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MAR 14 2014

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030570702**

**FINRA
SAN FRANCISCO ENFORCEMENT OFFICE**

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

**RE: Harlan Kleiman, Respondent
Registered Principal
CRD No. 2546618**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I [or Respondent] 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.

I.

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

Respondent first became associated with a FINRA-member broker-dealer in July 1993 and first became registered in May 1995. In September 2000, he formed former FINRA member Shoreline Pacific LLC (Shoreline). He was registered in various representative and principal capacities with Shoreline from April 2001 until December 2003 when Shoreline was acquired by another FINRA member. Respondent was registered with the acquiring firm from January 2004 through August 2004, but also re-registered with Shoreline in May 2004 as a general securities representative and principal, where he remained until the termination of his registrations upon Shoreline's withdrawal from membership in February 2013. He is not currently associated with a member firm and has no disciplinary history.

OVERVIEW

Shoreline executed an engagement agreement with an oil and gas program sponsor, Amazon Exploration, in August 2012, pursuant to which Shoreline agreed to act as placement agent for up to \$2,250,000 in partnership interests issued by Amazon 13-30. Respondent was the principal responsible for supervising the firm's private placement business and the supervisor of the registered representative primarily responsible for placing the securities. He did not supervise the Amazon 13-30 offering or the registered representative in a manner reasonably designed to achieve compliance with applicable rules.

FACTS AND VIOLATIVE CONDUCT

On August 1, 2012, Respondent executed on behalf of Shoreline an agreement to act as placement agent for up to \$2,250,000 in limited and convertible general partnership interests in Amazon 13-30, an entity formed to drill a single well in Cheyenne County, Nebraska. JA, a Shoreline registered representative located in Colorado Springs, CO, was primarily responsible for placing the securities with investors. Three investors purchased approximately \$77,000 in interests through Shoreline.

Respondent was the principal of Shoreline responsible for the supervision of Shoreline's private placement business, including the implementation of the firm's due diligence system and procedures. He did not supervise the Amazon 13-30 placement in a manner reasonably designed to achieve compliance with applicable rules, in that he did not adequately investigate certain "red flags" associated with the offering, including inadequate "use of proceeds" disclosures and the absence of past performance information related to the program sponsors.

Respondent was also JA's supervisor during the period that JA was soliciting and recommending the purchase of interests in Amazon 13-30. Respondent did not supervise JA in a manner reasonably designed to achieve JA's compliance with FINRA Rule 2111. JA did not comply with his reasonable basis suitability obligation by exercising reasonable diligence to understand the attributes or potential risks and rewards associated with Amazon 13-30, nor did he comply with his customer specific suitability obligation by obtaining and considering required information related to the investors' investment profiles in making recommendations to purchase the security.

By reason of the foregoing, Respondent violated NASD Conduct Rule 3010 and FINRA Rule 2010.

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

A suspension from association with any FINRA-member broker-dealer in a principal capacity for a period of two months and a fine in the amount of

\$10,000.00.

The fine shall be due and payable either immediately upon reassociation with a member firm following the two-month principal 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(s) imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension or bar, if I become associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 General Counsel, 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 response to public inquiries about my disciplinary record;
 - 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.

3/11/14
Date (mm/dd/yyyy)

Harlan Kleinman
Harlan Kleinman, Respondent

Reviewed by:

Abe Lampart
Abe Lampart, Esq., Counsel for Respondent
Law Offices of Abe Lampart, P.C.
456 Montgomery Street
Suite 1300
San Francisco CA 94104

Accepted by FINRA:

06/09/2014
Date

Signed on behalf of the
Director of ODA by delegated authority

Mark A. Graves
Mark A. Graves
Senior Regional Counsel
FINRA Department of Enforcement
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San Francisco, CA 94104
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