

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 72072 / May 1, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15861

In the Matter of

JAUYO (“JASON”) LEE

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

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 Jauyo (“Jason”) Lee (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Lee, 29 years old, is currently imprisoned at the Lompoc Federal Correctional Complex in Lompoc, California. From June 2009 to April 2011, Lee worked as an investment banking analyst in the San Francisco office of Leerink Swann, LLC ("Leerink"), registered with the Commission as a broker-dealer and, during this time period, an investment advisor. From June 2011 to October 2012, Lee was a registered representative associated with another broker-dealer registered with the Commission.

2. On April 24, 2014, a final judgment was entered by consent against Lee, permanently enjoining him from future violations of Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder, in the civil action entitled SEC v. Lee, et al., Civil Action No. C 12-05031 RS in the United States District Court for the Northern District of California, San Francisco Division.

3. The Commission's complaint, filed on September 27, 2012, alleged that Lee, in breach of his duty of confidentiality to Leerink, provided his friend Victor Chen ("Chen") with material, nonpublic information about two pending corporate acquisitions of medical device companies. Chen subsequently purchased securities of both companies based on this material, nonpublic information, profiting more than \$600,000 in illegal profits.

4. Specifically, the Commission's complaint alleged that Lee, as an investment analyst at Leerink, had access to confidential information regarding two of Leerink's clients. Lee learned that Leerink client Syneron Medical, Ltd. was negotiating an acquisition of Candela Corporation ("Candela") in 2009. Lee subsequently learned that Covidien plc. was negotiating an acquisition of Leerink client Somanetics Corporation ("Somanetics") in 2010. In the days leading up to the public announcements of the acquisitions of Candela and Somanetics, Lee and Chen engaged in a number of communications that were unusual in frequency, and Chen made sizable purchases of stock and call options in Candela and Somanetics. Although Chen had never invested in either Candela or Somanetics, he spent a significant portion of his available cash to buy these securities. Further, within days of the public announcement of the Candela acquisition, Lee withdrew large sums of cash from his bank account in late August to early September 2009 and, within 24 hours, Chen spent comparable sums of money to purchase shares of Candela.

5. On April 16, 2013, Lee pled guilty to one count of conspiracy to commit securities fraud in violation of Title 18 United States Code, Section 371 and one count of securities fraud in violation of Title 15 United States Code, Sections 78j(b) and 78ff before the United States District Court for the Northern District of California in United States v. Jaunyo Lee a/k/a Jason Lee, Case No. CR 13-0180-001 RS. On July 24, 2013, a judgment in the criminal case was entered against Lee wherein he was sentenced to a prison term of 16 months followed by two years of supervised release.

6. The counts of the criminal information to which Lee pled guilty alleged that Lee engaged in a conspiracy (with Chen) to commit securities fraud by, among other things, providing material, nonpublic information to Chen in breach of Lee's duty of trust and confidentiality to Leerink and its clients and, in furtherance of the conspiracy, Chen purchased securities in Candela and Somanetics based on the material, nonpublic information, resulting in \$610,099 in unlawful profits. In connection with the plea, Lee admitted that:

- a. He gained access to material, nonpublic information concerning the acquisitions of Candela and Somanetics from his employer Leerink;
- b. He communicated to Chen about the acquisitions of Candela and Somanetics, in breach of his duty of trust to Leerink and its clients;
- c. By communicating to Chen information about the acquisitions of Candela and Somanetics, which was material and nonpublic, he acted with an intent to deceive and defraud;
- d. Chen used the material, nonpublic information to purchase Candela and Somanetics stock and options, which he sold for substantial profits; and
- e. He expected to benefit from the scheme.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Lee's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent Lee be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served

as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Jill M. Peterson
Assistant Secretary