

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

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IN THE MATTER OF: LAWRENCE I. GOLDSTEIN )  
\_\_\_\_\_)

FILE NO. 1100065

**CONSENT ORDER OF WITHDRAWAL**

TO THE RESPONDENT:                   Lawrence I. Goldstein (CRD#: 3223787)  
  2633 Eden Place  
  Beverly Hills, California 90210

Lawrence I. Goldstein  
(CRD#: 3223787)  
C/o Oppenheimer & Co., Inc.  
125 Board Street 16th Floor  
New York, New York 10004

Lawrence I. Goldstein  
C/o John T. McGuire  
Deputy General Counsel  
Oppenheimer & Co. Inc.  
125 Broad Street  
New York, New York 10004

WHEREAS, Respondent on the 24<sup>th</sup> day of June 2011 executed a certain Stipulation to Enter Consent Order of Withdrawal (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing of the Secretary of State, Securities Department, dated April 27, 2011 in this proceeding (the "Notice") and Respondent has consented to the entry of this Consent Order of Withdrawal ("Consent Order").

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WHEREAS, by means of the Stipulation, the Respondent acknowledged, without admitting or denying the truth thereof, that the following allegations contained in the Notice of Hearing shall be adopted as the Secretary of State's Findings of Fact:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on January 24, 2011 FINRA entered a Letter of Acceptance, Waiver and Consent (AWC) submitted by the Respondent regarding File No. 20080130008-01 which sanctioned the Respondent as follows:
  - a. 10-business day suspension from association with any member of FINRA in any and all capacities; and
  - b. a fine of \$6,623.00, which includes the financial benefit received by the Respondent for the transactions described below.
3. That the AWC found:

### **OVERVIEW**

Between January 2006 and February 2007, the Respondent, in conjunction with an investment strategy that he devised, recommended purchases and sales of securities to a customer of Oppenheimer (his employing dealer) that was unsuitable for that customer based upon the customer's financial status, tax status, investment objectives, and other information available to him about the customer's circumstances and needs.

### **FACTS AND VIOLATIVE CONDUCT**

On August 22, 2005, SP opened an account at Oppenheimer with the Respondent. According to the account opening documentation, SP was single, 45 years old, unemployed, had an annual income of approximately \$22,000.00 from unemployment benefits, a total net worth of \$125,000.00 and a liquid net worth of \$100,000.00. Her liquid net worth was from an inheritance she had recently received upon the death of her father. SP did not have any prior investment experience and was unsophisticated with respect to financial matters. SP deposited the \$100,000.00 inheritance into her Oppenheimer account. The account documentation indicated two investment objectives, "current income (conservative)" and "current income (aggressive)." SP also sought liquidity since she was unemployed and intended to make periodic withdrawals to supplement the unemployment benefits she was currently receiving.

The Respondent initially recommended that SP invest in auction rate securities. SP followed his recommendation and he invested the entirety of her account in auction rate securities between approximately August 22, 2005 and approximately October 26, 2005. These recommendations were not unsuitable for SP. In late October 2005 the Respondent recommended that SP begin to liquidate the auction rate securities and transition into preferred securities over the next couple of months, focusing on new issues, with the understanding that, if a particular preferred security appreciated to a degree that the Respondent believed it beneficial to sell the security rather than receive dividends, the security would be sold and another preferred security would be purchased. SP agreed to follow his recommendation. Between approximately October 26, 2005, and approximately January 13, 2006, the Respondent recommended the purchase of preferred securities that were rated investment grade. After approximately January 13, 2006, and through approximately February 8, 2007, however, the Respondent recommended, and SP purchased, preferred securities that were increasingly below investment grade or not rated. These recommendations resulted in the acquisition of securities that posed greater risk than warranted by her financial circumstances and needs and, further, caused her portfolio to become over-concentrated in below-investment-grade securities. The recommendations that SP purchase below-investment grade securities were unsuitable for SP because they exposed her principal to excessive risk of loss.

By recommending and then investing SP's assets in these preferred securities that were below investment grade and also by over concentrating SP's account in below investment grade preferred securities, as described above, the Respondent recommended and made investments in SP's account that were unsuitable for SP in light of her financial circumstances, tax status, investment objectives and other information known to the Respondent at the time he made the recommendations.

The recommendations, therefore, constituted separate and distinct violations of NASD Rule 2310 by the Respondent. Such conduct was also inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Rule 2110 by the Respondent.

4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such Salesperson has been suspended by any self-regulatory organization Registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory Organization.

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5. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged, without admitting or denying the averments, that the following shall be adopted as the Secretary of State's Conclusion of Law:

That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall cause to have his registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of this Consent Order and will not re-apply for registration for a period of two (2) years from the entry of this Consent Order.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he shall be levied costs incurred during the investigation of this matter in the amount of One Thousand Five Hundred dollars (\$1,500.00). Said amount is to be paid by certified or cashier's check, made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, by means of the Stipulation Respondent has acknowledged and agreed that he has submitted with the Stipulation a certified or cashier's check in the amount of One Thousand Five Hundred dollars (\$1,500.00) to cover costs incurred during the investigation of this matter. Said check has been made payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceedings.

NOW THEREFORE IT SHALL BE AND IS HEREBY ORDERED THAT:


1. The Respondent shall cause to have his registration as a salesperson in the State of Illinois withdrawn within three (3) days from the entry of this Consent Order and will not re-apply for registration for a period of two (2) years from the entry of this Consent Order.

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2. The Respondent is levied costs of investigation in this matter in the amount of One Thousand Five Hundred dollars (\$1,500.00), payable to the Office of the Secretary of State, Securities Audit and Enforcement Fund, and on July 12<sup>th</sup>, 2011 has submitted One Thousand Five Hundred dollars (\$1,500.00) in payment thereof.
3. The formal hearing scheduled on this matter is hereby dismissed without further proceedings.

ENTERED This 12<sup>th</sup> day of July 2011.

  
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JESSE WHITE  
Secretary of State  
State of Illinois

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