

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11091 / August 16, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 95502 / August 16, 2022

INVESTMENT ADVISERS ACT OF 1940
Release No. 6090 / August 16, 2022

INVESTMENT COMPANY ACT OF 1940
Release No. 34674 / August 16, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20962

In the Matter of

**GREGORY BLOTNICK and
BRATTLE STREET
CAPITAL, LLC**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO 8A OF THE SECURITIES
ACT OF 1933, SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
SECTIONS 203(e), 203(f) AND 203(k) OF
THE INVESTMENT ADVISERS ACT OF
1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT, MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Gregory Blotnick (“Blotnick”) and Brattle Street Capital, LLC (“BSC”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondents admit the Commission’s jurisdiction over them and the subject matter of these proceedings, and consent to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

This proceeding involves violations of the federal securities laws by fund manager Blotnick and BSC. From June 2019 through February 2021 (the “Relevant Period”), Respondents raised approximately \$3 million from 47 investors in BSC Opportunistic Equity, LP (“the Fund”). Respondents solicited investors with false and misleading statements, including misstatements about the profitability of the Fund and the fund administrator. In addition, Respondents engaged in trading that was inconsistent with the trading strategy described in the Fund’s private placement memorandum. Respondents’ trading resulted in losses of nearly all of the Fund’s assets, which Respondents hid through inaccurate account statements misrepresenting the Fund’s performance. Respondents also fraudulently obtained Paycheck Protection Program (“PPP”) loans which they deposited in the Fund’s account and then lost through similar trading. Moreover, Respondents commingled investor assets with Blotnick’s own. Blotnick has pled guilty and been sentenced to prison in parallel state and federal criminal matters.

Respondents

1. **Gregory Blotnick**, age 35, is a resident of Palm Beach, Florida. Blotnick at all relevant times controlled and was the founder, sole owner, Managing Partner, and only employee of BSC.

2. **Brattle Street Capital, LLC** is a New York corporation with its principal place of business in New York, New York. BSC is not registered with the Commission in any capacity. BSC is the investment adviser to the Fund.

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

Other Relevant Entity

3. **BSC Opportunistic Equity, LP** is a private fund organized as a partnership under the partnership laws of Delaware with its principal place of business in New York, New York. Blotnick founded the Fund in June 2019. The Fund claims exemption from registration with the Commission as an investment company pursuant to Section 3(c)(1) of the Investment Company Act of 1940.

Facts

4. During the Relevant Period, Respondents solicited and raised approximately \$3 million from 47 investors, each of whom invested \$5,000 to \$250,000 to become a limited partner in the Fund.

5. Blotnick, acting on behalf of and through BSC, solicited investors and prospective investors with written offering documents and marketing materials that contained misleading statements about the Fund's strategy, which offering materials described as focused on the "consumer/retail sector," and its performance.

6. At the Fund's inception, Respondents utilized a third-party independent fund administrator ("Fund Administrator") to review investor subscription agreements, monitor account balances, mark-to-market securities holdings, track trading commissions and other Fund expenses, calculate the Fund's monthly net asset value, allocate the Fund's monthly assets by each limited partner, and prepare investor account statements.

7. By April 2020, Respondents had raised approximately \$1.7 million from 36 limited partners and had lost nearly all of the money invested by those limited partners, primarily trading short-term equity options and futures on broad market indexes. Respondents hid these losses from investors by misrepresenting the Fund's performance. Based on these misrepresentations concerning investment performance, several investors made additional investments in the Fund.

8. Blotnick, acting on behalf of and through BSC, also asked the Fund Administrator to characterize money that Blotnick had recently added to the Fund as limited partner capital contributions to conceal investor losses. The Fund Administrator refused to do so.

9. In April 2020, the Fund Administrator terminated its relationship with Respondents and the Fund. Respondents nonetheless continued to represent to investors and potential investors that the Fund Administrator served as the administrator of the Fund.

10. From April 2020 through March 2021, Respondents fraudulently obtained 12 PPP loans, totaling approximately \$4.5 million. The PPP funds were authorized by the federal government on an emergency basis to help small businesses pay and retain employees during the COVID-19 pandemic. In order to facilitate this scheme, Respondents opened bank accounts in the name of the Fund and submitted loan applications falsely claiming the Fund had from five to dozens of employees. By obtaining these PPP loans, Respondents made false representations in the name of the Fund and obligated the Fund to comply with certain conditions which Respondents knew the Fund could not. From April 2020 through March 1, 2021, Respondents transferred approximately \$4 million in fraudulently obtained PPP loans to the Fund, the majority of which Respondents used to trade and ultimately lost.

11. In May 2020, Blotnick and BSC used \$250,000 from the PPP loans to repay an investor who lost money in the Fund. The PPP loan funds were comingled with investor funds, obscuring investor losses, and used for trading. Almost all of the PPP funds were ultimately lost through trading.

12. From April 2020 through January 2021, Blotnick, acting on behalf of and through BSC, raised an additional approximately \$1.5 million from existing limited partners and an additional 12 new limited partners. Respondents made false statements about the assets and profitability of the Fund to these investors, inducing certain investors to purchase additional limited partnership interests and other new investors to invest in the Fund. In fraudulent account statements and other communications with investors, Respondents misrepresented the profitability of the Fund and the status of the third-party Fund Administrator.

13. On February 26, 2021, the broker-dealer that held the Fund's trading account told Respondents that it was closing the Fund's account. As of that date, Respondents had lost approximately \$3 million in investor funds and nearly \$4 million in fraudulently obtained PPP money trading in the Fund's brokerage account.

14. On May 3, 2021, Blotnick, acting on behalf of and through BSC, informed the Fund's limited partners by email that he was shutting down the Fund.

15. During the Relevant Period, Blotnick comingled investor assets with his own and transferred \$59,500 in cash from the Fund's bank accounts into his personal bank accounts without proper authorization.

16. On October 13, 2021, Blotnick pled guilty in the United States District Court for the District of New Jersey to federal wire fraud and money laundering charges. He was sentenced in this matter to 51 months in prison on June 7, 2022.

17. On October 14, 2021, Blotnick pled guilty in the Supreme Court of the State of New York to state charges, including violations of the Martin Act. He was sentenced in this matter to 1-3 years incarceration on June 9, 2022, a sentence that will run concurrently with his prison sentence imposed in the District of New Jersey.

Violations

18. As a result of the conduct described above, Respondents willfully violated Section 17(a) of the Securities Act, which prohibits any person from employing any device, scheme or artifice to defraud in the offer or sale of securities.

19. As a result of the conduct described above, Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit any person from employing any device, scheme or artifice to defraud in connection with the purchase or sale of securities.

20. As a result of the conduct described above, Respondents willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit investment advisers from, directly or indirectly, employing any device, scheme, or artifice to defraud, or engage in any transaction, practice, or course of business which operates as a fraud or deceit upon, any client or prospective client.

21. As a result of the conduct described above, Respondents willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder, which prohibit investment advisers from engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative, and from making any untrue statement of a material fact or omitting to state a material fact necessary to make the statements made, in light of the circumstances under which they are made, not misleading to investors or prospective investors in a pooled investment vehicle.

Disgorgement

22. The disgorgement and prejudgment interest ordered in Section IV, paragraph E are consistent with equitable principles and do not exceed Blotnick's net profits from his violations and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to Section IV, paragraph E in an account at the United States Treasury pending a decision whether the Commission in its discretion will seek to distribute funds. If a distribution is determined feasible and the Commission makes a distribution, upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

23. In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent BSC is censured.

C. Respondent Blotnick be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

D. Any reapplication for association by Respondent Blotnick will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's Order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission Order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission Order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission Order.

E. Respondent Blotnick shall, within ten (10) days of the entry of this Order, pay disgorgement of \$59,500 and prejudgment interest of \$2,254.63, to the Securities and Exchange Commission. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or transfer them to the general fund of the United States Treasury, subject to Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Gregory Blotnick as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to C. Dabney O'Riordan, Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 444 South Flower St., Suite 900, Los Angeles, CA 90071.

V.

It is further Ordered that, for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Blotnick, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Blotnick under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Blotnick of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary