

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

and

**IN THE MATTER OF HOWARD GRAHAM**

**STATEMENT OF ALLEGATIONS  
(Section 127(1) and (10) of the *Securities Act*)**

Staff of the Ontario Securities Commission makes the following allegations:

**A. The Respondent**

1. Howard Graham is a Canadian citizen who resides in Kingston, Ontario. Graham was the President of and/or controlled Braintree Energy, Inc., a corporation domiciled in the United States, during the relevant time (Braintree).
2. Graham has never been registered under the Ontario *Securities Act*, R.S.O. 1990 c. S.5 as amended (the Act).
3. Graham has never applied for any exemptions from the registration requirements of the Act.

**B. Other relevant entities**

4. Braintree was incorporated on May 4, 2000 in the Commonwealth of Massachusetts in the United States. During the relevant period, Braintree's principal office was located in Cheshire, Massachusetts. Braintree was in the business of selling investment contracts and/or fractional interests in oil and gas leases for drilling projects operated by Premier Minerals Inc. (Premier).

5. Braintree is not, and has never been, a reporting issuer in Ontario.

6. Braintree has never filed a preliminary or final prospectus with the OSC and receipts have not been issued for the company by the Director.

7. Braintree has never applied for any exemptions from the prospectus requirements of the Act.

8. Premier is a Texas corporation with a principal place of business in San Antonio, Texas. Premier purportedly operates oil and gas wells and, during the relevant period issued leasehold interest in those wells to Braintree. Braintree, in turn, offered and sold fractional interests in the wells to individual investors.

**C. The Allegations**

**The final judgment of the United States District Court - District of Massachusetts**

9. On February 20, 2007, the United States Securities and Exchange Commission (SEC) filed a civil fraud complaint against Graham and Braintree in the United States District Court - District of Massachusetts (the Complaint).

10. The Complaint involves a fraudulent offering and sale of unregistered securities by Graham and Braintree in the form of investment contracts and/or fractional interests in oil and gas leases.

11. Graham orchestrated the scheme through Braintree. Graham and Braintree made numerous oral and written misrepresentations between at least 2000 through 2006 to more than

200 investors nationwide and in foreign countries regarding the investors' expected rate of return and their associated investment risks.

12. Graham and Braintree routinely communicated to investors that they could expect to earn between 500 – 900 percent on their investments with little or no risk.

13. Moreover, Graham and Braintree failed to disclose many material facts to the investors, including that Graham intended to and was routinely diverting up to 30 percent of the investor funds for his own personal use.

14. As a result of this scheme, Graham and Braintree obtained at least USD\$9 million in investor funds and Graham diverted approximately USD\$3 million towards his personal use.

15. On December 23, 2008, the United States District Court - District of Massachusetts entered a final judgement against Howard Graham (the Final judgment).

16. Graham consented to entry of the Final judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction).

17. The Final judgment ordered that Graham:

- (a) is permanently restrained and enjoined from violating, directly or indirectly, section 10(b) of the *Securities Exchange Act of 1934* (the Exchange Act) and Rule 10b-5 promulgated thereunder;
- (b) is permanently restrained and enjoined from violating section 17(a) of the *Securities Act of 1933* (the Securities Act);
- (c) is permanently restrained and enjoined from violating sections 5(a) and (b) of the Securities Act;
- (d) is permanently restrained and enjoined from violating, directly or indirectly, (15)(a) of the Exchange Act;
- (e) is liable for disgorgement of USD\$2,794,422, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgement interest in the amount of USD\$355,481.60, for a total of USD\$3,149,903.60; and
- (f) shall pay a civil penalty of USD\$120,000 pursuant to section 20(d) of the Securities Act.

18. On December 23, 2008, the United States District Court - District of Massachusetts issued a default judgment against Braintree.

**D. Conduct contrary to the public interest**

19. The United States District Court - District of Massachusetts found that Graham contravened the Exchange Act and the Securities Act, which legislation governs the buying and selling of securities in the United States. His conduct is therefore contrary to the public interest.

20. Such further and other allegations as Staff may advise and the Commission may permit.

March 18, 2009