

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:

ROBERT S. GRAHAM

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Docket No. E-2017-0088

CONSENT ORDER

I. INTRODUCTION

This Consent Order (the “Order”) is entered into by the Massachusetts Securities Division (the “Division”) and Robert S. Graham (“Graham”) submits this Offer of Settlement (“Offer”) with respect to the investigation by the Enforcement Section of the Division (the “Enforcement Section”) arising out of the Division’s Investigation (Docket No. E-2017-0088) uncovering violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (“Act”).

On August 22, 2018, Graham submitted an Offer of Settlement (the “Offer”) to the Division. Graham admits the Statement of Facts set forth in Section VI and neither admits nor denies the Violations of Law set forth in Section VII, and consents solely for the purpose of these proceedings to this Order by the Division, consistent with the language and terms of the Offer, settling this investigation (Docket No. E-2017-0088).

II. JURISDICTION AND AUTHORITY

1. The Division has jurisdiction over matters relating to securities, as provided for by the Act. In part, the Act authorizes the Division to regulate: 1) the offers, sales, and purchases of securities; 2) those individuals offering and/or selling securities; and 3) those individuals transacting business as investment advisers within the Commonwealth.

2. The Offer was made and this Order is entered in accordance with MASS. GEN. LAWS ch. 110A. Specifically, the acts and practices investigated by the Division took place in Massachusetts and were directed toward Massachusetts residents while Graham was registered in Massachusetts as a broker-dealer agent and investment adviser representative.

III. RELEVANT TIME PERIOD

3. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2012 to December 31, 2012 (the “Relevant Time Period”).

IV. RESPONDENT

4. Robert S. Graham (“Graham”) is a natural person and a resident of Arizona. Graham has a Financial Industry Regulatory Authority (“FINRA”) Central Registration Depository (“CRD”) number of 3126485 and was registered as a broker-dealer agent in Massachusetts from March 1, 2011 to June 13, 2014.

V. RELATED PARTY

5. Green Steel, LLC (“Green Steel”) is an Arizona limited liability company. Green Steel was a business venture started by Graham and his partner Eric Wnuck, and operated

as the manager and owner of two satellite projects, including Groveton NH1, LLC (“Groveton”) and St. Paul River Walk, LLC (“St. Paul”).

VI. STATEMENT OF FACTS

6. Massachusetts Investor One is a 67 year old artist who served as the trustee for two trusts: one for her brother and one for her mother.

7. Massachusetts Investor One was first put in contact with Graham after inheriting and selling property in Port-au-Prince, Haiti.

8. After meeting Massachusetts Investor One for the first time, Graham subsequently became registered with a broker-dealer registered in Massachusetts (“Broker-Dealer One”), where Massachusetts Investor One later opened accounts.

9. There are multiple instances where Massachusetts Investor One’s account documentation states that her risk tolerance was moderate to conservative.

10. Graham was aware of Massachusetts Investor One’s risk tolerance and her account documentation at Broker-Dealer One.

11. In April 2012, Graham formed Green Steel and disclosed it to Broker-Dealer One as an outside business activity (“OBA”) that he had acquired a 50% interest in and was investing personal capital.

12. Beginning in August 2012, and without Broker-Dealer One’s knowledge or approval, Graham introduced Massachusetts Investor One to Rusted Rhino, an unaffiliated company, to consider investing into Rusted Rhino via promissory notes.

13. In September 2012, Graham began to solicit individuals from across the United States to invest in Groveton, an entity owned and controlled by Green Steel.

14. Graham solicited approximately \$400,000 in investments from Massachusetts Investor One and her familial trusts between September and December of 2012.
15. Graham raised approximately \$1.8 million for Groveton in total.
16. Broker-Dealer One became aware of Graham's activities on or about September 2012, when Graham's OSJ submitted an update for Graham's OBA.
17. Broker-Dealer One's Chief Compliance Officer ("CCO") immediately brought his concerns to Graham's attention upon discovery, stating in an email that "[Graham] is focusing on every part of his business except increasing the business done through [Broker-Dealer One]," and that "[n]ow [Graham] wants to do a private offering on one of his own entities," and that "it is time that [Graham] finds a new [broker-dealer]."
18. At the time objections were raised by Broker-Dealer One's CCO, Graham had already solicited investors for Groveton. Graham continued to move forward with all aspects of the operations of the Groveton project notwithstanding the ongoing discussions with Broker-Dealer One about his failure to disclose the offerings or seek Broker-Dealer One's prior approval.
19. Broker-Dealer One's CCO stated to the Division that his recommendation was to terminate Graham. However he was not involved in the final decision made by the CEO of Broker Dealer One to approve the outside business activity.
20. After Broker Dealer One's approval and to further indemnify Broker Dealer One in October 2012, an agreement was reached between Graham and Broker-Dealer One to provide "hold harmless letters" to investors in Groveton and St. Paul River Walk that disclaimed Broker-Dealer One's liability in connection with the investments.

21. The hold harmless letters were provided to the investors in October 2012, after their investments had been made and the money spent on the Groveton project.

22. Groveton incurred significant delays and cash flow issues at points during the life of this project, with local managers and venders not receiving timely payments.

23. Groveton eventually failed and the property was given to one of the venders who was owed substantial payments by Green Steel.

24. Massachusetts Investor One lost the entire principal of each of her investments in the Groveton project, investments which were made on the recommendation of Graham.

VII. VIOLATIONS OF LAW

Count I – Violations of MASS. GEN. LAWS ch. 110A § 204

25. Section 204 of the Act Provides in the pertinent part:

(a) the secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds [...] (2) the applicant or registrant [...]:

(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business.

MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

26. The Division alleges that the conduct of Graham, as described in Section VI, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204.

Count II – Violations of MASS. GEN. LAWS ch. 110A § 301

27. Section 301 of the Act provides in the pertinent part:

It is unlawful for any person to offer or sell any security in the commonwealth unless:

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; [...]

MASS. GEN. LAWS ch. 110A, § 301.

28. The Division alleges that the conduct of Graham, as described in Section VI, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

VIII. ORDER

IT IS HEREBY ORDERED:

- A. Graham shall permanently cease and desist from further conduct in violation of MASS. GEN. LAWS ch. 110A;
- B. Graham is censured by the Division;
- C. Graham is permanently barred from registering in the Commonwealth as, or associating with, an investment adviser, investment adviser representative, broker-dealer, broker-dealer agent, Securities and Exchange Commission registered investment adviser, investment adviser excluded from the definition of investment adviser, issuer, issuer agent, or a partner, officer, director, or control person of any of the above;
- D. Within five (5) business days of the entry of this Order, Graham shall pay an administrative fine in the amount of \$15,000.00 (USD) to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; and (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired per Division instructions; and (4) submitted under cover letter or other documentation that identifies Graham making the payment and the docket number of the proceedings. Additionally, Graham shall provide the Enforcement Section with notice twenty-four (24) hours prior to the payment; and

E. Upon issuance of the Order, if Graham fails to comply with any of the terms set forth in the Division's Order, the Enforcement Section may take such action as it deems appropriate. Additionally, after a fair hearing and the issuance of an appropriate order finding that Graham has not complied with the Order, the Enforcement Section may move to have the Order declared null and void, in whole or in part, and re-institute the administrative proceeding and associated investigation that had been brought against Graham.

**WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH**

By: 

Bryan J. Lantagne

First Deputy – Secretary of State

Director – Massachusetts Securities Division

One Ashburton Place, Room 1701

Boston, MA 02108

Date: August 20, 2018 