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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

OCT - 3 2008

DOCKETED BY

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| In the matter of: Richard Bradford (CRD# 2706290) and Cindy Bradford (a.k.a. Cindy White), husband and wife; Respondent. |) DOCKET NO. S-20605A-08-0377)) DECISION NO. <u>70545</u>)) ORDER TO CEASE AND DESIST, ORDER) FOR RESTITUTION AND FOR) ADMINISTRATIVE PENALTIES)) RE: RICHARD BRADFORD |
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On July 23, 2008, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution and For Administrative Penalties, and for Other Affirmative Action ("Notice") against Richard Bradford (CRD# 2706290) and Cindy Bradford (a.k.a. Cindy White), husband and wife.

The Notice was personally served on Respondent Richard Bradford ("BRADFORD" or "Respondent") on July 23, 2008. BRADFORD failed to request an administrative hearing within 10 days after receipt of the Notice, pursuant to A.R.S. § 44-1972 and A.A.C. Rule R14-4-306. BRADFORD failed to file an Answer within 30 days of service of the Notice, pursuant to A.A.C. Rule R14-4-305.

The Notice was personally served on Cindy Bradford ("C. BRADFORD") on July 31, 2008. C. BRADFORD is not subject to this Order.

I.

FINDINGS OF FACT

1
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3 1. Richard Bradford ("BRADFORD") is an individual residing in Maricopa County,
4 Arizona.

5 2. BRADFORD may be referred to as "Respondent", as the context so requires.

6 3. At all times relevant, BRADFORD was acting for his own benefit and for the benefit
7 and in furtherance of the marital community.

8 4. BRADFORD and C. BRADFORD were married for all times relevant.
9 BRADFORD and C. BRADFORD entered into a Consent Decree of Dissolution of Marriage on
10 March 3, 2008 in Maricopa County No. FN2007-092470.

11 5. At all times relevant, Respondent was not registered with the Commission as a
12 dealer or salesman. BRADFORD (CRD# 2706290) has not been a registered salesman since 2001
13 and has never been a registered dealer.

14 6. The securities offered and/or sold by BRADFORD are not registered with the
15 Commission.

16 7. At all times relevant, BRADFORD was not licensed as an Investment Adviser or
17 Investment Adviser Representative.

18 8. Potential Investor(s) ("PI") or LLC member(s) may be referred to individually or
19 collectively as "investor(s)," as the context so requires.

20 9. From on or about March 1, 2006, BRADFORD publicly offered and sold
21 unregistered securities in the form of investment contracts, within or from Arizona.

22 10. From on or about March 1, 2006, BRADFORD solicited PIs, in or from Arizona, to
23 pool money for an investment fund that would invest in stocks and various securities that would be
24 chosen and managed by BRADFORD and the returns would be based on his decisions,
25 management, and efforts. The investment fund was commonly referred to by BRADFORD as a
26 "Hedge Fund" called Fishing Partners-Salmon.

1 11. Profits were to be paid out to each investor proportionate to their percentage of
2 contribution.

3 12. BRADFORD represented to at least one investor that:

4 a) He was an experienced and "licensed" securities salesman who was featured
5 on CNN;

6 b) He had managed large funds in the past, making minimum returns of 30% or
7 greater annually;

8 c) The investment provided low risk of devaluation or losses because
9 BRADFORD "never lost money";

10 d) The proposed fund would be highly liquid at all times to allow investors to
11 cash out easily upon request; and

12 e) That he was currently managing a separate multimillion dollar fund for the
13 famous billionaire investor T-Boone Pickens.

14 13. However, none of the representations were in fact true.

15 14. BRADFORD represented to at least one investor not to worry about losing his
16 principal as BRADFORD was worth millions and could guarantee the funds. However, when
17 losses did arise, BRADFORD did not repay the investor his principal or interest upon request.

18 15. BRADFORD represented to at least one investor that he would guarantee a
19 minimum of 20% annual return; however the investor has not received such a return and his
20 investment has decreased in value.

21 16. Prior to investment, BRADFORD represented to at least one investor that monthly
22 audited statements would be provided to the investor by an accountant. However, all statements
23 submitted to investors after investing were created by BRADFORD in the form of emails and
24 spreadsheet account summaries and are not audited.

25 17. On or about March 7, 2006 the Fishing Partners – Salmon, LLC ("FPS LLC") was
26 formed in the State of Arizona. FPS LLC was formed to allow BRADFORD to manage the

1 investor funds and to provide investors with an interest in the fund. Two investors were listed as
2 members of the FPS LLC at this time.

3 18. Pursuant to public records of the Commission, at all times relevant BRADFORD
4 was the manager of FPS LLC.

5 19. On or about March 8, 2006, BRADFORD opened a brokerage account in FPS
6 LLC's name with Scottrade, Inc., ("Scottrade Account"), an online brokerage firm, to deposit the
7 pooled money which enabled BRADFORD to, including but not limited to, trade stocks and
8 options, use margin trading (to use borrowed funds to employ trades or trading strategies), and
9 write authorized checks.

10 20. On or about March 9, 2006, at least one investor's monies were deposited into the
11 Scottrade Account to allow BRADFORD to manage and trade.

12 21. BRADFORD was the only individual authorized to transact and access the
13 Scottrade Account for all times relevant.

14 22. None of the investors managed or participated in the management of the Scottrade
15 Account.

16 23. A formal FPS LLC Operating Agreement ("Operating Agreement") was drafted to
17 memorialize the legal rights and agreements of BRADFORD, FPS LLC and each investor.
18 Investors would be given "unit certificates" representing a certain number of shares of FPS LLC
19 that corresponded with their respective interest in the fund based on their percentage of
20 contribution.

21 24. The Operating Agreement stated that FPS LLC was formed for the purpose of
22 operating a financial services company and any other lawful business.

23 25. All profits would inure to FPS LLC and then be paid out annually or as determined
24 by a majority of members, to investors in proportion to their interest as reflected in the "unit
25 certificate."
26

1 26. The Operating Agreement was executed by six (6) total investors (the two original
2 March 7, 2006 LLC members plus 4 additional investors), who were combined and all became
3 members of the FPS LLC, which became effective as of May 1, 2006. The investors each received
4 a “unit certificate” document evidencing their respective interest based on their percentage of
5 contribution.

6 27. Pursuant to the Operating Agreement, BRADFORD as Manager, was vested the
7 power to manage and control the business affairs of FPS LLC as evidenced by the “Powers of the
8 Manager(s)” enumerated in the Operating Agreement Section VII, subsection (A) and (B)
9 respectively, including but not limited to, the ability to:

10 a) “To engage in any activity and to execute, perform, and carry out the
11 purchase or sale of investments, execution of trades, contracts or agreements of any kind [...]”;

12 b) “To sell, exchange, convey, lease, or otherwise dispose of all or part of any
13 personal Company property [...]” with approval by at least 60% of members;

14 c) “To acquire by purchase, lease, exchange, or otherwise any Company
15 tangible or intangible asset [...]”;

16 d) “[...], to lend money and receive debt instruments [...] on behalf of the
17 Company for any approved Company purpose [...]”;

18 e) “To employ agents, employees, [and other third parties to carry out the
19 Company business]”; and

20 f) “To invest and reinvest, on behalf of the Company, Company funds [...]”

21 28. In addition, the FPS LLC Operating Agreement Section VII, subsection (F) stated
22 that no individual member shall take part in the control or management of FPS LLC business.

23 29. BRADFORD executed hundreds of trades within the Scottrade Account on almost a
24 daily basis and made decisions, such as the advisability of investing in the type of and which
25 security.
26

1 30. BRADFORD and FPS LLC, through its members, agreed that the compensation for
2 his management and services would equate to (i) a one-time management fee equal to 2% of the
3 capital investment made by the investor and (ii) 20% of all profits made by the "Hedge Fund" to be
4 paid quarterly and no unauthorized withdrawals by BRADFORD were allowed. This was
5 memorialized in the Operating Agreement.

6 31. All investment services and advice provided by BRADFORD would be paid as part
7 of the above compensation structure as there were no other contracts between the parties.

8 32. For all times relevant, BRADFORD had custody of the investor's assets as the sole
9 applicant on the FPS Scottrade Account and sole party to transact and manage the pooled investor
10 funds.

11 33. BRADFORD delivered periodic unaudited statements to investors showing
12 individual balances and year-to-date gains exceeding 30% (and some higher than 100%) to
13 investors; however the balances and year-to-date gains submitted did not reflect the true and actual
14 account balances and gains, which were far below the values represented by BRADFORD and
15 were actually negative.

16 34. On or about August 15, 2007, based on the statements showing profits and positive
17 returns, at least one investor purchased additional FPS membership interests of \$250,000
18 ("Additional Investment") and his monies were deposited into the Scottrade Account.

19 35. Prior to the deposit of the Additional Investment, the Scottrade Account balance
20 was less than \$500.

21 36. Approximately 7 days following the Additional Investment deposit, BRADFORD
22 wrote a check for \$70,000 from the Scottrade Account to a different investor who had been
23 requesting liquidation.

24 37. BRADFORD failed to disclose to investors that the funds received would be used to
25 pay other investors.
26

1 38. BRADFORD represented to at least one investor that they could easily liquidate
2 upon request.

3 39. Multiple investors, who requested liquidation were unsuccessful and received
4 nothing. The Scottrade Account held almost all positions on margin and the Scottrade Account
5 balances were far below their reported statement balances provided by BRADFORD to investors.

6 40. BRADFORD wrote checks and/or withdrew funds from the Scottrade Account over
7 30 times from the period of March 2006 through November 2007 in violation of the Operating
8 Agreement and without authorization. Some of the checks and/or withdrawals were marked as
9 earned fees or commissions by BRADFORD when in fact no fees or commission were earned
10 pursuant to the Operating Agreement since no net profits were realized. Checks were made out to
11 BRADFORD, who deposited them into his personal banking accounts to pay for credit cards and
12 other miscellaneous purchases.

13 41. BRADFORD raised at least \$1,298,416.36 from at least 6 investors. At least 6
14 investors also paid a one-time management fee to BRADFORD equal to 2% of their principal.
15 These payments were in exchange for an interest in the fund and services provided by
16 BRADFORD.

17 42. On or about November 30, 2007, by majority approval of the investors/members,
18 BRADFORD was replaced as the Manager of FPS LLC. This amendment was filed with the
19 Commission on February 15, 2008.

20 **II.**

21 **CONCLUSIONS OF LAW**

22 43. The Commission has Jurisdiction over this matter pursuant to Article XV of the
23 Arizona Constitution, the Securities Act and the Investment Management Act.

24 44. The Respondent did not request a hearing pursuant to A.R.S. § 44-1972 and A.A.C.
25 R14-4-307.

1 45. The Respondent did not answer the Notice pursuant to Pursuant to A.A.C. R14-4-
2 305.

3 46. Respondent offered or sold securities within or from Arizona, within the meaning of
4 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

5 47. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were
6 neither registered nor exempt from registration.

7 48. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither
8 registered as a dealer or salesman nor exempt from registration.

9 49. Respondent violated A.R.S. § 44-1991 in connection with the offer or sale of
10 securities within or from Arizona, Respondent directly or indirectly: (i) employed a device, scheme,
11 or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts
12 that were necessary in order to make the statements made not misleading in light of the
13 circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of
14 business that operated or would operate as a fraud or deceit upon offerees and investors.
15 Respondent's conduct includes the following:

16 a) Misrepresented to at least one investor that he was a "licensed" securities
17 salesman when in fact he was not. BRADFORD has not been registered as a salesman since 2001
18 and has never been a registered dealer;

19 b) Delivered periodic unaudited statements to investors showing individual
20 balances and year-to-date gains exceeding 30% (and some higher than 100%) to investors; however
21 the balances and year-to-date gains submitted did not reflect the true and actual account balances
22 and gains, which were far below the values represented by BRADFORD and were actually negative;

23 c) Misrepresented to at least one investor not to worry about losing their
24 principal as he was worth millions and could guarantee the funds. However, when losses did arise,
25 BRADFORD did not repay the investor their principal or interest upon request;

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1 d) Misrepresented that he was a current trader for T. Boone Pickens and
2 managed a multimillion dollar fund when in fact he was not and never had been a trader or fund
3 manager for T. Boone Pickens;

4 e) Failed to disclose that investor funds received would be used to pay other
5 investors; and

6 f) Failed to disclose that FPS Scottrade Account funds would be withdrawn for
7 personal use when no authority or authorization was obtained or given and BRADFORD marked
8 some withdrawals as earned fees or commissions, when in fact no fees or commissions were earned
9 pursuant to the Operating Agreement since no net profits were realized;

10 50. Respondent violated A.R.S. § 44-3151 by transacting business in Arizona as an
11 investment adviser or investment adviser representative while not licensed or in compliance with
12 Article 4 of the IM Act.

13 51. Respondent violated A.R.S. § 44-3241 by having engaged in a transaction or
14 transactions within or from Arizona involving the provision of investment advisory services in
15 which BRADFORD are, directly or indirectly: (i) employing a device, scheme, or artifice to
16 defraud; (ii) making untrue statements of material fact or omitting to state material facts that are
17 necessary in order to make the statements made not misleading in light of the circumstances under
18 which they are made; (iii) misrepresenting professional qualifications with the intent that the client
19 rely on the misrepresentation; or (iv) engaging in transactions, practices, or courses of business that
20 operate or would operate as a fraud or deceit. Respondent's conduct includes the following:

21 a) Delivered periodic unaudited statements showing individual balances and
22 year-to-date gains exceeding 30% (and some higher than 100%) to investors; however the balances
23 and year-to-date gains submitted did not reflect the true and actual account balances and gains,
24 which were far below the stated values and were actually negative; and

1 b) Misappropriated investment funds for personal use and marked some
2 withdrawals as earned fees or commissions, when in fact no fees or commissions were earned
3 pursuant to the Operating Agreement since no net profits were realized.

4 52. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-
5 2032 and 44-3292.

6 53. Respondent's conduct is grounds for a restitution order pursuant to A.R.S. §§ 44-2032
7 and 44-3292.

8 54. Respondent's conduct is grounds for administrative penalties under A.R.S. §§ 44-2036
9 and 44-3292.

10 55. Respondent's conduct binds the marital community pursuant to A.R.S. §§ 25-214 and
11 25-215.

12 **III.**

13 **ORDER**

14 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the
15 Commission finds that the following relief is appropriate, in the public interest, and necessary for the
16 protection of investors:

17 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 and 44-3292, that Respondent, his
18 agents, employees, successors and assigns, permanently cease and desist from violating the
19 Securities Act. Respondent shall not sell any securities within or from Arizona without being
20 registered in Arizona as a dealer or salesman, or exempt from such registration. Respondent shall
21 not sell securities within or from Arizona unless the securities are registered in Arizona or exempt
22 from registration. Respondent shall not transact business in Arizona as an investment adviser or an
23 investment adviser representative unless licensed in Arizona or exempt from licensure.

24 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2032 and 44-3292, that
25 Respondent shall pay restitution to investors shown on the records of the Commission in the
26 amount of \$1,298,416.36, plus interest at the rate of 10% per annum from the date of the

1 investment. Payment shall be made by cashier's check or money order payable to the "State of
2 Arizona" to be placed in an interest-bearing account maintained and controlled by the
3 Commission. The Commission shall disburse the funds on a pro rata basis to investors. Any funds
4 that the Commission is unable to disburse shall be transferred to the general fund of the state of
5 Arizona. If Respondent does not comply with this order of restitution, any outstanding balance
6 shall be in default and shall be immediately due and payable.


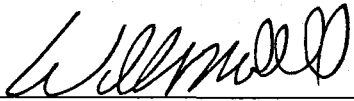
7 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2036 and 44-3296, that
8 Respondent shall pay administrative penalties in the amount of \$100,000. Payment shall be made
9 in full by cashier's check or money order on the date of this Order, payable to the "State of
10 Arizona." Any amount outstanding shall accrue interest at the rate of 10% per annum from the
11 date of this Order until paid in full.

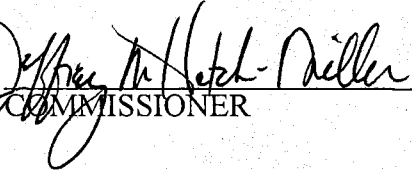


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1 IT IS FURTHER ORDERED that if Respondent fails to comply with this Order, the
2 Commission may bring further legal proceedings against the Respondent, including application to
3 the Superior Court for an order of contempt.

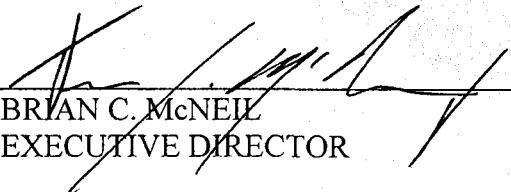
4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8  
CHAIRMAN COMMISSIONER

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10   
COMMISSIONER COMMISSIONER COMMISSIONER

12 IN WITNESS WHEREOF, I, BRIAN C.
13 McNEIL, Executive Director of the Arizona
14 Corporation Commission, have hereunto set my
15 hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the
17 City of Phoenix, this 8th day of
October, 2008.

18 
BRIAN C. McNEIL
EXECUTIVE DIRECTOR

19
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21 _____
DISSENT

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23 _____
DISSENT

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25 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant
26 to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov

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