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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of the State  
of Washington by:

American Freedom International, Jim Lake,  
their agents and employees,  
Respondents

SDO - 88 - 00

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL ORDER  
CEASE AND DESIST

Case No. 99-03-087

9 THE STATE OF WASHINGTON TO: James E. Lake  
10 26137 104<sup>th</sup> SE Ste 197  
11 Kent, WA 98031

American Freedom International  
26137 104<sup>th</sup> SE Ste 197  
12 Kent, WA 98031

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15 On March 29, 2000, the Securities Administrator of the State of Washington issued Summary Order to Cease and  
16 Desist SDO-37-00 hereinafter referred to as the Order to James E. Lake and American Freedom International.

17 The Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (, hereinafter referred to  
18 as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (, hereinafter referred to as  
19 "Application for Hearing") thereon, were received by James E. Lake and American Freedom International on or before  
20 July 20, 2000. The Notice of Opportunity for Hearing advised Lake and American Freedom International that each had  
21 twenty days from the date he received the notice to file a written application for an administrative hearing on the  
22 Statement of Charges.

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26 ORDER CEASE AND DESIST

1 James E. Lake and American Freedom International each failed to request an administrative hearing within  
2 twenty days of his receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application  
3 for hearing provided or otherwise.

4 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as set forth  
5 in the Statement of Charges.

6 The Securities Administrator makes the following findings of fact and conclusions of law:

7 **FINDINGS OF FACT**

8 **I.**

9 American Freedom International is a Washington business entity with a principal business address of  
10 26137 104<sup>th</sup> Ave SE Ste 197, Kent, WA 98031. American Freedom International is not incorporated in  
11 Washington nor has it qualified to do business as a foreign corporation in Washington. American Freedom  
12 International's address is a post office box at PostNet, a mailbox service.

13 **II.**

14 James E. Lake is president and chief executive officer of American Freedom International.

15 **III.**

16 American Freedom International is in the business of reselling long distance telephone services through a  
17 multilevel marketing organization. In late August 1998, Jim Lake, as president and chief executive officer of  
18 American Freedom International, sent a letter to the customers, distributors, and representatives, offering them  
19 an opportunity to purchase stock in American Freedom International at \$2.50 a share. The letter said that the  
20 stock of American Freedom International would go public at \$5 a share within 30 days, allowing purchasers in  
21 the members only offering to double their money in a short time. The letter says that the company was  
22 anticipating phenomenal growth in the next 90 days and expected that growth to be reflected in the stock price.

23 The letter also stated that friends or family members of American Freedom International members could

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1 participate in the members only offering if the friends or family members become customers of American  
2 Freedom International. The proceeds of the sales of stock to members, the letter said, would be reinvested in  
3 the company to upgrade its systems, develop marketing materials, and make strategic investments. The letter  
4 included instructions on how to purchase stock. Purchasers were instructed to send their checks to American  
5 Security Transfer Agency at a post office box on Bainbridge Island or to wire funds to ASTA Capital Corp.'s  
6 account at Wells Fargo Bank. Lake's letter was not accompanied by any additional written materials, such as  
7 financial statements or other information on the financial condition of the company, information on the prior  
8 business experience of Lake, or information concerning the risks of investing in a startup company. It did not  
9 explain that the only efforts American Freedom International had made to take its stock public were to  
10 negotiate with John Wachsmith of ASTA Capital to purchase the outstanding stock in a shell corporation or  
11 that American Freedom International had not completed the purchase of the stock in the shell corporation. It  
12 did not explain that funds invested would be deposited in an account maintained by John Wachsmith for  
13 various business and household purposes and would not be held in an escrow or trust account.

#### 14 IV.

15 At least forty persons responded to American Freedom International's offer. They collectively invested  
16 about \$80,000. About \$23,000 of the funds from investors were remitted by ASTA to Lake. None of the funds  
17 were deposited to any bank account held in the name of American Freedom International. No shares were ever  
18 issued to the investors. American Freedom International never "went public." It never received acquired the  
19 shares of any shell corporation from ASTA. The Securities Administrator has already entered another  
20 administrative order, SDO 11-00, against ASTA Capital Corp., American Securities Transfer Agency, and John  
21 Wachsmith in connection with their roles in the American Freedom International offering.

#### 22 V.

1 American Freedom International is not currently registered to sell its securities in the state of Washington  
2 and has not previously been so registered.

3 VI.

4 The Securities Administrator finds that the continued offering of American Freedom International stock in  
5 the manner described in Tentative Finding of Fact III presents a threat to the investing public.

6 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

7 CONCLUSIONS OF LAW

8 I.

9 The offer and/or sale of American Freedom International stock described above constitutes the offer and/or  
10 sale of a security as defined in RCW 21.20.005(10) and (12).

11 II.

12 The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration or for  
13 such offer and/or sale is on file with the Securities Administrator, state of Washington.

14 III.

15 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because it contained  
16 misleading statements of material fact including that the company was about to go public, that the proceeds of  
17 the offering would be invested in the company, and that investors could expect to double their money in a  
18 month, as described in Tentative Findings of Fact Paragraphs III and IV .

19 V.

20 The Securities Administrator finds that an emergency exists, that the continued violations of RCW  
21 21.20.010 and RCW 21.20. constitutes a threat to the investing public, and that a summary order to cease and  
22 desist from those violations is in the public interest and necessary for the protection of the investing public.

23 Based upon the above Findings of Fact and Conclusions of Law it is hereby

1 ORDERED that respondents American Freedom International and James E. Lake, their agents, and  
2 employees each cease and desist from offering and/or selling securities in any manner in violation of RCW  
3 21.20.140, the section of the Securities Act of Washington requiring registration.

4 It is further ORDERED that American Freedom International and James E. Lake, their agents, and  
5 employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

6 This Order is entered pursuant to RCW 21.20.390 and is subject to the provisions of ch. 34.05 RCW.

7 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

8 DATED this 24th day of August, 2000.

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12 DEBORAH R. BORTNER  
13 Securities Administrator

14 Approved By:

Presented By:

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16 Michael E. Stevenson  
17 Chief of Enforcement

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19 Suzanne E. Sarason  
20 Senior Enforcement Attorney

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