

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF OKLAHOMA

U.S. COMMODITY FUTURES)
TRADING COMMISSION and)
OKLAHOMA DEPARTMENT OF)
SECURITIES ex rel. IRVING . L)
FAUGHT,)

Plaintiffs,)

v.)

PRESTIGE VENTURES CORP., a)
Panamanian corporation, FEDERATED)
MANAGEMENT GROUP, INC., a Texas)
corporation, KENNETH WAYNE LEE,)
an individual, and SIMON YANG (a/k/a)
XIAO YANG a/k/a SIMON CHEN), an)
individual)

Defendants,)

FILED

MAR 09 2010

ROBERT D. DEWITT, CLERK
U.S. DIST. COURT, WESTERN DIST. OF OKLA.
BY _____ DEPUTY

Civil Action No. 09-CV-1284 (DLR)

DEFENDANTS MOTION TO STAY
RECEIVERSHIP OF ANY PROPERTY
OWNED BY KENNETH WAYNE LEE,
SHEILA MARJORIE LEE,
DARREN ALEXANDER LEE AND
DAVID ARMSTRONG LEE AND
ALLOW DEFENDANT LEE TO
TRADE FOR THE ACCOUNT OF
INVESTORS FOR PURPOSES OF
REPAYMENT

ENTRY OF APPEAL
PLEASE ENTER ME, KENNETH WAYNE LEE, AS REPRESENTING MYSELF IN
THE ABOVE CAPTIONED MATTER

1. I am not a polished attorney nor do I represent myself to have any skills in such matters. I am having to represent myself as no attorney would take this matter as they were concerned that they would have to turn any monies paid to them to the receiver.

2. As stated in and response to **(PROPOSED) ORDER GRANTING PLAINTIFF COMMISSION'S MOTION TO AMEND THE *EX PARTE* STATUTORY RESTRAINING ORDER** filed March 4, 2010 there is no evidence or cause to believe that Kenneth Wayne Lee ("Lee") and Simon Yang ("Yang") are engaged or about to engage in acts and practices constituting violations of the Act. Lee has not spoken to or communicate with Yang in approximately two years. From time to time, and rarely, Yang would email Lee and Lee email Yang, but Lee and Yang were never in any collective act to defraud any persons in the above listed matter.

3. There is no cause to believe that Sheila M. Lee, David Lee, Darren Lee have received, are receiving or about to receive funds, assets, or property as a result of Lee's violative acts and practices or that they have or will unjustifiably be enriched. Each of the above-mentioned persons contributed funds of their own and received only what they had earned or added to any trading programs. Each named individual has a legitimate interest or entitlement to these funds, assets, or property received through the course of day to day operations.

4. There is no cause to believe that immediate and irreparable damage to the Court's ability to grant effective final relief for customers in the form of monetary redress will occur

from the sale, transfer, assignment, or other disposition by Defendants of assets or records unless Defendants and Relief Defendants are immediately restrained and enjoined by Order of the Court. Lee has never indicated nor attempted to dispose of any assets during this process before the Court. Lee has indicated several times that he would like to have the chance to earn cash from trading commodities to repay customers. Lee is still willing and capable of doing this, given permission by the Court. Lee is a capable trader and can earn the funds. Lee earned large returns from 2003 to 2005 before market conditions and withdrawals along with huge margin increases caused large losses.

5. There is no cause for freezing or seizing of property, vehicles, assets owned, controlled, managed, or held by, on behalf of, or for the benefit of Defendants and Relief Defendants and for entry of an order prohibiting anyone from destroying any records or denying Commission representatives access to inspect and copy records to ensure that Commission representatives have immediate and complete access to those books records. Lee has given to the Commission and Receiver all records held by Lee or any other person or persons. All trading records and business records were done through brokerage firms online trading sites and contained at the firm. Therefore Lee and relief defendants have no records remaining to turn over to the Receiver or Commission. All customer funds invested were given to the Receiver, and this information was from the customer. Lee asked all customers to indicate the amounts they invested and received back from Lee and this information was presented to the Receiver along with a complete list of all customers. Lee holds no additional records pertaining to this matter.

6. Lee has represented to the Receiver and Commission that he would like the

opportunity to earn the funds, as Lee had always intended, and have the investors paid. Lee requested a time period to accomplish this and indicated that all funds would be directly under the control of the Court or Receiver for the duration of the time required to make restitution. This seemed, to Lee, that it was the best way to have the investors repaid and resolve the matter. By taking all assets from Lee and his ability to earn and repay would only limit the amounts the investors would receive.

7. There is no cause to make an accounting to determine the location and disposition of any customer's funds as Lee has already provided this information to the Commission and Receiver. All bank records, trading account information and funds have been frozen by the Court and are available to the Receiver and Commission. All other trading records were held by brokerage firms on their web trading sites. Lee had no records delivered to him.

8. Lee executed a document styled **[PROPOSED] CONSENT ORDER OF PRELIMINARY INJUNCTION AND OTHER EQUITABLE RELIEF** and ask that the Court consider this document to show that Lee's intentions were always to repay to all customers who invested with Prestige and Federated and thought it was the fastest way to begin the process. It was represented to Lee that it would be in his best interest and benefit to execute this document and would speed things along. Lee never solicited funds from customers and in many cases cautioned that there were too many investors investing and there was no control. Many times funds would show in the bank and Lee had no idea who they belonged to or what to do with them. On several occasions it would be two to three months before Lee knew where the funds came from or what to do with them.

9. Lee would notify everyone that he would no longer accept any funds and this only

seemed to open the flood gates to more deposits being made and again not being notified as to who they belonged to for several weeks or even months. Many of the deposits were counter deposits of cash and no record of who had deposited them and no way to return the funds. Lee had to verify the amount and date to be able to match the deposits with any customers.

10. Lee had grown the accounts by more than \$4,500,000 by the end of 2005. Lee's percentage of any profits was agreed that it be 20% of the amount earned. This amounted to more than \$900,000 and was the funds Lee used to pay his own expenses of operating the investment program and living expenses. There is no cause to indicate that Lee paid to Sheila Lee, Darren Lee and David Lee any funds that did not rightfully belong to Prestige or Federated. To imply that no funds were rightfully Lee's is not correct. During 2006 large withdrawal demands started and margin requirements increased to the point where successful trading to maintain the profits necessary was not possible. Lee cautioned in 2006 that large withdrawals were beginning to harm the program and could cause irreversible damage if they continued and that Prestige was not their personal bank and should not be used as a bank. In the beginning the investors all agreed that they did understand that it was a long term program and caution needed to be exercised in order to maintain the necessary margin cash reserves.

RELIEF

I.

11. Lee is asking the Court to grant relief from the current order and allow Lee to trade through PFGBest Brokerage firm, where accounts exist for Prestige Ventures, and repay customers through the Court or Receiver. The time period cannot be determined presently due to current market conditions, but Lee feels that he can accomplish this in four (4) years. This is not

an unusual amount that can be earned over this period of time. Lee respectfully request that the Court grant this request. Given the chance to trade it would improve the returns to all investors which is the most important part of these proceedings.

12. Lee recognizes that earning the funds to repay will be a trying task but it is the best way to get investors paid back more that if they received all of Lee's current assets. Lee is not hiding or holding any assets from the Court, Commission or Receiver and has indicated this to the Commission and Receiver. There are no assets outside the United States.

13. Lee ask the Court to stay any receivership ordered and allow the funds to be used to invest for the customers benefit. Lee proposes to the Court that he be allowed to trade the account, under the Court's and Receivers supervision, with PFGBest for the sole purpose of repayment to investors. These funds would always be under the control of the Court and/or Receiver until such time as all customers have been repaid their initial investment. Lee was offered approximately \$15,000 should he be allowed to trade and repay customers. The funds were for the purpose of funding the account with PFGBest and trading for the sole purpose of repayment. These funds were offered by friends of my sons and not solicited by either Lee, Darren Lee or David Lee. No form of solicitation has been made by either Lee, David Lee or Darren Lee in this matter. Any funds offered were voluntary and no return was expected on the funds offered. Also, Lee ask that any Contempt of Court charges by stayed as we have tried to comply with orders received from the Receiver and Commission. No documents exist other than those already presented to them and all properties owned by either Lee, David Lee and Darren Lee are rightfully theirs and not purchased with funds from investors. It has been presented to the Court that large amounts have been paid to Lee, Sheila Lee, Darren Lee and David Lee were

from funds provided by investors. Profits were earned in trading by Prestige that were used by Lee, Sheila Lee, Darren Lee and David Lee. Lee earned profits for his efforts of over \$900,000 by the end of 2005, these funds were earned and not considered to be part of any customers investment. Nowhere is it deemed necessary to return earned trading profits that have been paid from trading activities. All customers request for withdrawals and available balances were met during this time and no problems were encountered. Market conditions began to cause drawdowns in trading profits along with margin increases in 2006. Lee and Relief Defendants ask that Order of Discovery through additional depositions and be halted. Lee and Relief Defendants have give all information available and all documents have been given to the Receiver and Commission. Lee has given two (2) depositions and each Sheila Lee, David Lee and Darren Lee have been deposed one (1) time and gave all information they had. None of the Relief Defendants had any day to day control or access to any activities of Prestige or Federated and have no additional information about Prestige or Federated.

14. Many motions have been filed by the Receiver and Commission in this matter and Lee has had no means of responding to them as he had no legal representation and did not know that he could address the Court himself. Many motions contain false and misleading statements and charges that Lee has not been able to address. If the Court approves Lee will address each motion presented to the Court in the coming days.

**ORDER OF STAY AGAINST SEIZING PROPERTY OF DEFENDANTS
AND RELIEF DEFENDANTS**

1. I beg the Courts favorable ruling in this request for repayment and stay of executing any receivership and contempt charges of any property Lee or relief defendants have. David Lee, Darren Lee and Sheila Lee deposited their own funds and earned profits to purchase their homes, vehicles and a small fishing boat from 2003 to 2006. These funds were made available to them and they made the purchases from their personal funds. Lee and relief defendant Sheila Lee had more than \$800,000 of their own funds which were available to them prior to any investors being involved and purchased the home they presently live in from these funds.

I thank the Court for its time and patience in this filing and realize it may not correct in every legal respect.

Respectfully Submitted,



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