

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63303 / November 10, 2010

INVESTMENT ADVISERS ACT OF 1940
Release No. 3106 / November 10, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-14122

In the Matter of

WON SOK LEE,

Respondents.

**CORRECTED ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934 AND
SECTION 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940, MAKING FINDINGS,
AND IMPOSING REMEDIAL SANCTIONS AS
TO WON SOK LEE**

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”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Won Sok Lee (“Lee” or “Respondent”).¹

II.

In connection with these proceedings, Respondent Lee 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, and without admitting or denying the findings herein, except for

¹ On August 31, 2005, the Commission instituted public administrative proceedings pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act against Lee. On February 21, 2006, the Administrative Law Judge dismissed the proceeding without prejudice, because there was no evidence Lee had received the Order Instituting Proceedings (“OIP”) in this matter, and Lee’s location was unknown. Lee, whose location is now known, has received the OIP and has sought to resolve this matter as stated below. The Commission therefore reopens these proceedings.

the Commission's jurisdiction over him and the subject matter of these proceedings, and the finding contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions as to Won Sok Lee ("Order"), as set forth below.

III.

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

FINDINGS

1. Lee, 39, is presently incarcerated by the Federal Bureau of Prisons. Lee and Yung Bae Kim controlled K.L. Group, LLC, KL Florida, LLC and KL Triangulum Management, LLC (collectively, the "Investment Advisers"), three unregistered investment advisers incorporated in 2001, 2002, and 2003, respectively. The Investment Advisers advised, controlled, and managed six hedge funds: KL Group Fund, LLC; KL Financial Group Florida, LLC; KL Financial Group DB Fund, LLC; KL Financial Group DC Fund, LLC; KL Financial Group IR Fund, LLC; and KL Triangulum Group Fund, LLC (collectively, the "Hedge Funds"). Lee and Kim also controlled Shoreland Trading, LLC, which was then a registered broker-dealer that conducted all the trading for the Hedge Funds. Lee and Kim controlled the Investment Advisers and Shoreland from approximately 2001 until the Commission instituted a civil action against Lee, Kim, and others on March 2, 2005. From the inception of the Hedge Funds, Lee and others raised at least \$81 million from investors. During this time Lee resided in West Palm Beach, Florida.

2. On August 15, 2005, the United States District Court for the Southern District of Florida entered an order of default judgment of permanent injunction and other relief against Lee, permanently enjoining him from future violations of Sections 17(a) of the Securities Act of 1933 [15 U.S.C. § 77q(a)]; Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]; and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and Sections 206(1) and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)] in the civil action entitled Securities and Exchange Commission v. K.L. Group, LLC, et al., Case No. 05-80186-CIV-Ryskamp/Vitunac.

3. The Commission's complaint in the civil action alleged that Lee and other defendants defrauded investors by fraudulently overstating the value of the Hedge Funds they controlled, the returns on investments in those Hedge Funds, and investors' account values, while the Hedge Funds lost millions of dollars.

4. On September 16, 2009, Lee pled guilty to one count of conspiracy to commit wire fraud and one count of committing wire fraud in violation of Title 18 of the United States Code, Sections 371 and 1343, before the United States District Court for the Southern District of Florida, in United States v. Won Sok Lee, Case No. 06-CR-80197-RYSKAMP. On December 11, 2009 the District Court entered a judgment against Lee, sentencing him to 298 months in prison followed by three years of supervised release, and ordering him to pay \$78,525,567.34 in restitution.

5. The counts of the criminal indictment to which Lee pled guilty alleged, among other things, that between approximately 2000 and February 2005, Lee and other defendants conspired to obtain money from investors in the Hedge Funds under false pretenses, including by falsely reporting outstanding investor returns when the Hedge Funds actually were losing money, and the defendants were using investor money for their personal expenses. The indictment further alleged that between 2000 and 2005, the Hedge Funds raised more than \$194 million from at least 250 investors.

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 and Section 203(f) of the Advisers Act, that Respondent Lee be, and hereby is barred from association with any broker, dealer, or investment adviser.

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.

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

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions as to Won Sok Lee (“Order”) on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable James T. Kelly
Administrative Law Judge
Securities and Exchange Commission
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