

**NASD**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. E3B2004020501**

**TO:** Department of Enforcement  
NASD

**RE:** [REDACTED]

and

Dickson V. Lee, Respondent  
General Securities Principal  
CRD No. 1612056

Pursuant to Rule 9216 of NASD Code of Procedure, Respondents submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Respondents alleging violations based on the same factual findings.

Respondents understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
3. If accepted:
  - a. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by NASD or any other regulator against Respondents;
  - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents' disciplinary records;

- c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
- d. Respondents 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. Nothing in this provision affects Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondents also understand that their experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

[REDACTED] or “the Firm”), formerly known as [REDACTED] has been a member of NASD since December 14, 2001. Its principal offices are located in Seattle, Washington. The Firm operates pursuant to the (k)(2)(ii) exemption of SEC Rule 15c3-3 and receives no securities or funds.

██████████ has not been the subject of prior disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

Dickson V. Lee entered the securities industry in December 1986 as an associated person of a member of NASD. He became registered as a General Securities Representative in August 1987, as a General Securities Principal in September 2000, and as a Financial & Operations Principal in February 2001. From December 2001 until December 2005, he was registered through [REDACTED] as a General Securities Principal, Financial & Operations Principal and General Securities Representative. He is not currently registered or associated with any member firm.

On May 16, 2006, the California Corporations Commissioner issued a Desist and Refrain Order against Respondent Lee, [REDACTED] [REDACTED] SPJ and IMG. The Commissioner found that the respondents had offered and sold [REDACTED] stock in issuer transactions in California without a state-issued certificate; and that they had misrepresented material facts in connection with the offer and sale of [REDACTED] stock. The respondents were ordered to desist and refrain from sales of securities without a certificate, and from offering or selling any security by means of false or misleading communications.

Respondent Lee has not been the subject of any other prior disciplinary action by NASD, other self-regulatory organizations, the Securities and Exchange Commission, or any state regulator.

## **I.**

### **WAIVER OF PROCEDURAL RIGHTS**

Respondents specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Respondents;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents 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.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

## **II.**

### **ACCEPTANCE AND CONSENT**

- A. Respondents 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 NASD, or to which NASD 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 NASD:

### Background

During the period from February 2003 until December 2004, while Dickson V. Lee was the Chairman and majority shareholder of [REDACTED] he was also the Chief Executive Officer and Chairman of [REDACTED] a Nevada corporation. As of February 2003, Respondent Lee and his wife owned a majority of [REDACTED] outstanding common stock.

Respondent Lee caused [REDACTED] to issue a Confidential Private Placement Memorandum dated February 15, 2003 ("PPM #1") for an offering of up to 400,000 shares of its Class A common stock at \$2.50 per share. During the period from on or about May 16, 2003, until on or about February 23, 2004, pursuant to PPM #1, [REDACTED] sold approximately 630,334 shares of stock to approximately 38 public investors for approximately \$1,575,836.

Each share sold under PPM #1 was accompanied by a warrant, entitling the holder to purchase one share of [REDACTED] Class A common stock for \$2.50. During the period from on or about September 1, 2004, until on or about December 1, 2004, approximately nine investors exercised those warrants to purchase approximately 163,600 shares of [REDACTED] stock for approximately \$409,000.

Respondent Lee caused [REDACTED] to issue a second Confidential Private Placement Memorandum dated February 9, 2004 ("PPM #2") for an offering of 400,000 shares of its Class A common stock at \$3.00 per share. During the period from on or about March 26, 2004, until November 22, 2004, pursuant to PPM #2, [REDACTED] sold approximately 140,920 shares of stock to public investors for approximately \$422,761.

Each share sold under PPM #2 was accompanied by a warrant, entitling the holder to purchase one share of [REDACTED] Class A common stock for \$3.00. During the period from on or about September 29, 2004, until on or about November 3, 2004, four investors exercised those warrants to purchase approximately 14,001 shares of [REDACTED] stock for approximately \$42,003.

Respondent Lee caused [REDACTED] to issue a third Confidential Private Placement Memorandum dated July 6, 2004 ("PPM #3") for an offering of 800,000 warrants at \$1.25 per warrant. The holder of each warrant was entitled to purchase one share of [REDACTED] Class A common stock for \$2.00. During the period from on or about July

22, 2004, until September 29, 2004, pursuant to PPM #3, [REDACTED] sold approximately 285,000 warrants to approximately 24 public investors for approximately \$356,250.

During the period from on or about October 1, 2004, until on or about November 1, 2004, two investors who had purchased warrants under PPM #3 exercised those warrants to purchase 10,000 shares of [REDACTED] stock for \$20,000.

**1. Failure to Record Sales on Firm's Books and Records**

In a written notice dated November 30, 2002, Respondent Lee informed [REDACTED] that he planned to participate in private placement transactions for [REDACTED] beginning in December 2002. As [REDACTED] Chairman and Chief Executive Officer, Respondent Lee participated in [REDACTED] offering and sale of securities.

Because Respondent Lee was the Chairman and a registered principal of [REDACTED] the Firm implicitly approved his participation in [REDACTED] sales of securities. Under NASD Conduct Rule 3040(c), [REDACTED] was therefore required to record those transactions on its books and records and to supervise his activities in connection with those sales. [REDACTED] through Respondent Lee, failed to record most of the transactions on its books and records.

The total amount of sales of common stock under PPM #1 was approximately \$1,575,836. Of that amount, only approximately \$196,500 in sales were recorded on [REDACTED] books and records.

The total amount of sales of common stock under PPM #2 was approximately \$422,761. Of that amount, only approximately \$19,998 in sales were recorded on [REDACTED] books and records.

The total amount of sales of warrants under PPM #3 was approximately \$356,250. None of those sales was recorded on [REDACTED] books and records.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 3040(c) by Respondents [REDACTED] and Lee. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondents

██████████ and Lee.

## 2. Transactions With a Non-Member Broker or Dealer

NASD Conduct Rule 2420(a) provides that no member shall deal with any non-member broker or dealer except at the same prices, for the same commissions or fees, and on the same terms and conditions as it accords to the general public. Rule 2420(b)(1) provides that no member shall allow or grant to a non-member broker or dealer any selling concession, discount or other allowance allowed by such member to a member of a registered securities association and not allowed to a member of the general public.

On or about April 8, 2003, ██████████ through Respondent Lee, entered into a written agreement with SPJ, an unregistered individual, and retained him as ██████████ Investor Relations Executive. SPJ was retained as an independent contractor to offer and sell ██████████ securities pursuant to its Confidential Private Placement Memoranda. ██████████ agreed to pay SPJ commissions equal to 35% of the amounts of the investments generated through his efforts.

Under PPM #1, SPJ and other unregistered individuals under his supervision sold approximately 551,734 shares of ██████████ stock to approximately 38 investors for approximately \$1,379,336. ██████████ paid SPJ approximately \$482,768 in commissions for those sales. Based on the exercise of warrants issued under PPM #1 by approximately nine customers, who purchased approximately 163,600 shares for approximately \$409,000, ██████████ paid SPJ additional commissions of approximately \$143,150.

Under PPM #2, SPJ and other unregistered individuals under his supervision sold approximately 134,254 shares of ██████████ stock to approximately 35 customers for approximately \$402,763. ██████████ paid SPJ approximately \$140,967 in commissions for those sales. Based on the exercise of warrants issued under PPM #2 by four customers, who purchased approximately 14,001 shares for approximately \$42,003, ██████████ paid SPJ additional commissions of approximately \$14,701.

Under PPM #3, SPJ and other unregistered individuals under his supervision sold approximately 285,000 warrants to approximately 24 customers for approximately \$356,250. ██████████ paid SPJ approximately \$124,688 in commissions for those sales. Based on the exercise of those warrants by two investors, who purchased

10,000 shares for \$20,000, [REDACTED] paid SPJ additional commissions of \$7,000.

SPJ was a natural person who was not associated with a broker or dealer. He used the means or instrumentalities of interstate commerce to effect transactions in, and to induce or attempt to induce the purchase or sale of, securities issued by [REDACTED]. He was therefore a securities broker or dealer within the meaning of Section 3(a)(4) of the Securities Exchange Act of 1934. SPJ was not registered as a broker or dealer in accordance with Section 15(b) of that Act.

Respondent Lee caused [REDACTED] to pay commissions to SPJ, and thus deal with SPJ on terms and conditions different from those it accorded to the general public. [REDACTED] made a selling concession available to [REDACTED] a member of a registered securities association, and not to members of the general public. It also made such a selling concession available to SPJ.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2420. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondent Lee.

### 3. Use of Unregistered Broker or Dealer to Sell Securities

Respondent Lee knew or should have known that SPJ effected transactions in securities without being registered as a broker or dealer, in violation of Section 15(a)(1) of the Securities Exchange Act of 1934. Yet Respondent Lee, on behalf of [REDACTED] retained SPJ to offer and sell securities to members of the public and caused [REDACTED] to pay commissions to SPJ.

Such acts, practices and conduct constitute a violation of NASD Conduct Rule 2110 by Respondent Lee.

### 4. Misrepresentations Regarding Commissions

PPM #1 and PPM #2 each stated that referral agents and brokers "could receive a commission of up to 20% of the gross proceeds of the offering for their services."

PPM #3 stated that referral agents and brokers "could receive a commission of about 20% of the gross proceeds of the offering for

their services."

Respondent Lee knew that [REDACTED] had agreed to pay, and did pay, SPJ commissions equal to 35% of the proceeds for his sales of [REDACTED] securities.

In connection with [REDACTED] offers and sales of securities, Respondent Lee thus caused [REDACTED] to make untrue statements of material fact and omitted to state material facts necessary in order to make the statements that it made, in the light of the circumstances in which they were made, not misleading.

Such acts, practices and conduct constitute separate and distinct violations of Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and NASD Conduct Rule 2120. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondent Lee.

#### 5. Misrepresentations Regarding Stock Split

On or about September 30, 2004, Respondent Lee caused [REDACTED] to declare a 3-to-1 split of its Class A common stock. At that time, pursuant to PPM #2, [REDACTED] had sold common stock to members of the public. Following the stock split, each share of [REDACTED] common stock was worth only one-third of what it had been worth before the stock split. But after the stock split, Respondent Lee caused [REDACTED] to continue to sell shares to additional investors at the pre-split price of \$3.00 per share. During the period from on or about October 12, 2004, until on or about November 22, 2004, five investors purchased approximately 16,607 shares for approximately \$50,000. PPM #2 was not amended and those investors were not informed about the stock split.

At the time of the stock split, [REDACTED] shareholders held unexpired warrants which entitled them to purchase common stock at exercise prices of \$2.00, \$2.50 or \$3.00 per share. Each warrant holder who exercised his or her warrants after the stock split was entitled to receive three shares in lieu of one share for the price established in his or her warrant. But Respondent Lee caused [REDACTED] to issue only one share, rather than three shares, to those warrant holders who exercised their warrants after the stock split.

During the period from on or about October 1, 2004, until on or about November 1, 2004, two investors exercised \$2.00 warrants

to purchase 10000 shares for \$20,000. During the period from on or about November 1, 2004, until on or about December 1, 2004, three investors exercised \$2.50 warrants to purchase approximately 51,000 shares for approximately \$127,500. On or about November 3, 2004, one investor exercised \$3.00 warrants to purchase approximately 3,334 shares for approximately \$10,002.

In addition, although the holders were entitled to exercise their warrants for a period of approximately four years after the effective date of the stock split, [REDACTED] and Respondent Lee informed warrant holders that they were required to exercise their warrants before September 30, 2004, in order to obtain the benefit of the stock split.

In connection with [REDACTED] offers and sales of securities, Respondent Lee thus caused [REDACTED] to make untrue statements of material fact and omitted to state material facts necessary in order to make the statements that it made, in the light of the circumstances in which they were made, not misleading.

Such acts, practices and conduct constitute separate and distinct violations of Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5, and NASD Conduct Rule 2120. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Conduct Rule 2110 by Respondent Lee.

- B. Respondents also consent to the imposition, at a maximum, of the following sanctions:

[REDACTED] shall be censured and fined \$1,500.<sup>1</sup>

Dickson V. Lee shall be suspended from associating with any NASD member firm in any capacity for a period of one year. In addition, he will be fined \$65,000. The fine shall be due and payable either immediately upon reassociation with a member firm following the one-year 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.

The sanctions imposed herein shall be effective on a date set by NASD staff.

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<sup>1</sup> Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, NASD imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

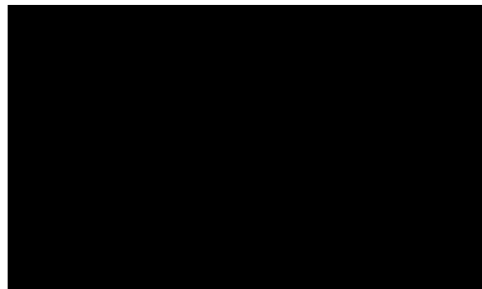
### III.

#### OTHER MATTERS

- A. Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent [REDACTED] agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed. Respondent Dickson V. Lee agrees to pay any monetary sanctions imposed on him upon re-entry as noted above.
- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. Respondent Dickson V. Lee understands that if he is barred or suspended from associating with any NASD member, he becomes subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, he may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce them to submit it.

1/12/2007  
Date



Date \_\_\_\_\_

**Dickson V. Lee**  
**Respondent**

## Counsel for Respondents

February 12, 2007  
Date

*David Utevsky*  
David Utevsky  
Regional Counsel  
NASD Department of Enforcement  
601 Union Street, Suite 1616  
Seattle, WA 98101  
(206) 624-0790

- 11 -