

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 73609 / November 14, 2014

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3598 / November 14, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16278

In the Matter of

CHARLES ELLIOT SMITH, CPA

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND RULE 102(e) OF THE
COMMISSION'S RULES OF PRACTICE,
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”) [15 U.S.C. §§ 78o(b)] and Rule 102(e)(3) of the Commission’s Rules of Practice [17 C.F.R. § 201.102(e)(3)]¹ against Charles Elliot Smith (“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

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

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 as to the Commission's jurisdiction over him and the subject matter of these proceedings and the findings 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 Exchange Act and Rule 102(e) of the Commission's Rules of Practice, 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. Smith, 57 years old, is a resident of Rockwall, Texas. He is the founder and co-principal of Yorkdale Capital, LLC ("Yorkdale"), along with his brother Mark Smith. From 1983 to the present, Smith has also been a self-employed accountant, doing business as Charles E. Smith, CPA. Smith obtained his CPA certificate in Massachusetts. He transferred it to Texas in 1982. Smith previously held securities licenses, which are now expired. Smith has also served as an officer and/or director of various penny stock issuers, and has participated in offerings of penny stocks.

2. On October 31, 2014, the Commission filed a complaint against Smith and his brother Mark Smith in Securities and Exchange Commission v. Charles Elliot Smith, et al., Civil Action Number 3:14-cv-03874-D in the United States District Court for the Northern District of Texas. On October 31, 2014, the court entered an order permanently enjoining Smith, by consent, from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77q(a)] and Sections 10(b), 13(b)(5), and 15(a) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(b)(5), and 78o(a)] and Rules 10b-5 and 13b2-1 thereunder [17 C.F.R. §§ 240.10b-1 and 240.13b2-1], and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A), and 15(d) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), and 78o(d)] and Rules 12b-20, 13a-1, 13a-11, 13a-13, 13b2-2, 15d-1, and 15d-13 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13, 240.13b2-2, 240.15d-1, and 240.15d-13], ordering him to pay, jointly and severally with Mark Smith, disgorgement with prejudgment interest of \$78,750.52, to pay a civil penalty of \$150,000, and imposing five-year penny stock and officer and director bars.

3. The Commission's complaint alleged that, among other things, since at least 2006, Smith, along with his brother Mark Smith, Yorkdale and other affiliates, formed and operated at least eight publicly-traded shell companies, caused four of those shell companies to make offerings of penny stocks, and caused each of the shell companies to be sold through reverse merger transactions, all without complying with the Commission's rules and regulations applicable to shell company registration and reporting. The complaint further alleged that in connection with the offer, purchase and sale of securities of the shell companies, Smith engaged in a fraudulent scheme and made and caused to be made various materially false and misleading statements that, among other things, hid his, his brother Mark Smith's, Yorkdale's and/or various affiliates' control of the shell companies, misstated the intended uses of proceeds from the securities offerings, misstated the role of the named officers and directors of the companies and failed to disclose various

compensation to be paid to Smith, Mark Smith, Yorkdale and their affiliates. The complaint further alleged that Charles Smith falsely applied the signature of one of the shell companies' chief executive officers to two Commission filings, without that officer's consent or knowledge. The complaint further alleged that, in connection with the offer and sale of the shell companies' securities, Smith acted as an unregistered broker and as an unregistered dealer.

IV.

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

A. Accordingly, it is hereby ORDERED pursuant Section 15(b)(6) of the Exchange Act, Respondent Smith 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 with the right to apply for reentry after five years to the appropriate self-regulatory organization, or if there is none, to the Commission.

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.

B. It is further ORDERED pursuant to Rule 102(e)(3) of the Commission's Rules of Practice,

1. Respondent is suspended from appearing or practicing before the Commission as an accountant.

2. After five years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

a. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent's work in his/her practice before the Commission will be reviewed either by the independent audit committee of the public company for which he/she works or in some other acceptable manner, as long as he/she practices before the Commission in this capacity; and/or

b. an independent accountant. Such an application must satisfy the Commission that:

i. Respondent, or the public accounting firm with which he/she is associated, is registered with the Public Company Accounting Oversight Board (“Board”) in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

ii. Respondent, or the registered public accounting firm with which he/she is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent’s or the firm’s quality control system that would indicate that the respondent will not receive appropriate supervision;

iii. Respondent has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

iv. Respondent acknowledges his/her responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his/her state CPA license is current and he/she has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission’s review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent’s character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Brent J. Fields
Secretary