

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

IN THE MATTER OF:
LAWRENCE Y. LEE,
AND LYL INVESTMENT CORPORATION,
its managers, officers, affiliates, subsidiaries, representatives,
successors, and assigns.

FILE NO. 10-00145

AMENDED NOTICE OF HEARING

TO RESPONDENTS:

**Lawrence Y. Lee
(CRD # 2612348)
2332 South Michigan Avenue, #407
Chicago, IL 60616**

**LYL Investment Corporation
2332 South Michigan Avenue, #407
Chicago, IL 60616**

You are hereby notified that pursuant to Section 11.E of the Illinois Securities law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the 14th day of February, 2011, at the hour of 10:00 a.m., or as soon as possible thereafter, before , George P. Berbas, Esq. or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act that would grant the following relief:

1. Revocation of Respondent Lawrence Y. Lee's registration as a securities salesperson in the State of Illinois in accordance with Sections 8.E of the Illinois Securities Law, as amended ("Act").
2. Prohibition of Respondent Lawrence Y. Lee and LYL Investment Corporation from selling or offering for sale securities in the State of Illinois;
3. Prohibition of Respondent Lawrence Y. Lee and LYL Investment Corporation from engaging in the business of an investment adviser in the State of Illinois, including acting as an investment adviser or federal covered investment adviser, or investment adviser representative.
4. Such other relief as may be authorized under the Act including, but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of

the Act, payable within ten (10) business days of the entry of the Order, entry of orders of public censure, and charging costs of the investigation and all reasonable expenses, including attorney's fees and witness fees, in accordance with the Act.

The grounds for such proposed action are as follows:

NATURE OF THE CASE

Respondent Lee was a registered representative who recommended highly speculative and aggressive investments for his clients, wildly executed trades within his clients' accounts without client authorization, and charged above average industry standard trading costs in the process. During the course of this conduct, clients of Respondent Lee suffered severe investment losses, some losing almost all of their account value in a matter of months.

Without permission, Respondent Lee excessively traded accounts at frequency that was far beyond what is legally presumed fraudulent. Respondent Lee solicited investors to open a brokerage account with him by touting his ability to identify "investments with the greatest reward coupled with a relative minimum of risk." Instead of minimizing the risk, Respondent Lee acted in a manner that disregarded the risk and maximized trading costs and thus Lee's compensation. By way of example, from October 2008 to September 2009, Respondent Lee executed approximately 930 unauthorized trades in Investor B's account, charging approximately \$113,851.00 in trading costs, most of which was paid to Respondent Lee. In contrast, during this short time period, Investor B's account was almost depleted, starting at \$234,446.97 and ending at \$1,589.87.

Respondent Lee's propensity for excessive and unauthorized trading is not unique to our case involving the investors listed below. Respondent Lee has seven (7) customer complaints, three terminations, an unsatisfied judgment/lien, a Financial Industry Regulatory Authority ("FINRA") investigation, and an Illinois Department of Securities regulatory action disclosed on his Central Registration Depository ("CRD") Report. The customer complaints consist of unauthorized trading, excessive commissions, and unsuitable recommendations.

FACTS COMMON TO ALL COUNTS

1. Respondent Lawrence Y. Lee ("Lee") is a natural person with a last known address of 2332 South Michigan Avenue, Unit 407, Chicago, Illinois 60616.
2. Respondent Lee was licensed by the Illinois Department of Securities, Secretary of State ("IDS") as a registered representative intermittently from 1996 until October of 2010.
3. Respondent Lee was employed by Rockwell Global Capital, LLC ("Rockwell") as a registered representative from July of 2008 until October of 2010.
4. Rockwell is a registered broker-dealer and limited liability company with a last known address of 525 Broad Hollow Road, Melville, New York 11747.

5. LYL Investment Corporation was registered as a corporation in the state of Illinois, and was involuntarily dissolved on May 13, 2011. The last known address is 1550 N. Lake Shore Drive, Unit 30G, Chicago, Illinois.
6. Respondent Lee solicited Illinois Investors A, B, C, D, E, F, and G (collectively, the "Investors") to open brokerage with Lee.
7. The accounts opened by the Investors were non-discretionary accounts, and the account opening agreement required Lawrence Lee to seek each investor's approval "before each and every transaction."
8. Respondent Lee rarely sought the approval of the Investors prior to trading; in contrast, Lee excessively traded in each of the Investors' account, charging large trading costs to obtain commissions, an activity often referred to as "churning".
9. On most occasions, Respondent Lee, without Investors' knowledge, traded securities including options, leveraged ETF's, and inverse ETF's in Investor A, B, C, D, E, F, and G's account. "Security" means any put, call, straddle, option, privilege, and group or index of securities, on any security which is defined by Section 2.1 of the Illinois Securities Law of 1953. Respondent Lee's recommending, offering and selling stock options constitutes the activities of a salesperson as defined by Section 2.9 of the Illinois Securities Law of 1953. (815 ILCS 5/1 et seq.) (the "Act").

COUNT I

FRAUD IN THE OFFER AND SALE OF SECURITIES

10. Initially, the Illinois Securities Department ("IDS") was contacted by an Illinois Investor ("Investor A") who is a self employed life insurance agent and landlord.
11. At all relevant times, Respondent Lee was a tenant in a luxury condominium unit owned and managed by Investor A.
12. During his twelve months of tenancy, Respondent Lee solicited Investor A to open a brokerage account with Respondent Lee. Respondent Lee assured Investor A of Lee's ability as a securities broker to earn a greater return than Investor A was currently earning on his retirement account in American Funds at another broker dealer.
13. In September of 2009, Investor A turned over to Respondent Lee and Rockwell his only retirement account, which had a balance of \$46,454.35.
14. Investor A is not, nor ever was, interested in highly speculative investments; he did not have an aggressive risk tolerance nor did he have extensive knowledge in investments, including options.

15. Investor A, in his forties, married with two children, had a conservative risk tolerance with absolutely no experience as a day trader. Before Respondent Lee took control over Investor A's retirement account, it had been invested in mutual funds with American Funds.
16. From October 2008 to September 2009, Respondent Lee failed to obtain Investor A's verbal or written approval prior to most, if not all, of the approximately 233 transactions that Respondent Lee executed in this non-discretionary account. (A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)
17. From October 2008 through September 2009, Respondent Lee executed approximately 233 trades in Investor A's account. Investor A started with \$46,454.35 and the excessive trading generated approximately \$24,851.00 in trading costs under Lee. Investor A's account suffered losses totaling \$46,162.35.
18. In this account, the turnover rate is 9.14, which represents the total securities purchased over the account term relative to the average account balance during the term. The cost equity ratio for this account is 1.38, which means that the account needed to generate an 138% over the account term just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).
19. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor A's account for the purpose of generating commissions. Respondent Lee recklessly disregarded Investor A's financial situations, investment objectives, and interests for his own financial gain.
20. Respondent Lee executed unauthorized and excessive trades in Investor A's account for the purpose of obtaining commissions.
21. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
22. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
23. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
24. By virtue of the foregoing, Respondent violated Section 12.G of the Act.

25. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, “to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly”.
26. By virtue of the foregoing, Respondent violated Section 12.I of the Act.

COUNT II

FRAUD IN THE OFFER AND SALE OF SECURITIES

27. Respondent Lee solicited Investor B, a thirty one year old single woman, to open a brokerage account with Lee. Respondent Lee assured Investor B of Respondent Lee’s abilities as a securities broker to earn a greater return than Investor B was currently earning on her investment account at Morgan Stanley.
28. In October of 2008, Investor B turned over to Respondent Lee her account with Morgan Stanley which had a balance of \$234,446.97.
29. From October of 2008 to September of 2009, Respondent Lee failed to obtain Investor B’s verbal or written approval prior to most, if not all, of the approximately 1006 transactions he executed in this non-discretionary investment brokerage account. (A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)
30. From October 2008 through September 2009, Respondent Lee executed approximately 1006 trades in Investor B’s account. Investor B started with \$234,446.97 and the excessive trading generated approximately \$113,851.00 in trading costs under Lee. Investor B’s account suffered losses totaling \$232,857.10.
31. In this account, the turnover rate is 26.81, which represents the total securities purchased over the account term relative to the average account balance during the term. The cost equity ratio for this account is 2.45, which means that the account needed to generate an 245% return over the term just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).
32. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor B’s account for the purpose of generating commissions for himself. Respondent Lee recklessly disregarded Investor B’s financial situations, investment objectives, and suitability for his own personal financial gain.
33. Respondent Lee made unauthorized and excessive trades in Investor B’s account for the purpose of obtaining commissions.

34. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
35. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
36. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
37. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
38. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
39. By virtue of the foregoing, Respondent violated Section 12.I of the Act.

COUNT III

FRAUD IN THE OFFER AND SALE OF SECURITIES

40. In March of 2010, Respondent Lee solicited Investor C, a sixty six year old woman, who is a retired senior citizen. Respondent Lee induced Investor C to place funds with him and Rockwell for an investment based on his representations that through his expertise and the use of options he could, while being conservative, offset potential losses in her portfolio should there be a downturn in the market. Investor C conservatively saved her money for many years with the objective of principal preservation. At the time, Investor C's life savings were \$236,000.00, and this amount, together with social security benefits of \$739.00 per month, were her principal sources of retirement income.
41. In March of 2010, Investor C opened an account with Respondent Lee at Rockwell with \$10,340.82, and transferred shares of stock to this account that were worth \$20,855.45. As a result, the total amount invested with Respondent Lee was \$31,196.00.
42. From March 2010 through June 2010, Respondent Lee executed approximately 85 trades in Investor C's account. Investor C started with \$31,196.00 and the excessive trading generated approximately \$9,204.44 in trading costs under Lee. Investor C's account suffered losses totaling \$30,921.90.

43. In this account, the turnover rate is 7.19, which represents the total securities purchased over the account term relative to the average account balance during that term. The cost equity ratio for this account is .73, which means that the account needed to generate an 73% return over the account term just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).
44. From March of 2010 to June of 2010, Respondent Lee failed to obtain Investor C's verbal or written approval prior for most, if not all, of the approximately 110 transactions he executed in this non-discretionary account. (A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)
45. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor C's account for the purpose of generating commissions. Respondent Lee knowingly or recklessly disregarded Investor C's financial situations, conservative investment objectives, and suitability for his own personal gain.
46. Respondent Lee made unauthorized and excessive trades in Investor C's brokerage account for the purpose of obtaining commissions.
47. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
48. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
49. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
50. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
51. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
52. By virtue of the foregoing, Respondent violated Section 12.I of the Act.

COUNT IV

FRAUD IN THE OFFER AND SALE OF SECURITIES

53. Respondent Lee solicited Investor D, a self employed woman, to open a brokerage account with Respondent Lee. Respondent Lee, a customer at Investor D's hair salon, assured Investor D of his abilities as a securities broker to make more money off of her investment account, which were mutual funds invested with Cornerstone.
54. From March 2010 to May 2010, Respondent Lee failed to obtain Investor D's verbal or written approval prior to most, if not all, of the approximately 28 trades he executed in this non-discretionary investment brokerage account. (A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)
55. From March 2010 through May 2010, Respondent Lee executed approximately 28 trades in Investor D's account. Investor D started with \$19,990.97 and the excessive trading generated approximately \$2,779.06 in trading costs under Lee. Investor D's account suffered losses totaling \$19,984.89.
56. In this account, the turnover rate is 8.50, which represents the total securities purchased over the account term relative to the average account balance during the term. The cost equity ratio for this account is .86, which means that the account needed to generate an 86% return over the account term just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).
57. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor D's account for the purpose of generating commissions. Respondent Lee recklessly disregarded Investor D's financial situations, investment objectives, and suitability for his own personal financial gain.
58. Respondent Lee made unauthorized and excessive trades in Investor D's account for the purpose of obtaining commissions.
59. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
60. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
61. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a

material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

62. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
63. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
64. By virtue of the foregoing, Respondent violated Section 12.I of the Act

COUNT V

FRAUD IN THE OFFER AND SALE OF SECURITIES

65. Respondent Lee solicited Investor E, a retired senior citizen, to open a brokerage account with Lee. Respondent Lee assured Investor E of his abilities as a securities broker to make more money off his conservatively invested accounts.
66. From September 2010 through November 2010, Respondent Lee failed to obtain Investor E's verbal or written approval prior to most of the approximately 66 transactions he executed in this non-discretionary options account. (A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)
67. From September 2010 through November 2010, Respondent Lee executed approximately 66 trades in Investor E's account. Investor E started with \$132,525.66 and the excessive trading generated approximately \$10,730.66 in trading costs under Lee. Investor E's account suffered losses totaling \$69,429.11.
68. In this account, the turnover rate is 4.19, which represents the total securities purchased over the account term relative to the average account balance during the term. The cost equity ratio for this account is .127, which means that the account needed to generate an 12.7% return over the account term just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).
69. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor E's account for the purpose of generating commissions. Respondent Lee recklessly disregarded Investor E's financial situations, investment objectives, and suitability for his personal financial gain.
70. Respondent Lee made unauthorized and excessive trades in Investor E's account for the purpose of obtaining commissions.
71. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in

conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.

72. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
73. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
74. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
75. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
76. By virtue of the foregoing, Respondent violated Section 12.I of the Act

COUNT VI

FRAUD IN THE OFFER AND SALE OF SECURITIES

77. Respondent Lee solicited Investor F, a citizen of Australia and a self employed small business owner, to open a brokerage account with Lee. Respondent Lee assured Investor F of his abilities as a securities broker to make more money off of his current investment accounts.
78. From July 2009 through August 2009, Respondent Lee failed to obtain Investor F's verbal or written approval prior to most of the approximately 237 transactions he executed in this non-discretionary investment brokerage account. (A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)
79. From July 2009 through August 2009, Respondent Lee executed approximately 237 trades in Investor F's account. Investor F started with \$ 49,975.00 and the excessive trading generated approximately \$27,114.97 in trading costs under Lee. Investor F's account suffered losses totaling \$46,339.42.
80. In this account, the turnover rate is 10.22, which represents the total securities purchased over the account term relative to the average account balance during the term. The cost equity ratio for this account is 1.29, which means that the account needed to generate an 129% return over the 60 day period just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).

81. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor F's account for the purpose of generating commissions. Respondent Lee recklessly disregarded Investor F's financial situations, investment objectives, and interests for his own financial gain.
82. Respondent Lee made unauthorized and excessive trades in Investor F's account for the purpose of obtaining commissions.
83. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
84. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
85. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
86. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
87. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
88. By virtue of the foregoing, Respondent violated Section 12.I of the Act

COUNT VII

FRAUD IN THE OFFER AND SALE OF SECURITIES

89. Respondent Lee solicited Investor G to open a brokerage account with Lee. Respondent Lee assured Investor G of his abilities as a securities broker to make more money off of his investment account, which was invested in mutual funds sponsored by American Funds. These particular funds, five altogether, are long-term investments, and well-diversified, with an emphasis in this case, on world equity markets. The second source of funds was in a variable annuity sponsored by Pacific Life. The money was invested in an extremely diversified portfolio of small cap, large cap and value equities.
90. From November 2009 through September 2010, Respondent Lee failed to obtain Investor G's verbal or written approval prior to most of the approximately 106 transactions he executed in this non-discretionary investment brokerage account.

(A non-discretionary account requires the broker to obtain authorization before it makes any investment decision.)

91. From November 2009 through September 2010, Respondent Lee executed approximately 106 trades in Investor G's account. Investor G started with \$22,424.00 and the excessive trading generated approximately \$11,893.50 in trading costs under Lee. Investor G's account suffered losses totaling \$21,217.08.
92. In this account, the turnover rate is 17.74, which represents the total securities purchased over the account term relative to the average account balance during the term. The cost equity ratio for this account is 1.19, which means that the account needed to generate an 119% return over the 60 day period just to break even (generally trading costs that require returns greater than 12% to break even are determined to be fraudulent).
93. Respondent Lee implemented a highly aggressive, extremely risky and speculative trading activity in Investor G's account for the purpose of generating commissions. Respondent Lee recklessly disregarded Investor G's financial situations, investment objectives, and interests for his own financial gain.
94. Respondent Lee made unauthorized and excessive trades in Investor G's account for the purpose of obtaining commissions.
95. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
96. By virtue of the foregoing, Respondent violated Section 12.F of the Act.
97. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
98. By virtue of the foregoing, Respondent violated Section 12.G of the Act.
99. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
100. By virtue of the foregoing, Respondent violated Section 12.I of the Act

COUNT VIII

RESPONDENT MADE FALSE STATEMENTS TO THE ILLINOIS SECURITIES DEPARTMENT

101. On October 25, 2010, the IDS forwarded a copy of the NOH to Rockwell's Counsel via facsimile.
102. On October 26, 2010, Respondent Lee acknowledged that he was aware of the "the State of Illinois enforcement proceeding" and requested Rockwell's Counsel to send him a copy of the Notice of Hearing via email or via facsimile.
103. On October 27, 2010, Rockwell's Counsel sent a copy of the NOH to Respondent Lee via email.
104. On January 13, 2011, at the IDS's Motion for Default Hearing, Respondent Lee falsely stated on the Record and under oath that he did not have actual notice of the Notice of Hearing ("NOH") until November 23, 2011.
105. On March 30, 2011, in the Motion to Vacate the Default Order, Respondent Lee stated in an affidavit submitted by him to the Department that he did not have actual notice of the Notice until November 23, 2011.
106. Respondent Lee made false statements under oath to the IDS and the Hearing Officer to deliberately create a false record in the proceedings.
107. 8. E(1)(h) of the Act provides, inter alia, that the registration of a salesperson may be suspended or revoked if the Secretary of State finds that such salesperson has made any material misrepresentation to the IDS in connection with any information deemed necessary by the IDS to determine a salesperson's business repute or qualifications.
108. By virtue of the foregoing, Respondent Lee's registration as a salesperson in the State of Illinois is subject to revocation or suspension pursuant to 8.E(1)(h) of the Act.
109. Section 8.E(1)(m) of the Act provides, inter alia, that the registration of a salesperson may be suspended or revoked if the IDS finds that such salesperson has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct business of a salesperson.
110. By virtue of the foregoing, Respondent Lee's registration as a salesperson in the State of Illinois is subject to revocation or suspension pursuant to 8.E(1)(m) of the Act.

COUNT IX

RESPONDENT LEE'S REGULATORY HISTORY AND CUSTOMER COMPLAINTS IS EXTENSIVE AND SUPPORTS A REVOCATION OF HIS LICENSE AND PERMANENT PROHIBITION

111. Respondent Lee has an extensive list of customer complaints, terminations, and a concerning regulatory history on the Central Registration Depository ("CRD") that evidences a continuing course of his inability to properly conduct business in the securities industry.
112. In September of 2006, Respondent Lee's customer, while employed at Montauk Securities, Inc., filed a reportable complaint on the CRD alleging that he executed unauthorized trades. Respondent Lee entered into a settlement with the customer disgorging all of the commissions he made off of the account which totaled \$67,023.00.
113. In October of 2006, Respondent Lee was discharged from employment with Montauk Securities, Inc. due to allegations of unauthorized trading identified above.
114. In 2007, Respondent Lee and employing firm, Access Financial Group, Inc. were named as defendants in FINRA Arbitration Case No. 07-02008 in which the customer alleged unauthorized trading, unsuitable recommendations, breach of fiduciary duty, negligence, breach of contract, and constructive fraud. The alleged compensatory damages were \$164,375.00. In this matter, Access Financial Group, Inc. settled with the customer for \$51,500.00
115. In 2008, Respondent Lee and employing firm, Brokersxpress, were named as defendants in FINRA Arbitration Case No. 08-00717 in which the customer alleged unsuitable recommendations, unauthorized trading, excessive trading, failure to supervise, misrepresentations/omissions, and negligence/breach of fiduciary duty. The alleged compensatory damages were \$1,483,000.00. Ultimately, the case was settled and the customer was awarded \$307,962.52.
116. In October of 2008, Respondent Lee was discharged from employment with Brokersxpress due to allegations of unsuitable and reckless conduct identified above.
117. In 2008, Respondent Lee and employing firm, National Securities Corporation, were named as defendants in FINRA Arbitration Case No. 0800862 in which the customer alleged excessive commission, unauthorized trading and breach of fiduciary duty. The alleged compensatory damages were \$120,000.00. In this matter, the case was settled and the customer was awarded \$140,000.00.

118. In 2009, FINRA initiated an investigation of Respondent Lee. The nature of the investigation was to explore the numerous complaints filed on the CRD alleging that Respondent Lee exercised discretion without written authority, made unsuitable recommendations, and excessive trading. To date, the FINRA investigation is ongoing.
119. In 2010, three of Respondent Lee's customers, while employed with Rockwell Global Capital, LLC, filed complaints against him for excessive commissions, unauthorized trading, and/or unsuitable recommendations. The three complaints filed against Respondent Lee were specifically identified above.
120. In 2010, due to allegations of unauthorized trading identified above, Rockwell Global Capital, LLC asked for Respondent Lee's resignation and permitted him to resign from his employment with Rockwell Global Capital, LLC.
121. From 2006 to 2010, seven customer complaints were filed against Respondent Lee on the CRD. The numerous customer complaints filed against Respondent Lee are nearly identical all alleging excessive commissions, unauthorized trading, and unsuitable recommendations. These complaints are further evidence of a continuing course of dealing of such a nature as to demonstrate Respondent Lee's inability to properly conduct business in the securities industry.
122. Section 8(E)(1)(m) of the Act states in pertinent part that the registration of a salesperson may be denied, suspended or revoked if the salesperson has conducted a continuing course of dealing of such a nature as to demonstrate an inability to properly conduct the business of the dealer, limited Canadian dealer, salesperson, investment adviser, or investment adviser representative.
123. Respondent Lee's permanently prohibited from registration as a as a dealer, a salesperson, an investment adviser, an investment adviser representative, or any principal officer, director, partner, member trustee, manager or any person who performs a similar function of the dealer or investment adviser.
124. Section 11. E. (2) states in pertinent part that if the Secretary of State finds, after a Hearing, that any person has violated subsection C, D, E, F, G, H, I, J, or K of Section 12 of the Act, that person may be permanently prohibited from offering or selling any securities in or from the state of Illinois.
125. Respondent Lee is subject to permanent prohibition from offering and selling securities in or from the state of Illinois.

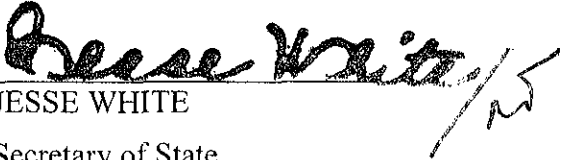
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 111. Adm. Code 130) ("the rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. The answer and all other pleadings and motions must be filed with the Illinois Securities Department by addressing them to:

Maria Pavone
Enforcement Attorney
Illinois Department of Securities
69 West Washington, Suite 1220
Chicago, Illinois 60602

A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing. Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default. Unless the Respondent has upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act and pertaining to Hearings held by the office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/lawrules.html>. Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This December 9, 2011.


JESSE WHITE

Secretary of State

State of Illinois

Maria A. Pavone, Enforcement Attorney
Illinois Securities Department
69 West Washington Street, Suite 1220
Telephone 312-793-3384

Hearing Officer: George Berbas
180 N. LaSalle Street, Suite 2105
Chicago, IL 60601