

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77224 / February 24, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4344 / February 24, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3747 / February 24, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17130

In the Matter of

David S. Lee, Esq., CPA

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF
THE INVESTMENT ADVISERS ACT
OF 1940 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 203(f) of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 102(e)(3)(i) of the Commission's Rules of Practice¹ against David S. Lee, Esq., CPA ("Respondent").

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 attorney, accountant, ... or other professional or expert 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.

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“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 as to the Commission’s jurisdiction over him and over 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 203(f) of the Investment Advisers Act of 1940 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. Respondent, age 58, is a resident of Los Altos, California and is a member of the California State Bar. Respondent was President and a 50% owner of Jim Ward & Associates (“JWA”) from 2001 until early 2006. Respondent was responsible for, among other duties at JWA, legal compliance matters, preparing offering materials, property acquisitions, project management, and overseeing bookkeeping and accounting personnel. From 2002 until at least early 2006, JWA was investment adviser to Blue Chip Realty Fund LLC (“Blue Chip”) and Respondent was associated with JWA. During the same period, Respondent held an inactive California CPA license.

2. On March 22, 2011, the Commission filed a complaint against Respondent and others in Securities and Exchange Commission v. JSW Financial Inc., et al. (Civil Action No. 11-cv-01356 SC), in the United States District Court for the Northern District of California. On January 20, 2016, the court entered an order permanently enjoining Respondent, by consent, from future violations of Sections 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

3. The complaint in the District Court action alleged, *inter alia*, that Respondent, together with the other officers of JWA, made materially false and misleading statements to investors and potential investors in Blue Chip by misrepresenting that investors’ money would be and was being used to make loans secured by first or second deeds of trust on real estate to a maximum 65% loan-to-value ratio, and that loans by Blue Chip to affiliates of JWA would not exceed 25% of Blue Chip’s total assets. The complaint alleged that Respondent and the other officers knew at least by 2003, or were reckless in not knowing, that the Blue Chip offering materials were materially false and misleading because investor money was used primarily to make loans to various entities owned and controlled by the officers on an unsecured basis and in excess of the maximum 65% loan-to-value ratio. The complaint further alleged that Respondent and the other officers knew at least by 2004, or were reckless in not knowing, that the Blue Chip offering materials were materially false and misleading because nearly 90% of Blue Chip’s total assets by that time were loans to borrowers controlled by the JWA officers.

4. The conduct that is the basis of Respondent's permanent injunction arises out of the conduct of the business of an investment adviser and occurred while Respondent was associated with an investment adviser.

IV.

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

Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Pursuant to Section 203(f) of the Advisers Act, Respondent be, and hereby is:
- barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent.

Any reapplication for association by 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 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. Pursuant to Rule 102(e)(3)(i) of the Commission's Rules of Practice, Respondent be, and hereby is:
- suspended from appearing or practicing before the Commission as an attorney or accountant.

By the Commission.

Brent J. Fields
Secretary