

SECURITIES EXCHANGE ACT OF 1934
Release No. 37404 / July 3, 1996

ADMINISTRATIVE PROCEEDING
File No. 3-9013

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of	:	ORDER MAKING FINDINGS AND
	:	IMPOSING REMEDIAL SANCTIONS
WENDELL JEFFREY LEE	:	BY DEFAULT
	:	
	:	
	:	

Wendell Jeffrey Lee (Mr. Lee) is in default under Rules 155(a) and 220(f) of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a) and 201.220(f) (1996), because he has not answered the Order Instituting Proceedings (Order), issued May 28, 1996, which he received on June 3, 1996. The Order specifies that the Respondent shall be deemed in default and the proceeding may be determined against him upon consideration of the allegations in the Order, which may be deemed to be true, if the Respondent fails to file an answer within 20 days after service upon him of the Order. Rule 220(b), 17 C.F.R. § 201.220(b). Mr. Lee's answer was due by June 24, 1996. He has not filed an answer or any other responsive pleading.

Accordingly I find that the following allegations set out in the Order are true:

A. From July 1992 to May 1994, Mr. Lee was a registered representative associated with the Jenkintown, Pennsylvania branch office of Fahnestock and Co., Inc. (Fahnestock), a broker-dealer registered with the Commission since 1954. Fahnestock operated this branch office under the name of W.H. Newbold's Son and Co.

B. From April 1993 to May 1994, Mr. Lee willfully violated Section 17(a) of the Securities Act of 1933 (Securities Act) in that he, in the offer or sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce, or by the use of the mails, directly or indirectly, employed devices, schemes or artifices to defraud; obtained money and property by means of untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged in transactions, practices or courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities.

1. As part of the conduct described above, Mr. Lee misappropriated approximately \$276,000 from two stock brokerage accounts, for which he served as account executive during his employment at Fahnestock, and converted the funds for his own personal use. First, Mr. Lee liquidated securities in the customers' accounts without their knowledge or consent. Mr. Lee then forged customers' signatures on numerous letters authorizing and instructing Fahnestock to issue third-party checks drawn against the customers' accounts. Mr. Lee deposited these checks, totalling \$220,000, into his bank account and/or used the checks to pay his creditors. In addition, Mr. Lee caused four wire transfers, totalling \$56,000, to be made from the clients' brokerage account into bank accounts which Mr. Lee either owned or in which he enjoyed a beneficial interest. Subsequently, Mr. Lee used these funds to make personal investments and to pay his personal expenses.
2. Further, as part of the conduct described above, Mr. Lee engaged in a scheme to conceal his misappropriation by making materially false and misleading representations to his clients about the value and extent of their securities holdings.

C. From April 1993 to May 1994, Mr. Lee willfully violated Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder, in that he, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, or of the facilities of a national securities exchange, directly or indirectly, employed devices, schemes or artifices to defraud; made untrue statements of material fact, or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business which would and did operate as a fraud or deceit upon any person, as more fully described in Subparagraphs B.1. and B.2. above.

D. On July 5, 1995, Mr. Lee pled guilty in the Court of Common Pleas for Montgomery County, Pennsylvania, to sixteen counts of felony forgery in connection with the above-described conduct. On September 8, 1995, he was sentenced to 5 years of incarceration and 25 years supervised release.^{1/}

E. On January 4, 1996, pursuant to a complaint filed by the Commission relating to the above-described conduct, the United States District Court for the Eastern District of Pennsylvania entered a default order permanently enjoining Mr. Lee from committing future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. SEC v. Wendell Jeffrey Lee, Civ. Action No. 95CV-6088. The complaint alleged that Mr. Lee engaged in the conduct described in subparagraphs B. and C. above.

I find further that it is in the public interest to sanction Mr. Lee pursuant to Sections 15(b) and 19(h) of the Exchange Act.

^{1/}Commonwealth of Pennsylvania v. Wendell Jeffrey Lee, Docket Nos. 1319-95 and 1478-95.

I ORDER that Wendell Jeffrey Lee is barred from association with any broker or dealer or from participating in an offering of penny stock and from association with a member of a national securities exchange or registered securities association.

I FURTHER ORDER that the hearing in this matter scheduled to commence on July 8, 1996, is cancelled.

Brenda P. Murray
Chief Administrative Law Judge