

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

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

FILE NO. 10-000145

NOTICE OF HEARING

TO RESPONDENTS:

**Lawrence Y. Lee
(CRD # 142485)
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 15th day of December, 2010, at the hour of 10:00 a.m., or as soon as possible thereafter, before , Soula J. Spyropoulos, Esq. or such duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether Revocation of the registration of Respondent Lawrence Y. Lee as a registered representative, in accordance with Sections 8.D(5), 8.E(1)(e), and 12.E of the Illinois Securities Law, as amended ("Act"). 815 ILCS 5/8.D(5); 8.E(1)(e); and 12.E. Prohibition of the Respondent from offering or selling securities in or from the State of Illinois, in accordance with Sections 11.E(2) 12.F, 12.G, and 12.I of the Act. Imposition of fines not to exceed \$10,000 against the Respondent for each violation of the Act described below; 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 Section 11.E(4) of the Act.

The grounds for such proposed action are as follows:

NATURE OF THE CASE

In June of 2008, Respondent Lee, a registered representative with Rockwell Global Capital, entered into a twelve month residential tenancy agreement with Investor A, who was the landlord for the condominium unit located on Lake Shore Drive in Chicago, Illinois. During his tenancy, Respondent Lee constantly solicited Investor A to turn over his conservatively invested retirement account to Respondent and Rockwell so that they could make him more money. In October of 2009, Investor A turned over his retirement account to Respondent Lee and Rockwell who put the entire balance in a risky and speculative options account. Respondent Lee completed Investor A's new account opening forms and had him sign these documents without explaining the contents. In addition, Respondent Lee drafted an affirmation letter that falsely stated that Investor A was a day trader, had thirty years of experience and approved of highly speculative trading. The options account was not a discretionary account and Respondent Lee failed to obtain Investor A's verbal and/or written approval before each and every transaction in the account.

The excessive and unauthorized trades in the account generated excessive commissions which totaled approximately \$30,000.00. By August of 2009, Investor A's options account had a balance of \$292.07. In September of 2009, Investor A contacted Rockwell to express his concerns that Respondent Lee may have been excessively trading the account, also known as churning. Respondent Lee's customer complaints and regulatory and employment history is extensive and should have alerted Rockwell to seriously investigate Lee's fraudulent activities. Respondent Lee's propensity for excessive and unauthorized trading is not unique to our case involving Investor A. Respondent Lee has two pending investigations, four customer complaints, and two terminations disclosed on his CRD Report. The customer complaints consist of unauthorized trading, excessive commissions, and unsuitable recommendations.

At the same time, Respondent Lee refused to pay any amount of the approximately \$3,000.00 monthly rental fee citing frivolous and miniscule problems associated with the unit. For example, the "deplorable living condition" referred to by Respondent Lee consisted of installing a towel hook, towel bar, or cabinet handle, hanging a mirror, supporting a sagging countertop, and replacing light fixtures. In May of 2010, the circuit court of Cook County entered a judgment against Respondent Lee for \$30,000.00 and ordered Lee to vacate the premises and surrender possession to Investor A.

In ten months, Respondent Lee earned approximately \$30,000.00 in commissions and Investor A's options account went from \$46,000.00 to \$292.07. Although Investor A may have been a successful businessman and had a college education, he was totally lacking in the degree of investor sophistication necessary to understand Respondent Lee's strategy and unable to make any sort of independent evaluation of that strategy.

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 is licensed by the Illinois Department of Securities, Secretary of State ("IDS") as a registered representative since 1996.

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3. Respondent Lee is employed by Rockwell Global Capital, LLC (“Rockwell”) as a registered representative since July of 2008.
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. Initially, the IDS was contacted by an Illinois Investor (“Investor A”) who is a self employed life insurance agent and landlord.
6. At all relevant time, Respondent Lee was a tenant in a luxury condominium unit owned and managed by Investor A.
7. During his twelve months of tenancy, Respondent Lee solicited Investor A on repeated and numerous occasions to open a brokerage account with him and Rockwell. Respondent Lee constantly assured Investor A of his ability as a securities broker to make more money off of his retirement account which was conservatively invested in mutual funds with American Funds.
8. Due to his constant solicitation, in September 2009, Investor A turned over to Respondent Lee and Rockwell his only retirement account that had a balance of \$46,419.85.
9. On September 16, 2008, Respondent Lee filled out a new account application form for Investor A. Lee also drafted and/or filled out additional account opening documents, including an Affirmation Letter, a Traditional IRA Adoption Agreement, and an Option Agreement and Approval Form (“Option Form”).
10. Respondent Lee had Investor A sign all of these documents without explaining or reviewing any of its contents. In addition, Respondent Lee drafted an Affirmation Letter signed by Investor A which was explained as a mere formality to open up a new account with Rockwell.
11. Respondent Lee, in the Option Form, stated that Investor A’s investment objectives were speculation and growth which was completely inaccurate. Furthermore, in the Affirmation Letter, Respondent Lee falsely stated that Investor A was a day trader, had thirty years of investment experience and approved of highly speculative investments.
12. 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.
13. Investor, in his forties, married with two children, had a conservative risk tolerance with absolutely no experience as a day trader. Before Respondent Lee and Rockwell took control over Investor A’s retirement account it had been conservatively invested in mutual funds with American Funds.

14. Respondent Lee made the following statements in the Affirmation Letter:
 - a. Investor A will be solely and fully involved in the decision-making and monitoring;
 - b. Respondent Lee will be making most of the investment recommendations, but Investor A will alone be making each and every decision;
 - c. Investor A's approval will be made before each and every transaction; and
 - d. Following the transaction, Lee will contact Investor A with confirmation, and Investor A will be reviewing each and every transaction confirmation sent in the mail.
15. From October 2008 to September 2009, Investor A was never contacted by Respondent Lee for verbal or written approval prior to any of the approximately 250 transactions in the options account. Furthermore, Respondent Lee did not provide Investor A with verbal or written confirmation after the completion of each and every transaction in the options account.
16. In only a ten month period, Respondent Lee executed approximately 250 trades in Investor A's option account with Rockwell. Investor A had \$46,545.35 and the excessive trading generated approximately \$30,000.00 in commissions in Investor A's account. The final cost equity ratio for this account was 1.38 which means that the account needed to generate 138% return annually just to cover the cost of the trading activity.
17. Respondent Lee entered into transactions and managed Investor A's accounts for the purpose of generating commissions. Respondent Lee knowingly or recklessly disregarded Investor A's financial situations, conservative investment objectives, and interests for his own financial gain.
18. Respondent Lee recommended, offered to sell and sold stock options in Investor A's account. "Security" means any put, call, straddle, option or privilege on any security which is defined by Section 2.1 of the Illinois Securities Law of 1953, and Lee's recommending, offering and selling stock options constitutes the activities of a salesperson as defined by Sections 2.5a, 2.5 and 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

19. Respondent Lee provided false information on Investor A's account applications and affirmation letter and misrepresented to Investor A the purpose of the application.

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20. Respondent Lee made unauthorized and excessive trades in Investor A's options 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.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. 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.

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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 15th day of October 2010.



JESSE WHITE

Secretary of State

State of Illinois

Attorney for the Secretary of State:

Maria A. Pavone

Office of the Secretary of State

Illinois Securities Department

69 West Washington Street, Suite 1220

Telephone 312-793-3384

Hearing Officer:

Soula Spyropoulos

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Lincolnwood, Illinois 60712