and
- i. Their conduct was contrary to the public interest.

New Brunswick Sanction Orders

18. Pursuant to the order of the NBSC, dated August 25, 2008, Locate:

- a. shall offer a right of rescission and comply with any requests for rescission and refund;
- b. is permanently barred from issuing securities to residents of New Brunswick, other than to effect the obligations regarding the right of rescission;
- c. is permanently barred from the use of any exemption available under New Brunswick securities law, other than to effect the obligations regarding the right of rescission;
- d. shall pay an administrative penalty of \$60,000; and
- e. shall jointly and severally with Drever, Tubtron and 706166 pay \$25,000 in costs of the NBSC investigation.

19. Pursuant to the order of the NBSC, dated August 25, 2008, Tubtron:

- a. shall offer a right of rescission and comply with any requests for rescission and refund;
- b. is permanently barred from issuing securities to residents of New Brunswick, other than to effect the obligations regarding the right of rescission;
- c. is permanently barred from the use of any exemption available under New Brunswick securities law, other than to effect the obligations regarding the right of rescission;
- d. shall pay an administrative penalty of \$40,000; and
- e. shall jointly and severally with Drever, Locate and 706166 pay \$25,000 in costs of the NBSC investigation.

20. Pursuant to the order of the NBSC, dated, August 25, 2008, 706166:

- a. is permanently barred from issuing securities to residents of New Brunswick, other than to effect the obligations regarding the right of rescission;
- b. is permanently barred from the use of any exemption available under New Brunswick securities law, other than to effect the obligations regarding the right of rescission;
- c. shall jointly and severally with Drever, Tubtron and Locate pay \$25,000 in costs of the NBSC investigation.

21. Pursuant to the order of the NBSC, dated August 25, 2008, Drever:

- a. is permanently barred from issuing securities to residents of New Brunswick, other than to effect the obligations regarding the right of rescission;
- b. is permanently barred from becoming, acting or continuing to act as a director or officer of any issuer or engaging in any securities related activity in New Brunswick, other than to effect the obligations regarding the right of rescission;
- c. shall pay an administrative penalty of \$100,000; and
- d. shall jointly and severally with Locate, Tubtron and 706166 pay \$25,000 in costs of the NBSC investigation.

22. Pursuant to the order of the NBSC, dated November 4, 2008, Niles:

- a. is permanently barred from trading in any securities, other than those beneficially owned directly by Niles;
- b. is permanently barred from becoming or acting as a director or officer of any issuer;
- c. shall jointly and severally with Bradley pay an administrative penalty of \$60,000;
- d. shall jointly and severally with Bradley disgorge the sum of \$160,000 to the Commission for repayment to investors; and,
- e. shall jointly and severally with Bradley pay \$5,000 in costs of the NBSC investigation.

23. Pursuant to the order of the NBSC, dated, November 4, 2008, Bradley:

- a. is permanently barred from trading in any securities;
- b. shall jointly and severally with Niles pay an administrative penalty of \$60,000;
- c. shall jointly and severally with Niles disgorge the sum of \$160,000 to the Commission for repayment to investors; and,

- d. shall jointly and severally with Niles pay \$5,000 in costs of the NBSC investigation.
24. The NBSC held a hearing with respect to sanctions against Cody and Nason on the basis of the conduct admitted in the Agreed Statement of Facts (the “Sanctions Hearing”).
25. Following the Sanctions Hearing, on April 3, 2009, the NBSC ordered that Cody:
- a. is permanently barred from trading in any securities, other than those beneficially owned directly by Cody;
 - b. is permanently barred from becoming or acting as a director or officer of any issuer;
 - c. shall pay an administrative penalty of \$50,000; and,
 - d. shall jointly and severally with Nason pay \$2,000 in costs of the NBSC hearing.
26. Following the Sanctions Hearing, on April 3, 2009, the NBSC ordered that Nason:
- a. is permanently barred from trading in any securities, other than those beneficially owned directly by Nason;
 - b. is permanently barred from becoming or acting as a director or officer of any issuer;
 - c. shall pay an administrative penalty of \$100,000; and,
 - d. shall jointly and severally with Cody pay \$2,000 in costs of the NBSC hearing.

Alberta Sanctions Order

27. On November 5, 2008, the ASC issued a reciprocal order providing for sanctions against the Respondents Locate, Tubtron, 706166 and Drever.
28. Pursuant to the order of the ASC, dated November 5, 2008, Locate, Tubtron and 706166, except as necessary for them to effect the New Brunswick rescission obligation:
- a. must permanently cease trading that would involve their issuing securities; and
 - b. are permanently barred from the use of any exemptions contained in Alberta securities law.
29. Further, pursuant to the order of the ASC, dated November 5, 2008, Drever must permanently cease trading in any securities, except as necessary for him to effect the New Brunswick rescission obligation.

British Columbia Sanctions Orders

30. On January 22, 2009, the BCSC issued reciprocal orders providing for sanctions against the Respondents Drever and Niles.

31. Pursuant to the order of the BCSC, dated January 22, 2009, Drever:

- a. must cease trading in, and is prohibited from purchasing securities and exchange contracts permanently;
- b. must resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer, registrant or investment fund manager;
- c. is permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter;
- d. is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
- e. is permanently prohibited from engaging in investor relations activities.

32. Pursuant to a separate order of the BCSC, dated January 22, 2009, Niles:

- a. must cease trading in, and is prohibited from purchasing securities and exchange contracts permanently, except that Niles may trade and purchase securities through accounts in his name at a registered dealer;
- b. must resign any position he holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer, registrant or investment fund manager;
- c. is permanently prohibited from becoming or acting as a registrant, investment fund manager or promoter;
- d. is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
- e. is permanently prohibited from engaging in investor relations activities.

33. On January 25, 2010, the BCSC issued a reciprocal order providing for sanctions against the Respondents Cody and Nason.

34. Pursuant to the order of the BCSC, dated January 25, 2010, Cody and Nason:

- a. must cease trading in, and are prohibited from purchasing securities and exchange contracts permanently, except that Cody and Nason may trade and purchase securities through accounts in their own names at a registered dealer; and
- b. must resign any position they hold as, and are permanently prohibited from becoming or acting as, a director or officer of any issuer.

IV. CONDUCT CONTRARY TO THE PUBLIC INTEREST

35. Locate, Tubtron, 706166, Drever, Bradley, Niles, Cody and Nason (collectively, the “Respondents”) are the subjects of Orders made by securities regulatory authorities, namely the NBSC, ASC and BCSC, imposing sanctions, conditions, restrictions or requirements on them.
36. Locate, Tubtron, 706166 and Drever have admitted that they acted contrary to New Brunswick securities law and that their conduct was contrary to the public interest in New Brunswick. Locate, Tubtron, 706166 and Drever have agreed to be subject to the sanctions set out at paragraphs 18 to 21 above, which were imposed by order of the NBSC dated August 25, 2008.
37. Bradley and Niles have admitted that they acted contrary to New Brunswick securities law and that their conduct was contrary to the public interest in New Brunswick. Bradley and Niles have agreed to be subject to the sanctions set out at paragraphs 22 to 23 above, which were imposed by order of the NBSC dated November 4, 2008.
38. Cody and Nason have admitted that they acted contrary to New Brunswick securities law and that their conduct was contrary to the public interest in New Brunswick. They are subject to sanctions imposed by order of the NBSC, dated April 3, 2009, as set out at paragraphs 25 and 26 above.
39. Locate, Tubtron, 706166 and Drever are the subjects of an order of the ASC, dated April 18, 2008, imposing sanctions, conditions, restrictions or requirements on them, as set out in paragraphs 28 and 29 above.
40. Drever, Niles, Cody and Nason are the subjects of orders of the BCSC, dated January 22, 2009 and January 25, 2010, imposing sanctions, conditions, restrictions or requirements on them, as set out in paragraphs 31, 32 and 34 above.
41. Pursuant to sections 127(10)4 and 127(10)5 of the *Securities Act* (the “Act”), the extra-provincial conduct of the Respondents may form the basis of an order in the public interest in Ontario under section 127(1).
42. Staff allege that it is in the public interest to make orders against the Respondents.
43. Staff reserve the right to amend these allegations and to make such further and other allegations as they deem fit and the Commission may permit.

DATED at Toronto this 16th day of August, 2010.