

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 53718 / April 25, 2006**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 2419 / April 25, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12274**

**In the Matter of**

**GREG JONES,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST  
PROCEEDINGS, MAKING FINDINGS, AND  
IMPOSING A CEASE-AND-DESIST ORDER  
PURSUANT TO SECTION 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Greg Jones (“Jones” or “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 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, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### A. Facts

Hayes Lemmerz International, Inc. ("Hayes") is a Delaware corporation that is headquartered in Northville, Michigan and has operations throughout the United States, South America, and Europe. The company is a major global supplier of automotive and commercial highway components (including wheels, brakes, powertrains, suspensions, and structural and other lightweight components). During the relevant time period, Hayes was a publicly-held company with securities registered with the Commission pursuant to Section 12(b) of the Exchange Act. Hayes' shares traded on the New York Stock Exchange until it was de-listed after the disclosure of the fraudulent accounting scheme described below. Hayes' common stock is now listed on the NASDAQ National Market.

Greg Jones, age 52, is a resident of Georgia. From 1997 through August 2000, he was the Business Unit Controller for Hayes' North American Aluminum Wheel Group ("AWG"), which was a part of Hayes' North American Wheel Group ("NAWG"). Jones' responsibilities as the Business Unit Controller included ensuring that AWG's books and records complied with Generally Accepted Accounting Principles ("GAAP") and Hayes' internal accounting policies. From August 2000 through May 2003, Jones was a plant manager for the Gainesville, Georgia AWG manufacturing plant. Although Jones did not have formal accounting or finance responsibilities in that position, he was aware of various accounting entries that were made.

From at least 1999 through the first quarter of 2001, Hayes, acting through senior officers and employees, engaged in a fraudulent scheme to achieve corporate earnings targets and mask declining operating results. Specifically, the fraudulent accounting scheme was carried out at certain Hayes plants and business units through three primary mechanisms: (1) inappropriately deferring operating expenses to balance sheet accounts, (2) failing to process vendor invoices, and (3) recording certain expenses as assets by improperly classifying expenses as gain contingencies or inaccurately recording customer discounts as receivables. Hayes employees, including senior officers and accounting personnel, directed, ratified and/or knew of the above-listed practices. As a result of Hayes' fraudulent scheme, Hayes made materially false filings with the Commission in fiscal years 1999 and 2000 and for the first quarter of 2001. In December 2001, Hayes restated its results for fiscal years 1999, 2000 and for the first quarter of 2001. On December 5, 2001, Hayes filed for Chapter 11 bankruptcy due, in part, to revelations about its improper accounting practices. Hayes emerged from bankruptcy in June 2003.

As Business Unit Controller of AWG, Jones was responsible for reconciling various income statements and balance sheet accounts and directed, ratified or knew that false entries were being made to Hayes' books and records and were included in Hayes' financial statements.

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<sup>1</sup> 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.

Specifically, Jones knew that certain AWG plants were not adequately recording payroll and employee benefit accruals to achieve internal earnings targets. In addition, Jones knew that one AWG plant had stopped recording supply invoices to achieve internal earnings targets.

As an AWG plant manager, Jones also knew of -- but took no steps to correct -- inappropriate accounting entries that were made at his plant. For example, in October 2000, Jones knew that his plant inappropriately deferred \$1.2 million of tooling expenses to a balance sheet account. Also, in late 2000 and early 2001, Jones knew that his plant had improperly deferred approximately \$295,000 of operating expenses to a balance sheet account. Finally, in March 2001, Jones knew that his plant had inappropriately deferred approximately \$230,000 of operating expenses to a balance sheet account at the direction of an AWG vice president, to help another plant achieve its earning targets for a particular quarter. Jones knew that these entries were false.

## **B. Legal Analysis**

As a result of the conduct described above, Jones violated Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder and caused violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

### **1. Record-Keeping Provisions: Section 13(b)(2)(A) of the Exchange Act and Rule 13b2-1 Thereunder**

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Section 13(b)(2)(A) of the Exchange Act requires issuers with securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records, and accounts that accurately and fairly reflect the transactions and dispositions of their assets. Rule 13b2-1 under the Exchange Act prohibits the falsification of any book, record, or account subject to Section 13(b)(2)(A) of the Exchange Act.

As AWG Business Unit Controller and as an AWG plant manager, Jones was responsible for reconciling various income statements and balance sheet accounts and authorized and/or ratified entries in Hayes' books and records that he knew inaccurately reflected transactions and dispositions of the company's assets. Jones therefore caused Hayes' violation of Section 13(b)(2)(A) of the Exchange Act and violated Rule 13b2-1 under the Exchange Act.

### **2. Internal Controls Provisions: Sections 13(b)(2)(B) and 13(b)(5) of the Exchange Act**

Section 13(b)(2)(B) of the Exchange Act requires issuers with securities registered pursuant to Section 12 of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to reasonably assure, among other things, that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP. Section 13(b)(5) of the Exchange Act prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any book, record, or account required to be made and kept pursuant to Section 13(b)(2) of the Exchange Act.

As AWG Business Unit Controller and as an AWG plant manager, Jones knew that the inappropriate accounting entries he and others made at the AWG plants would be included in Hayes' books, records, and financial results. Jones therefore caused Hayes' books and records to

contain inaccurate and incomplete descriptions of the accounting entries, which prevented Hayes from preparing financial statements in conformity with GAAP. By engaging in such conduct, Jones violated Section 13(b)(5) of the Exchange Act and caused Hayes' violation of Section 13(b)(2)(B) of the Exchange Act.

3. Reporting Provisions: Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 Thereunder

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Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require that issuers with securities registered under Section 12 of the Exchange Act file annual and quarterly reports with the Commission and keep this information current. By engaging in the above-described conduct, Jones caused Hayes to file inaccurate quarterly and annual reports with the Commission. Accordingly, Jones caused Hayes' violation of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

**IV.**

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

Accordingly, it is hereby ORDERED that Respondent Greg Jones cease and desist from (1) committing or causing any violations and any future violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder, and (2) causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

By the Commission.

Nancy M. Morris  
Secretary