

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2014040542601**

**TO:** Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Lev Slootsky, Respondent  
General Securities Representative  
CRD No. 5192406

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

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**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

In July 2006, Respondent became employed by Goldman, Sachs & Co. (the "Firm"), a FINRA-registered broker-dealer, as an analyst in the Firm's Investment Banking Division. Respondent received his Series 7 license in September 2006.

In August 2008, Respondent transferred into Goldman Sachs Investment Partners ("GSIP"), a hedge fund that is part of the Firm's Asset Management Division. He worked as a research analyst within GSIP from August 2008 until he left the Firm, eventually specializing in the energy sector. During that time, he was a Vice President.

On March 17, 2014, the Firm filed a Form U5 disclosing that Respondent's registration with the Firm was terminated on February 16, 2014 due to "concerns involving the scope of interactions outside [of] the [F]irm related to prospective private investments."

Respondent is not currently associated with a FINRA regulated broker-dealer, but FINRA retains jurisdiction over him pursuant to Article V, Section 4 of FINRA's By-Laws.

### **RELEVANT DISCIPLINARY HISTORY**

Respondent has no prior disciplinary history in the securities industry.

### **OVERVIEW**

During May through December 2013, Respondent violated NASD Rule 3040 and FINRA Rule 2010 by participating in private securities transactions totaling \$446,978 without giving prior written notice thereof to his FINRA-regulated broker-dealer employer. Respondent facilitated the purchase, by a group of investors through several limited liability companies, of \$328,844 in fractional working interests issued in connection with an oil well project. Respondent also personally purchased \$18,134 of such interests through one of those companies. In addition, Respondent personally purchased \$100,000 of membership interests issued by two limited liability companies specializing in real estate debt investments.

Further, from July 2013 through February 16, 2014, Respondent violated FINRA Rules 3270 and 2010 by engaging in an undisclosed outside business activity, one of the above LLCs, in which he was a member and a Manager.

### **FACTS AND VIOLATIVE CONDUCT**

#### **Private Securities Transactions**

NASD Rule 3040 provides that "[n]o person associated with a member shall participate in any manner in a private securities transaction except in accordance with the requirements of this Rule." A private securities transaction is defined as "any securities transaction outside the regular course or scope of an associated person's employment with a member."

Prior to participating in a private securities transaction, an associated person must provide written notice to his or her FINRA-regulated broker-dealer employer, "describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction." Even for transactions in which no compensation is received, the Rule requires that prior written approval must be given to the FINRA-regulated broker-dealer employer.

FINRA Rule 2010 requires associated persons to "observe high standards of commercial honor and just and equitable principles of trade." A violation of NASD Rule 3040 is also a violation of FINRA Rule 2010.

During 2013, the Firm's written supervisory procedures ("WSPs") required its registered representatives to provide the Firm with prior written notice of, and obtain its approval of, all private securities transactions.

As set forth below, during May through December 2013, Respondent participated in private securities transactions totaling \$446,978 relating to an oil well project (the "JMB Oil Project") and two Delaware limited liability companies ("LLCs"), BM II and V, specializing in real estate debt investments.

During 2012, EO, a Texas LLC, was formed by certain investors (the "EO Investors") as an investment vehicle. Respondent was not a member of EO.

On July 2, 2013, EO, Respondent, and investor CH formed EL, a Texas LLC, as a vehicle to facilitate investments by them in the JMB Oil Project. Respondent, CH and several of the EO Investors were EL's Managers.

On July 8, 2013, EO invested \$204,857 in exchange for approximately 9.8 percent of the fractional undivided working interests in the property and equipment leases of the JMB Oil Project (the "Working Interests"). The Working Interests were securities.

On August 19, 2013, in connection with a capital call made by the sponsors of the JMB Oil Project to the project's investors, EL invested an additional \$59,925 into the project. \$13,299 of this sum was provided by Respondent, and such amount represented his initial investment therein. As a result of his investment, Respondent obtained an interest of approximately one-half of one percent of the Working Interests. The remainder of the \$59,925 invested by EL was provided by EO and CH.

On December 17, 2013, in connection with a second capital call made in connection with the JMB Oil Project, EL invested an additional \$82,196 into the project, \$4,835 of which was provided by Respondent. As a result, through EL, Respondent personally invested a total of \$18,134 in the JMB Oil Project.

Respondent participated in the purchase of the Working Interests by the EO Investors and CH through the above LLCs in that he acted as these parties' representative in connection with the purchase transactions, assisted with the technical due diligence investigation that they conducted with respect to the relevant oil well, received investment information and attended investment-related calls and meetings on their behalf, and analyzed the investment for them.

With respect to BM II and V, Respondent personally purchased \$50,000 of membership interests, which were securities, in each of these LLCs, on September 12, 2013 and December 6, 2013, respectively, for a total investment of \$100,000. BM II, which raised a total of \$715,000, purchased a senior loan secured by a medical office building located in Florida. BM V, which raised a total of \$2,625,000, purchased a portfolio of senior loans secured by two buildings located in California and the assets of a company located in New York.

Respondent did not provide prior written notice of any of the above private securities transactions to the Firm, as required by NASD Rule 3040.

By virtue of this conduct, Respondent violated NASD Rule 3040 and FINRA Rule 2010.

**Outside Business Activity**

FINRA Rule 3270 provides in relevant part:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member.

A violation of FINRA Rule 3270 is also a violation of FINRA Rule 2010.

During 2013, the Firm's WSPs required its registered representatives to provide the Firm with prior written notice of, and obtain its prior approval of, all outside business activities.

During July 2013 through February 16, 2014, Respondent engaged in an outside business activity, EL, which as noted above, facilitated Respondent and CH's investments and certain of EO's investments in the JMB Oil Project. It was anticipated by Respondent, as well as one or more of EL's other members and/or managers, that in the event the JMB Oil Project was successful, EL could serve as a vehicle for other energy-related investments.

As a member and Manager of EL, Respondent provided EL with start-up capital in order to, among other things, allow the company to set up a corporate bank account and pay the state LLC formation fee. Further, with the consent of EL's other Managers, Respondent had the authority to conduct the company's business and make business decisions on its behalf.

During 2013, Respondent distributed information to one or more of EL's other Managers concerning energy-related investment opportunities other than the JMB Oil Project. Respondent discussed such opportunities with those Managers, including CH, and the opportunities were considered by them as candidates for future EL investments. Thus, EL was designed to, and did, engage in activities other than the private securities transactions described above.

Respondent did not provide prior written notice of the above outside business activity to the Firm, as required by FINRA Rule 3270.

By virtue of this conduct, Respondent violated FINRA Rules 3270 and 2010.

B. I also consent to the imposition of the following sanctions:

A one-year suspension from association with any FINRA member in any capacity and a \$15,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the one-year suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter the monetary sanction imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### **III.**

#### **OTHER MATTERS**

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with

the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

2/12/2016  
Date: 2/12/2016

Lev Slootsky  
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Reviewed by:

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Accepted by FINRA:

2/29/16  
Date

Signed on behalf of the  
Director of ODA, by delegated authority

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