

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10519 / July 17, 2018

SECURITIES EXCHANGE ACT OF 1934
Release No. 83655 / July 17, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3952 / July 17, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18602

In the Matter of

JAY C. LAKE, CPA,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS
4C AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934 AND RULE
102(e) OF THE COMMISSION'S RULES
OF PRACTICE, MAKING FINDINGS,
AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-
DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Jay C. Lake, CPA ("Respondent" or "Lake") pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 4C¹ and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 102(e)(1)(ii) and 102(e)(1)(iii) of the Commission's Rules of Practice.²

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character

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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds³ that:

A. SUMMARY

These proceedings arise out of the role of Lake in a shell factory scheme orchestrated by an undisclosed team of “Control Persons.” The shell companies were undisclosed “blank check” companies (the “Blank Check Companies”) and were created and designed to avoid the corresponding registration and reporting requirements applicable to blank check companies. The Control Persons’ scheme was to create and sell the Blank Check Companies as public companies with operations, and register offerings of their securities, without disclosing to the public or the Commission the true purpose or control of the companies. Lake participated in the audits of the financial statements of five of the Blank Check Companies. Thus, Lake and his now defunct audit

or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

² Rule 102(e)(1)(ii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.

Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

³ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

firm, Lake & Associates, CPA's [sic], LLC ("Lake & Associates") issued the audit reports included in the Form S-1 registration statements and certain periodic reports of the five Blank Check Companies.

Each Blank Check Company followed the same path to sale. One or more of the Control Persons recruited a sole officer, director, employee, and majority shareholder to act in name only. The Control Persons exclusively retained and maintained all communications with a small group of outside professionals including Lake and Lake & Associates. The Blank Check Companies had no operations and no value other than (i) their registration status with the Commission, and (ii) a particular capital structure – for example, a control block of shares and float of purportedly free-trading shares solely for purposes of merger or acquisition. The Forms S-1 and subsequent Commission filings falsely depicted the Blank Check Companies as actively pursuing business plans, when the only plan from the onset was to be sold as public vehicles. In participating in the audits of the five Blank Check Companies' financial statements, Lake failed to obtain an understanding of the business of the issuer and the role of the Control Persons.

During the course of two of the audits in question, Lake engaged in improper professional conduct pursuant to Section 4C of the Exchange Act and Rules 102(e)(1) of the Commission's Rules of Practice. Specifically, during the course of the two engagements for the audits of the financial statements of BlueFlash Communications, Inc. ("BlueFlash") and ShopEye, Inc. ("ShopEye"), Lake ignored red flags. Among other things, Lake failed to inquire regarding facts that contradicted each company's presentation as an operating company owned and controlled by its sole officer.

Lake authorized the issuance of audit reports containing unqualified opinions for use in filings by BlueFlash and ShopEye, but the underlying audits failed to comply with Public Company Accounting Oversight Board ("PCAOB") standards. Specifically, Lake failed to comply with PCAOB requirements relating to: (1) client acceptance and continuance; (2) obtaining a sufficient understanding of the issuer; (3) performing sufficient procedures to identify the existence of related party transactions that should have been disclosed in the financial statements; and (4) maintaining sufficient audit documentation. Furthermore, Lake & Associates, at the direction of Lake, issued audit reports for ShopEye without obtaining an engagement quality review and concurring approval of issuance. These audit reports allowed BlueFlash and ShopEye to file numerous registration statements and periodic reports with the Commission that were materially false and misleading.

B. RESPONDENT

1. **Lake**, age 54, of Itasca, Illinois, holds active CPA licenses in Florida and Illinois. From at least February 21, 2003 to August 19, 2013, Lake was the owner of Lake & Associates. Lake served as the engagement partner of four of the Blank Check Companies' audits and as the engagement quality reviewer of one of the Blank Check Companies' audit. On August 13, 2013, the PCAOB issued a settled order finding, among other things, that Lake & Associates and Lake violated PCAOB rules and auditing standards in auditing the 2009 financial statements of four

unrelated issuer clients (“PCAOB Order”). Lake consented to the PCAOB Order barring him from being an associated person of a registered public accounting firm with the ability to petition the PCAOB after three years to associate with a registered public accounting firm. In re Lake & Associates, CPA’s LLC, and Jay Charles Lake, CPA, PCAOB Rel. No. 105-2013-006, at 13 (Aug. 13, 2013).

Relevant Entities and Individuals

2. **Lake & Associates**, was a Florida limited liability company and was a PCAOB registered public accounting firm with offices in Schaumburg, Illinois and Boca Raton, Florida. Lake & Associates had only one equity partner, Lake, who had ultimate authority to issue the audit reports on behalf of Lake & Associates. Lake & Associates consented to the PCAOB Order revoking its registration with the ability to reapply after three years. In re Lake & Associates, CPA’s, LLC, and Jay Charles Lake, CPA, PCAOB Rel. No. 105-2013-006, at 12-13 (Aug. 13, 2013).

3. **BlueFlash**, now known as Neurotrope, Inc., was at the relevant time a Florida corporation with its principal place of business in St. Joseph, Michigan. On March 7, 2011, BlueFlash filed a Form S-1 registration statement with the Commission, seeking to register the offer and sale of 3,000,000 common shares in a \$30,000 public offering. The registration statement became effective on May 13, 2011. Lake & Associates served as BlueFlash’s auditor for the years ended January 31, 2011, January 31, 2012, and January 31, 2013. Lake was the engagement partner for the BlueFlash audits.

4. **ShopEye**, was at the relevant time a Florida corporation with its principal place of business in Foster City, California. On August 5, 2011, ShopEye filed a Form S-1 registration statement, seeking to register the offer and sale of 3,000,000 common shares in a \$30,000 public offering, which became effective on November 1, 2011. ShopEye subsequently deregistered those shares. On June 20, 2013, ShopEye filed a new Form S-1 registration statement, seeking to register the offer and sale of 3,000,000 common shares in a \$30,000 public offering. This registration statement became effective on September 26, 2013. Lake & Associates served as ShopEye’s auditor and audited the financial statements for the years ended on May 31, 2011, May 31, 2012, and May 31, 2013. Lake was the engagement partner for the ShopEye audits. On July 28, 2014, the Commission, by delegated authority, issued a stop order suspending the effectiveness of ShopEye’s Form S-1 registration statement pursuant to Section 8(d) of the Securities Act. In re the Registration Statement of ShopEye, Inc., Initial Decision Rel. No. 615 (June 16, 2014), final as of July 28, 2014, Securities Act Rel. No. 9624 (July 28, 2014).

C. FACTS

(1) Background

5. From February 2010 to August 2013, Lake & Associates audited the financial statements the Control Persons used in the Forms S-1 and periodic reports filed with the

Commission for five Blank Check Companies, two of which were BlueFlash and ShopEye. Lake & Associates' sole owner, Lake, was the engagement partner for the firm's audits of four Blank Check Companies, including BlueFlash and ShopEye, and the engagement quality reviewer for another.

6. The Control Persons were the exclusive contacts between Lake & Associates and the Blank Check Companies. Lake knew that one or more of the Control Persons prepared the Blank Check Companies' financial statements, provided Lake & Associates with the supporting evidence for the audits, and responded to Lake & Associates' questions about the Blank Check Companies.

7. Lake failed to meaningfully understand the business of the issuer and role of the Control Persons and the sole officer. In obtaining an understanding of the issuers, Lake did not question the substantial similarities in the five Blank Check Companies' Forms S-1 or periodic reports, all of which were closely patterned on a template formula driven by the Control Persons, even though the companies were portrayed as operating companies pursuing different business plans. These similarities included: (1) the same number of issued shares; (2) the same offering size; (3) nearly identical total assets (cash and cash equivalents), liabilities (accounts payable and accrued liabilities), and stockholder's equity; (4) the exact annual budget (\$150,000) for the effectuation of vastly different business plans; and (5) the sole officers of the Blank Check Companies all devoted 20-30 hours per week to the respective company. Furthermore, the Forms S-1 for the five Blank Check Companies all similarly stated that the Blank Check Companies' sole officer capitalized the corresponding issuer via a purchase of 9,000,000 shares of common stock for \$9,000 in cash. In failing to sufficiently understand the issuer's business, Lake failed to: (1) identify factors that contradicted each company's presentation as an operating company owned and controlled by its sole officer; (2) identify possible risks of material misstatement related to the integrity of the individuals involved and the company being an undisclosed blank check company; and (3) sufficiently identify related parties and relevant disclosures.

8. Lake & Associates performed the Blank Check Companies' audits described above and Lake authorized the issuance of and consented to the incorporation of these audit reports in each of the Blank Check Companies' Forms S-1 and Forms 10-K filed with the Commission. The ShopEye and BlueFlash audit reports stated that the audits had been conducted "in accordance with the standards of the Public Company Accounting Oversight Board" and that the financial statements were fairly presented, in all material respects, "in conformity with accounting principles generally accepted in the United States." As described below, however, the ShopEye and BlueFlash audits were not conducted in accordance with PCAOB standards and were so deficient that they amounted to no audits at all.

(2) Lake & Associates Performed Deficient Audits of ShopEye and BlueFlash for the Years Ended May 31, 2012 and 2013, and January 31, 2012 and 2013, Respectively

(a) Lake Failed to Evaluate Information Obtained During the Client Acceptance and Retention Process that was Relevant to Identifying Risks of Material Misstatement (AS No. 12, AS No. 13, and AU 230)

9. PCAOB Standard Quality Control Section 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, ("QC 20") requires that policies and procedures be established for deciding whether to accept or continue a client relationship and whether to perform a specific engagement for that client. Such policies and procedures should provide the firm with reasonable assurance that the likelihood of association with a client whose management lacks integrity is minimized. All of the firm's personnel are responsible for complying with the firm's quality control policies and procedures. (QC 20 at ¶ .14, .22).

10. PCAOB Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*, ("AS No. 12") requires that the auditor evaluate whether information obtained from the client acceptance and retention evaluation process or audit planning activities is relevant to identifying risks of material misstatement.⁴ Risks of material misstatement identified during those activities should be assessed in accordance with AS No. 12. (AS No. 12 at ¶ 41).

11. PCAOB Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement*, ("AS No. 13") requires the auditor when responding to the assessed risks of material misstatement, particularly fraud risks, to apply professional skepticism in gathering and evaluating audit evidence. Examples include: (a) modifying the planned audit procedures to obtain more reliable evidence regarding relevant assertions, and (b) obtaining sufficient appropriate evidence to corroborate management's explanations or representations concerning important matters. (AS No. 13 at ¶ 7).

12. PCAOB Standard AU Section 230, *Due Professional Care in the Performance of Work*, ("AU 230") states that due professional care requires the auditor to exercise professional skepticism. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. AU 230 requires that the auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest. (AU 230 at ¶¶ .07, .09).

13. Lake & Associates' client acceptance and continuance policies at the time of the ShopEye and BlueFlash audits required: (1) completing an annual engagement acceptance or continuance form; (2) initial background checks on key members of management, board of directors, and the audit committee chairperson; and (3) annual reviews by the managing partner to

⁴ References to PCAOB auditing standards refer to the standards in effect at the relevant time.

reevaluate the acceptability of each client and engagement. Lake failed to comply with the firm's policies and procedures, including not conducting any background checks for ShopEye.

14. As part of Lake's annual reviews to reevaluate the acceptability of ShopEye and BlueFlash, Lake also disregarded various circumstances concerning management's integrity that Lake should have considered and followed-up on as part of the ShopEye and BlueFlash audits. For example, each sole officer and founder of ShopEye and BlueFlash resigned about one year after the incorporation of the company and in each instance, they were replaced within a very short time period and without any compensation for the sale of their shares. Although presented with this circumstance for ShopEye and BlueFlash, Lake did not consider whether there were risks of material misstatement related to management's integrity and subsequently did not determine an appropriate audit response.

15. For the above reasons, Lake failed to comply with Lake & Associates' client acceptance policies and procedures and exercise due care and professional skepticism when evaluating information obtained during the client acceptance and retention process that was relevant to identifying risks of material misstatement and thus, failed to comply with AS No. 12, AS No. 13, and AU 230.

(b) Lake Failed to Obtain a Sufficient Understanding of the Company (AS No. 12 and AU 230)

16. AS No. 12 requires that the auditor obtain an understanding of the company and its environment. This should include, among other things, obtaining an understanding of the company's organizational structure, management personnel, the sources of funding of the company's operations, and the company's operating characteristics. The auditor is also required to evaluate the design and implementation of internal control and to obtain an understanding of the period-end financial reporting process. In addition, the auditor is required to make certain inquiries regarding fraud risks to personnel within the company and when necessary, corroborate responses or address inconsistencies. (AS No. 12 at ¶¶ 7, 10, 20, 28, 32, 56).

17. AU 230 states that due professional care requires the auditor to exercise professional skepticism. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. AU 230 requires that the auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest. The engagement partner should be knowledgeable about the client. (AU 230 at ¶¶ .06, .07, .09).

18. Lake failed to comply with AS No. 12 and AU 230 as he failed to obtain a sufficient understanding of ShopEye and its environment and exercise professional skepticism. In obtaining an understanding of ShopEye and its internal control, Lake failed to identify and/or address various red flags that arose during the course of the audits. For example:

- a. Lake failed to obtain an understanding of the compensation arrangement with the Control Persons, which could have revealed that the company was not an operating company owned and controlled by the sole officer as presented and instead was an undisclosed blank check company owned and controlled by the Control Persons;
- b. Lake never communicated directly with the sole officers or confirmed with them that the Control Persons were authorized to represent the issuer on their behalf. Lake's communications throughout the audits were with one or more of the Control Persons; and,
- c. Lake failed to question why there were numerous similarities between ShopEye, BlueFlash, and the other three different Blank Check Companies, including that all were startup companies with minimal resources, where the Control Persons were the only contacts for day-to-day audit interaction and were not receiving any observable compensation. Further, some of the five Blank Check Companies also had notes payable with one of the Control Persons.

19. Lake also failed to perform sufficient inquiries as part of risk assessment by not speaking with either sole officer of ShopEye or obtaining an understanding as to the lack of any expenses to advance the stated business plan.

(c) Lake Failed to Perform Sufficient Procedures over Related Parties (AU 334 and AU 230)

20. PCAOB Standard AU Section 334, *Related Parties*, ("AU 334") provides auditor requirements for identifying and testing related party transactions. AU 334 states that certain transactions may be indicative of the existence of related parties, including: (a) borrowing or lending on an interest-free basis or at a rate of interest significantly above or below market rates prevailing at the time of the transaction, (b) making loans with no scheduled terms for when or how the funds will be repaid, and (c) transactions that are occurring, but are not being given accounting recognition, such as receiving or providing accounting, management or other services at no charge. Sufficient appropriate procedures over related parties should extend beyond inquiry of management. For each material related party transaction, the auditor should consider whether he has obtained sufficient appropriate evidential matter to understand the relationship of the parties and the effects of the transaction on the financial statements. The auditor should then evaluate all the information available to evaluate whether it is adequately disclosed in the financial statements. (AU 334 at ¶¶ .03, .08, .09, .11).

21. AU 230 states that due professional care requires the auditor to exercise professional skepticism. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. AU 230 requires that the auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest. (AU 230 at ¶¶ .07, .09).

22. Lake failed to comply with AU 334 as he failed to identify or evaluate whether material related party transactions were adequately presented and disclosed in ShopEye's financial statements as related party transactions. Lake failed to comply with AU 230 by not exercising due care and professional skepticism when identifying or evaluating related party transactions.

23. First, ShopEye's work papers included discussion of a note for \$3,000 with an issue date of November 1, 2012, payable to a Florida limited liability company ("LLC") controlled by one of the Control Persons. Such Control Person signed the note on behalf of the LLC. The note did not indicate a specific due date, was due on demand, and listed 5% as the annual interest rate. The note, however, was not listed or disclosed in the financial statements included in Commission filings as a related party transaction. Lake knew that this note should have been disclosed in the financial statements as a related party transaction as it was entered into with an entity controlled by one of the Control Persons who also performed services for ShopEye.

24. Second, documents evidence that the Control Persons provided accounting and management services for ShopEye. However, there is no supporting documentation to establish whether these services were paid or unpaid and whether they should have been disclosed as related party transactions. In addition, these services, whether paid or unpaid, were not given accounting recognition or disclosure in any of the filings with the Commission.

(d) Lake Failed to Maintain Sufficient Audit Documentation (AS No. 3)

25. PCAOB Auditing Standard No. 3, *Audit Documentation*, ("AS No. 3") requires that the auditor prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB. Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement to: (a) understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and (b) determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review. The auditor must retain audit documentation for at least seven years from the date the auditor grants permission to use the auditor's report in connection with the issuance of the company's financial statements. (AS No. 3 at ¶¶ 4, 6, 14).

26. Lake failed to comply with AS No. 3 as (a) the audit work papers for ShopEye do not evidence who performed and reviewed the work and the dates such work was completed and reviewed, and (b) he failed to retain for at least seven years the audit work papers for BlueFlash.

(e) Lake & Associates Failed to Execute Engagement Quality Reviews (AS No. 7)

27. PCAOB Auditing Standard No. 7, *Engagement Quality Review*, ("AS No. 7") requires an engagement quality review and concurring approval of issuance for certain engagements conducted pursuant to the standards of the PCAOB. In an audit, the engagement quality reviewer may provide concurring approval of issuance only if, after performing with due

professional care the review required by this standard, he or she is not aware of a significant engagement deficiency. Furthermore, the firm may grant permission to the client to use the engagement report only after the engagement quality reviewer provides concurring approval of issuance. (AS No. 7 at ¶¶ 1, 12, 13).

28. Lake & Associates did not obtain engagement quality reviews for the ShopEye audits at issue (including obtaining concurring approval of issuance). Specifically, Lake & Associates falsified its engagement quality reviewer's electronic sign-offs for the ShopEye audits for the years ended May 31, 2012 and May 31, 2013. Lake was the engagement partner for these ShopEye audits and knew that the engagement quality reviewer's sign-offs were falsified. Furthermore, Lake authorized the filing of and consented to the incorporation of these audit reports in ShopEye's Commission filings.

D. VIOLATIONS

29. Section 17(a) of the Securities Act prohibits, in the offer or sale of securities, (1) employing any device, scheme or artifice to defraud, (2) obtaining money or property by means of any material misrepresentation or omission, or (3) engaging in any transaction, practice or course of business that operates or would operate as a fraud or deceit upon the purchaser. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit, in connection with the purchase or sale of securities, (a) employing any device, scheme, or artifice to defraud, (b) making any material misrepresentation or omission, or (c) engaging in any act, practice, or course of business that operates as a fraud or deceit upon any person. As a result of the actions described above, Lake willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by participating and authorizing audit reports filed with the Commission that were so deficient that they amounted to no audits at all and that falsely stated that such audits were conducted in accordance with PCAOB standards.

30. Rule 2-02(b)(1) of Regulation S-X requires an accountant to state "whether the audit was made in accordance with generally accepted auditing standards." As used with respect to Regulation S-X in relation to audits of issuers, the phrase "generally accepted auditing standards" means the "the standards of the PCAOB plus any applicable rules of the Commission." SEC Release No. 34-49708 (May 14, 2004). As a result of the conduct described above for the ShopEye and BlueFlash audits, Lake willfully aided and abetted and caused Lake & Associates' violations of Rule 2-02(b)(1) of Regulation S-X.

31. Rule 2-06 of Regulation S-X requires accountants to retain for seven years "records relevant to the audit or review, including work papers and other documents that form the basis of the audit or review." As a result of the conduct described above for the BlueFlash audits, Lake willfully aided and abetted and caused Lake & Associates' violations of Rule 2-06 of Regulation S-X.

E. FINDINGS

32. Based on the foregoing, the Commission finds that Lake willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and willfully aided and abetted and caused Lake & Associates' violation of Rules 2-02 and 2-06 of Regulation S-X.

33. Based on the foregoing, the Commission finds that by willfully violating Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and willfully aiding and abetting Lake & Associates' violation of Rules 2-02 and 2-06 of Regulation S-X, Lake engaged in conduct subject to Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

34. Based on the foregoing, the Commission finds that Lake engaged in improper professional conduct pursuant to Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

IV.

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

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

A. Lake shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Rules 2-02 and 2-06 of Regulation S-X.

B. Lake is denied the privilege of appearing or practicing before the Commission as an accountant.

C. Lake shall, within 10 days of the entry of this Order, pay disgorgement of \$10,500 and prejudgment interest of \$1,620.71 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

D. Lake shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

E. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Jay C. Lake as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1800, Miami, FL 33131.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by

Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary