

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
August 31, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11623

In the Matter of

Edward Landenbaum,
Respondent.

ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Edward Landenbaum (“Respondent” or Landenbaum”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT AND ENTITY

1. Landenbaum, 32, is a resident of Brooklyn, New York. From September 1992 to May 1998, Landenbaum was a registered representative of American Bond Group, Inc., Westfield Financial Corp., Allied Capital, Inc., Cortlandt Capital Corp., Paragon Capital Corp., and Lloyd Wade Securities, Inc., all registered broker-dealers at the time of Respondent’s association. Landenbaum participated in an offering of Precious Stones Trading Worldwide, Inc. (“Precious Stones”), which is a penny stock.

2. Precious Stones was incorporated in Delaware in October 1997 with its principal place of business in New York, New York. According to offering memoranda, Precious Stones was organized to take advantage of growing opportunities in worldwide wholesale diamond/gemstone, custom design jewelry, works of art, antiques, and collectibles markets.

B. CIVIL INJUNCTIVE ACTION

On August 16, 2000, the Commission filed the civil injunctive action, SEC v. Precious Stones, et al., 00 Civ. 6097 (S.D.N.Y.) (NRB), against Landenbaum and others charging violations of the securities registration and antifraud provisions and seeking permanent injunctions, disgorgement and prejudgment interest, and civil penalties. The Commission's complaint charges Landenbaum with violations of Sections 5 and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder. The Commission's complaint alleged that from at least October 1997 to at least April 2000, in connection with the private placement offering of shares purportedly issued by Precious Stones, Respondent made numerous material misrepresentations to investors, including, among others: (a) misrepresentations concerning the business of Precious Stones; (b) misrepresentations that Precious Stones planned to conduct an initial public offering in the near future; (c) baseless price predictions; and (d) representations concerning how the proceeds of the offering would be used. As a result of the fraudulent offering, the respondent and others raised at least \$5.5 million from at least 208 investors. The complaint also alleged that Respondent sold unregistered securities and acted as an unregistered broker because he was in the business of effecting transactions in securities for the account of others in return for transaction-based compensation.

C. CRIMINAL PROCEEDING

On August 16, 2000, the United States Attorney's Office for the Southern District of New York ("USAO") filed a two count indictment against Landenbaum and others, charging conspiracy to commit fraud in the offer and sale of securities, mail fraud and wire fraud, and securities fraud in the offer and sale of Precious Stones securities. On September 17, 2002, Landenbaum pleaded guilty to one count of conspiracy to commit securities fraud in violation of 18 U.S.C. § 371, and one count of securities fraud in violation of 15 U.S.C. §§ 77q(a) and 77x, before the United States District Court for the Southern District of New York. The felony counts of the indictment to which Respondent pled guilty alleged, inter alia, that Respondent and his co-conspirators sold Precious Stones securities by soliciting customers to invest in Precious Stones by misrepresenting the company's business and the risks of investing. On November 25, 2003, Landenbaum was sentenced to 24 months incarceration, followed by 24 months probation, and ordered to pay \$2 million in restitution jointly with another defendant.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate and in the public interest, against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon the Respondent personally or by certified mail.

IT IS FURTHER ORDERED that an Administrative Law Judge shall file an initial decision with respect to this matter no later than 210 days from the date of the service of this Order, as provided by Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 360(a)(2).

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 4(c) of the Administrative Procedure Act, it is not deemed subject to the provisions of that Section delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz
Secretary