

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 82206 / December 4, 2017**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3911 / December 4, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18292**

**In the Matter of**

**Anton & Chia, LLP,  
Gregory A. Wahl, CPA,  
Michael Deutchman, CPA,  
Georgia Chung, CPA,  
and Tommy Shek, CPA,**

**Respondents.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 4C AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND RULE 102(e) OF THE  
COMMISSION'S RULES OF PRACTICE  
AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Anton & Chia, LLP (“A&C”), Gregory A. Wahl, CPA (“Wahl”), and Michael Deutchman, CPA (“Deutchman”), pursuant to Sections 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(ii) and (iii) of the Commission’s Rules of Practice<sup>2</sup> and

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<sup>1</sup> Section 4C provides, in pertinent 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 . . . to have engaged in unethical or improper professional conduct; or 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.

<sup>2</sup> Rule 102(e)(1)(ii) and (iii) provide, in pertinent part, that the Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it in any way to any person who is found . . . to have engaged in unethical or improper professional conduct; or 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.

against Georgia Chung, CPA (“Chung”) and Tommy Shek, CPA (“Shek”) pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice. (A&C, Wahl, Deutchman, Chung, and Shek are collectively referred to as “Respondents.”)

## II.

After an investigation the Division of Enforcement alleges that:

### SUMMARY

1. These proceedings involve serial violations of the federal securities laws and/or improper professional conduct by public accounting firm Anton & Chia, LLP (“A&C”) and several of its current and former partners and a manager. Respondents’ conduct relates to the audit and/or interim review engagements for three separate microcap company clients: Accelera Innovations, Inc. (“Accelera”), Premier Holding Corporation (“Premier”), and CannaVEST Corp. (“CannaVEST”) (together, the “Reporting Companies”). In performing the audits and interim reviews of the Reporting Companies’ financial statements, Respondents egregiously deviated from multiple standards of the Public Company Accounting Oversight Board (“PCAOB”) and ignored numerous red flags that indicated the Reporting Companies’ financial statements and public filings contained material misstatements.

2. In the Accelera matter, Accelera inflated its financial position and results by treating another company’s revenues, assets, and liabilities as its own. Accelera’s public filings for year-end 2013 through year-end 2015 included revenue from an entirely separate company – a putative subsidiary that Accelera did not own or control. As a result of this improper consolidation, Accelera’s financial statements overstated its revenue by 69% to 90% during the relevant period. Yet A&C audited Accelera’s financials and opined that they fairly represented Accelera’s financial condition and results and complied with generally accepted accounting principles.

3. In Premier’s 2013 year-end audit, A&C and Wahl, the engagement partner, accepted Premier management’s grossly inflated and wholly unsupported valuation of the company’s largest tangible asset: an unsecured promissory note (“Note”) issued in January 2013 by a new company that had essentially taken over a business that had generated a \$756,000 loss for Premier for 2012, and which had defaulted on its first payment obligation under the Note. A&C and Wahl also improperly accepted management’s accounting for the company’s largest intangible asset – goodwill reportedly derived from Premier’s acquisition of a controlling interest in a private company. Although the stake in the private company had been acquired over a year earlier, management still allocated the entire purported value of the asset to goodwill, because the valuation of the identifiable assets and liabilities acquired had not been completed. In addition, management failed to adequately assess that goodwill for impairment. Together, the Note and the goodwill associated with the controlling interest in the private company represented 75% of the company’s reported assets on December 31, 2013. The receipt of the Note had also purportedly generated almost a million dollars in income. In performing their audits, A&C and Wahl failed to adhere to multiple auditing standards, by failing to, among other things, obtain sufficient appropriate audit evidence and failing to exercise due care and professional skepticism. In addition, A&C and

Wahl ignored red flags indicating that the Note was part of a round-trip exchange between related parties of essentially worthless assets for stock.

4. A&C, Wahl, and Deutchman disregarded red flags and violated professional standards in the audits of Accelera from 2013 to 2015, and so did A&C and Wahl in the audit of Premier in 2013. The process was fundamentally flawed. They then issued or approved reports on the financial statements of Accelera and Premier, claiming that A&C had conducted the audits in accordance with the standards of the PCAOB. The reports, in turn, opined that the financial statements fairly presented the financial positions and results of Accelera and Premier, respectively, and followed Generally Accepted Accounting Principles (“GAAP”). A&C, Wahl, and Deutchman knew, or were reckless in not knowing, that the statements in A&C’s reports for Accelera and Premier were false and misleading.

5. In the CannaVEST matter, CannaVEST’s assets were materially overstated on its 2013 first and second quarter balance sheets filed in its Forms 10-Q. The overstatements related to CannaVEST’s acquisition of PhytoSphere Systems, LLC (“PhytoSphere”) on January 29, 2013 for a purported purchase price of \$35 million. CannaVEST knew it was paying substantially less than \$35 million to acquire PhytoSphere because it was mainly paying with CannaVEST stock that had little value. CannaVEST, however, recorded \$35 million in assets on its balance sheet related to the acquisition. A&C did not identify the overstatements during the first and second quarter interim reviews because, among other things, A&C failed to make adequate inquiries of management regarding the fair value of the consideration that CannaVEST paid for PhytoSphere, *i.e.*, the fair value of CannaVEST’s stock as of January 29, 2013. In the third quarter of 2013, CannaVEST wrote down the value of the assets related to the PhytoSphere acquisition to \$8 million after obtaining a third-party valuation report that valued PhytoSphere at \$8 million as of January 29, 2013. During the third quarter interim review, however, A&C failed to consider whether a restatement of CannaVEST’s first and second quarter balance sheets was necessary. In April 2014, CannaVEST restated all three quarters to reflect \$8 million in assets related to the PhytoSphere acquisition on CannaVEST’s balance sheet. During CannaVEST’s interim reviews, A&C, Wahl (the first through third quarter engagement partner), Chung (the first quarter EQR), and Shek (the first through third quarter audit manager) engaged in improper professional conduct by failing to adhere to PCAOB standards and ignoring a number of red flags that indicated that CannaVEST’s financial information contained material misstatements.

6. As described below, in connection with A&C’s audits and interim reviews of Accelera’s FY 2013 through FY 2015 financial statements:

- a. A&C willfully violated Exchange Act Section 10(b) and Rule 10b-5(b) thereunder, and Deutchman willfully aided and abetted A&C’s violation of Exchange Act Section 10(b) and Rule 10b-5(b) thereunder;
- b. A&C, Wahl, and Deutchman willfully aided and abetted and were a cause of Accelera’s violation of Section 13(a) of the Exchange Act, and Rules 13a-1 and 13a-13 thereunder;

- c. A&C willfully violated Rule 2-02(b) of Regulation S-X, and Wahl and Deutchman willfully aided and abetted and were a cause of A&C's violation of Rule 2-02(b) of Regulation S-X; and
- d. A&C, Wahl, and Deutchman willfully violated or willfully aided and abetted violations of the federal securities laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice, and engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

7. As described below, in connection with A&C's audit of Premier's FY 2013 financial statements:

- a. A&C and Wahl willfully violated Exchange Act Section 10(b) and Rule 10b-5(b) thereunder;
- b. Wahl willfully aided and abetted A&C's violations of Exchange Act Section 10(b) and Rule 10b-5(b) thereunder;
- c. A&C and Wahl willfully aided and abetted and were a cause of Premier's violation of Section 13(a) of the Exchange Act, and Rule 13a-1 thereunder;
- d. A&C willfully violated Rule 2-02(b) of Regulation S-X, and Wahl willfully aided and abetted and was a cause of A&C's violation of Rule 2-02(b) of Regulation S-X; and
- e. A&C and Wahl willfully violated or willfully aided and abetted violations of the federal securities laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice, and engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

8. As described below, in connection with CannaVEST's 2013 interim reviews, A&C, Wahl, Chung, and Shek engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

## RESPONDENTS

9. **Anton & Chia, LLP**, a PCAOB registered audit firm since 2009, is a California limited liability partnership headquartered in Newport Beach, California, with additional offices in San Diego and Westlake Village, California. A&C was founded in 2009 by Chung, and is currently co-owned by Chung and her husband, Wahl. As relevant here, A&C performed Accelera's 2013 through 2015 year-end audits and 2014 through 2015 interim reviews, Premier's 2013 year-end audit, and CannaVEST's 2013 interim reviews.

10. **Gregory A. Wahl, CPA**, age 43, of Irvine, California, is A&C's managing partner, and co-owner with Chung. Wahl is a licensed CPA in California and New York, and a chartered accountant in British Columbia, Canada. As relevant here, Wahl served as the engagement partner for Accelera's 2013 and 2014 year-end audits and for the five interim reviews from the first quarter of 2014 through the second quarter of 2015, Premier's 2013 year-end audit, and CannaVEST's 2013 interim reviews.

11. **Georgia Chung, CPA**, age 49, of Irvine, California, is A&C's co-owner with Wahl. Chung is a licensed CPA in California and Colorado. Chung served as the engagement quality reviewer ("EQR") for CannaVEST's first quarter of 2013 interim review.

12. **Michael Deutchman, CPA**, age 70, of Playa Del Rey, California, was an A&C audit partner from August 2014 until August 2016, when he resigned from the firm. He was the EQR for Accelera's 2014 year-end audit and the interim reviews for the third quarter of 2014 and the first and second quarters of 2015. In 2008, Deutchman was censured by the Commission under Section 4C(a) of the Exchange Act and 102(e) of the Commission's Rules of Practice for issuing an audit report for a public company while not registered with the PCAOB. Exchange Act Rel. No. 58240 (July 29, 2008). In January 2015, the PCAOB barred Deutchman from associating with a registered public accounting firm and ordered him to pay a civil penalty, for concealing document deficiencies from PCAOB inspectors. *See* Final Decision, *Kabani & Co.*, No. 105-2012-002, slip op. at 19 (PCAOB Jan. 22, 2015). Those sanctions were stayed pending an appeal, and the Commission upheld the PCAOB's decision on March 10, 2017. 2017 SEC LEXIS 758, Exchange Act Rel. No. 80201 (Mar. 10, 2017).<sup>3</sup>

13. **Tommy Shek, CPA**, age 34, of Rowland Heights, California, was an A&C audit manager. Shek is a licensed CPA in California. Shek worked at A&C from July 2011 through at least October 2015. From January 2013 to July 2014, Shek was an A&C audit manager. In July 2014, Shek was promoted by A&C to senior audit manager. Shek served as the audit manager for CannaVEST's 2013 interim reviews.<sup>4</sup>

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<sup>3</sup> Kabani has appealed the Commission's decision, and the Commission agreed to stay Deutchman's civil penalty, but not his bar, pending that appeal. *See* 2017 SEC LEXIS 1095, Exchange Act Rel. No. 80403 (April 7, 2017).

<sup>4</sup> On December 4, 2017, the Commission instituted an Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of

## OTHER RELEVANT PERSONS AND ENTITIES

### Accelera-Related Entities

14. **Accelera Innovations, Inc.** is a Delaware corporation with its principal place of business in Frankfort, Illinois. It was formerly known as Accelerated Acquisition IV, Inc. and was incorporated in April 2008 as a shell company. The company claims to be “a healthcare service company which is focused on acquiring companies primarily in the post-acute care patient services and information technology services industries.” Its common stock has been quoted on OTC Link, operated by OTC Markets Group, Inc. and formerly known as the Pink Sheets (“OTC Link”) under ticker ACNV since January 2014. Accelera files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder. Accelera’s fiscal year ends on December 31.<sup>5</sup>

15. **Behavioral Health Care Associates, Ltd. (“BHCA”)** is a health care provider based in Schaumburg, Illinois specializing in psychiatry and substance abuse treatment. 100% of its stock is owned by its founder, director, and sole owner. In or around October of 2012, the owner placed BHCA for sale. Accelera entered into an agreement to acquire BHCA, but never closed the deal.

### Premier-Related Entities

16. **Premier Holding Corporation** is a Nevada corporation with its principal place of business in Tustin, California. At all relevant times, Premier was a self-described provider of a large array of energy services through its subsidiary companies. Premier’s common stock is and was at all relevant times registered with the Commission pursuant to Section 12(g) of the Exchange Act and quoted on the OTC Link, under ticker PRHL. Premier files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder. Premier’s fiscal year ends on December 31. Throughout the relevant period, Premier raised funds through purportedly private sales of stock.

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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 against Richard Koch, CPA, an A&C audit partner, related to his conduct in an audit for Premier and two interim reviews for CannaVEST (Exchange Act Rel. No. 34-82207) and also against Rahuldev Gandhi, CPA, a former A&C audit partner, concerning his conduct in an audit for Accelera (Exchange Act Rel. No. 34-82208).

<sup>5</sup> On September 29, 2017, the Commission filed a civil injunctive action against Accelera, its Chairman, and a related company in the United States District Court for the Northern District of Illinois. (Case No. 17-cv-7052). On the same day, the Commission also filed a civil injunctive action in that district against Accelera’s CFO, and later filed a motion for entry of judgment based on a bifurcated settlement. (Case No. 17-cv-7057).

For most of the relevant period, Premier was run, at least nominally, by Kevin Donovan and, from October 2012 on, by Randall Letcavage.<sup>6</sup>

17. **WePower Ecolutions, Inc.** was a wholly-owned subsidiary of Premier formed in November 2011 for the purpose of “offer[ing] renewable energy production and energy efficiency products and services.” In January 2013, Premier effectively sold the business and the name. On February 26, 2013, WePower Ecolutions’ name was changed to Energy Efficient Experts.

18. **WePower Eco Corp. (“New Eco”)**, a Delaware corporation located in Aliso Viejo, California, effectively acquired WePower Ecolutions in January 2013.

19. **The Power Company USA, LLC (“TPC”)** was a privately-owned deregulated power broker that brokered power to both residential and commercial users in the twelve states that allowed the distribution of deregulated power. Since February 28, 2013, TPC has been 80% owned by Premier.

### **CannaVEST-Related Persons and Entities**

20. **CannaVEST Corp.**, is a Delaware corporation headquartered in Las Vegas, Nevada. CannaVEST, originally a shell company named Foreclosure Solutions, Inc., changed its name to CannaVEST Corp. (OTCBB, ticker: CANV) on January 29, 2013. CannaVEST entered into the business of acquiring raw hemp product from suppliers in Europe and reselling it to third parties and also developing, producing, and selling consumer products that contain Cannabidiol (“CBD”) oil (a type of hemp oil). In early January 2016, CannaVEST changed its name to CV Sciences, Inc. (OTCQB, ticker: CVSI), and claimed to develop pharmaceutical drugs that contain CBD oil. CannaVEST’s common stock is registered with the Commission pursuant to Exchange Act Section 12(g).

21. **Michael J. Mona, Jr.**, age 63, of Las Vegas, Nevada, is CannaVEST’s CEO and a board member. Mona became CannaVEST’s CEO in November 2012, and a board member in January 2013.<sup>7</sup>

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<sup>6</sup> On December 4, 2017, the Commission filed a civil injunctive action against Premier, Letcavage, and another individual in the United States District Court for the Southern District of New York.

<sup>7</sup> On June 15, 2017, the Commission filed a civil injunctive action against CannaVEST and Mona in the United States District Court for Nevada (Case No. 2:17-CV-01681-APG-PAL).

## FACTS

### 2013-2015 ACCELERA AUDITS AND REVIEWS

#### Background

22. Accelera's public filings were supposed to reflect Accelera's financial condition and results, but in reality, they included the revenues, assets, and liabilities of an entirely separate company. Accelera inflated its financial position and results in its public filings by including the revenues, assets, and liabilities of a company that it did not own or control. By including the financial results of another company, Accelera painted a rosier picture of its finances than was accurate, misleading the investing public about its true financial condition and results.

23. A&C did not stand in the way of Accelera's fraud. Instead, A&C facilitated it.

24. A&C audited Accelera's year-end financial statements for 2013, 2014, and 2015. Accelera's Forms 10-K for each of those years included audit reports containing unqualified opinions from A&C. In addition, A&C performed the quarterly reviews of Accelera's financial statements throughout 2014 and 2015.

25. A&C opined that Accelera's financial statements fairly presented its financial condition and results, and conformed with generally accepted accounting principles.

26. A&C's reports in Accelera's 10-Ks provided: "In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Accelera Innovations, Inc. as of [date], and the consolidated results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America." A&C also represented that it had "conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States)."

27. For the quarterly reviews, the Engagement Summary Memos stated that A&C "review[ed] the financial statements of the Company" and performed "procedures to ensure that there are no material misstatements in the financial statements."

28. In reality, most of Accelera's purported revenues did not belong to Accelera at all.

29. Two individuals at A&C, Wahl and Deutchman, facilitated Accelera's fraud. They knew, or were reckless in not knowing, that Accelera never acquired the purported subsidiary. They knew, or were reckless in not knowing, that most of Accelera's purported revenues came from a company that Accelera did not own or control.

30. Wahl was the engagement partner for the 2013 and 2014 audits of Accelera's financial statements and for the five interim reviews from the first quarter of 2014 through the second quarter of 2015. Wahl testified that he was "heavily involved" in the 2013 audit "from start to finish." The 2014 audit was one of approximately 75 different engagements that Wahl



worked on during the 2014 audit season. Deutchman was the EQR for Accelera's 2014 audit and for the interim reviews for the third quarter of 2014 and the first and second quarters of 2015.

31. A&C's audit and interim reviews played a significant role in Accelera's misrepresentations. Without audited financial statements, Accelera could have not have filed its 10-Ks. Without quarterly reviews, Accelera could not have filed its 10-Qs. A&C's misconduct enabled Accelera to file false financial statements and provide misinformation to the market about its true financial condition and results.

32. During the relevant time frame (April 2014 through August 2016), Accelera stock was publicly traded through OTC Link. Accelera also issued approximately 8.8 million shares of its common stock and sold at least 92,000 shares of common stock through an affiliated entity.

### **Improper Consolidation of BHCA into Accelera's Financial Statements**

33. Beginning with the year-end financial statements for 2013, Accelera consolidated into its publicly-filed financial statements the financial condition and results of a purported subsidiary, Behavioral Health Care Associates ("BHCA"). Accelera treated BHCA's revenues, assets, and liabilities as if they belonged to Accelera. Accelera continued to consolidate BHCA's financials with Accelera's financial statements through the Form 10-K for the year ending December 31, 2015, which was filed in August 2016.

34. By consolidating BHCA, Accelera filed materially misstated consolidated financial statements, including statements of operations, balance sheets, statements of cash flow, and statements of changes in stockholders' deficit. Accelera inflated its revenues, assets, and liabilities, and included inaccurate related footnote disclosures.

35. Consolidating BHCA's financials with Accelera's financials had a material impact on Accelera's financial statements. Accelera substantially overstated its true financial results.

36. Before the Stock Purchase Agreement with BHCA in November 2013 (explained below), Accelera was a shell company with little or no assets and revenues. In its Form 10-Q for the quarter before the Stock Purchase Agreement, Accelera reported \$0 of revenues and \$50 of assets.

37. In 2013 – 2015, the vast majority of Accelera's reported revenue was, in reality, the revenue of BHCA. BHCA's revenue comprised approximately 90% of Accelera's purported revenue in 2013 and 2014, and 69% in 2015.

38. Accelera's Form 10-K for 2013 reported revenues of \$411,036. In reality, approximately \$375,882 of the \$411,036 was the revenue of BHCA, not Accelera. Accelera's Form 10-K for 2014 reported revenues of \$2,715,523. In reality, approximately \$2,448,157 of the \$2,715,523 was the revenue of BHCA, not Accelera. Accelera's Form 10-K for 2015

reported revenues of \$3,623,131. In reality, approximately \$2,489,000 of the \$3,623,131 was the revenue of BHCA, not Accelera.

39. Accelera never actually owned or controlled BHCA. Accelera agreed to buy BHCA, but never consummated the acquisition of BHCA.

40. On November 11, 2013, Accelera and BHCA entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) whereby Accelera agreed to purchase 100% of the shares of BHCA in exchange for a total of \$4.55 million. Specifically, under the BHCA Stock Purchase Agreement, Accelera promised to pay BHCA’s owner a total of \$4.55 million. The first \$1 million was due within 90 days, and the remaining \$3.55 million was to be paid in regular installments pursuant to the terms of a promissory note. After the first payment (*i.e.*, \$1 million), the shares of BHCA were to be placed into escrow pending the final payment. After the final payment, the shares were to be transferred free and clear to Accelera. Before the first payment, the shares were to remain with BHCA’s owner, and BHCA’s owner had the right to cancel the transaction at any time.

41. The BHCA Stock Purchase Agreement, the promissory note, and other documents memorializing the transaction all made clear that any ownership interest in BHCA would pass *only after* Accelera paid BHCA’s owner for the shares. For example:

- a. The Stock Purchase Agreement stated that 100% of the stock in BHCA would change hands only “[u]pon payment of the purchase price set forth in Section 1.1.1.1.”
- b. The promissory note indicated that it was only “effective upon the payment of the purchase price set forth in Section 1.1.1.1.”
- c. The bill of sale stated that the owner of BHCA would sell to Accelera 100% of the shares of BHCA “effective upon the payment of the purchase price set forth in Section 1.1.1.1 of the Purchase Agreement.”

42. A&C, Wahl, and Deutchman knew about the Stock Purchase Agreement. The Stock Purchase Agreement was included among the work papers for A&C’s engagements with Accelera, including the 2013 audit and some of the 2015 quarterly reviews. A&C, Wahl, and Deutchman knew, or were reckless in not knowing, that Accelera would not acquire any shares of BHCA unless it paid for them.

43. Accelera never made the initial \$1 million payment referenced in Section 1.1.1.1 of the Stock Purchase Agreement. In fact, Accelera never paid a single dollar for BHCA.

44. Instead, Accelera and BHCA’s owner entered into a series of amendments to the Stock Purchase Agreement, under which the timeline for payment was pushed back in exchange for a certain number of shares of Accelera common stock. These amendments did not otherwise alter the terms of the agreement. In other words, the terms of the agreement remained that

Accelera would not receive the shares of BHCA before payment. In addition, BHCA's owner could cancel the transaction at any time before payment.

45. A&C, Wahl, and Deutchman knew about the amendments to the Stock Purchase Agreement. The amendments to the Stock Purchase Agreement were among the work papers for the A&C engagements with Accelera, including the 2014 audit. Both Wahl and Deutchman reviewed and signed off on those work papers. The amendments to the Stock Purchase Agreement also were included among the work papers for the 2015 audit and the 2015 quarterly reviews.

46. Accelera never acquired BHCA. BHCA was not Accelera's subsidiary at any time.

47. Accelera never acquired any shares of BHCA, let alone all of the shares of BHCA. Accelera did not acquire any shares of BHCA because it never paid for them.

48. A&C, Wahl, and Deutchman knew, or were reckless in not knowing, that Accelera never paid for any shares of BHCA.

49. Throughout the pendency of the Stock Purchase Agreement, Accelera never controlled BHCA in any way. BHCA controlled its own business and affairs. BHCA kept the revenue it earned, and never allocated any portion of its earnings to Accelera. Accelera did not direct any hiring or firing or other managerial decisions at BHCA. Accelera did not exercise day-to-day control over BHCA's operations. BHCA's management ran the business as it always had.

50. On March 31, 2016, BHCA's owner and Accelera entered into an agreement officially terminating the Stock Purchase Agreement, effective retroactively to January 1, 2016.

51. A&C, Wahl, and Deutchman knew, or were reckless in not knowing, that Accelera did not own or control BHCA. A&C, Wahl, and Deutchman knew, or were reckless in not knowing, that Accelera could not claim as its own the revenues of a separate company that Accelera did not own or control.

52. Consolidating Accelera's financials with BHCA's financials – even though Accelera did not own or control BHCA – violated GAAP. *See* ASC 805 and 810.

53. By misstating its revenue in its publicly-filed financial statements, as described above, Accelera violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

54. Without A&C, Wahl, and Deutchman's substantial assistance, Accelera would not have been able to file its erroneous Form 10-Qs and Form 10-Ks.

## **Red Flags Indicating BHCA Was Improperly Consolidated**

55. In addition to the clear language of the BHCA Stock Purchase Agreement and the other agreements, A&C had other reasons to question the propriety of consolidating BHCA into Accelerera's financial statements. There were multiple red flags indicating that the consolidation of BHCA was inappropriate and that Accelerera's financial statements were therefore materially inaccurate. A&C failed to identify, analyze, or document those red flags.

56. For example, BHCA told A&C that Accelerera had not acquired the company. During field work in 2014, 2015, and 2016, BHCA's owner told A&C staff that Accelerera did not own or control BHCA. BHCA's owner also instructed A&C staff not to mention Accelerera to any BHCA staff. During the 2014 audit field work, BHCA's owner told Deutchman and another A&C employee not to disclose the purpose of the audit to any BHCA employees, because those employees were not aware of any deal with Accelerera.

57. For the 2014 and 2015 year-end audits, A&C requested that BHCA's owner execute confirmations of liability that made clear that the entire purchase price – all of the \$4.55 million owed by Accelerera under the Stock Purchase Agreement – was unpaid. The "Original amount of note" and the "Unpaid principal balance" were the same: "\$4,550,000." In each instance, BHCA's President and owner signed the confirmations, and thus made clear that Accelerera had not paid any of the purchase price for the BHCA shares. He added language clarifying that, "[t]o the extent the terms of this letter conflict with the terms of the Parties' Stock Purchase Agreement, the terms of the Stock Purchase Agreement shall control."

58. A&C, Wahl, and Deutchman knew about the confirmations of liability. The confirmations of liability were included among the work papers.

59. During the fall of 2014 and the winter of 2015, Accelerera's newly-hired CFO raised concerns to A&C about the consolidation of BHCA on several occasions. For example:

- a. In December 2014, the CFO wrote to Deutchman that he "thought these entities were inappropriately consolidated." He asked that Deutchman share A&C's "research and analysis" supporting consolidation. Neither Deutchman nor anyone else from A&C ever provided the CFO with any research or analysis.
- b. In February 2015, the CFO wrote Deutchman to set up a conference call among himself, A&C, and Accelerera's counsel to discuss, among other things, "[t]o consolidate or not consolidate [BHCA]." He requested that Deutchman include Wahl on the call. The CFO also wrote that Accelerera's "subsidiary never controlled [BHCA] so it doesn't sound to me there should have been a consolidation."
- c. During the conference call, which took place in February 2015, and which was attended by at least Deutchman from A&C, the CFO advocated that Accelerera restate its financials to remove BHCA.

60. Accelera declined to heed the CFO's advice regarding the propriety of past and future consolidation of BHCA, and A&C did not object. The CFO ultimately resigned, shortly before Accelera filed its Form 10-K for 2014.

61. A&C, Wahl, and Deutchman knew, or were reckless in not knowing, that Accelera never filed an 8-K containing BHCA's financial statements. Items 2.01 and 9.01 of Form 8-K requires reporting companies to file financial statements of acquired businesses. *See also* Exchange Act Rule 13a-11. Here, if Accelera had, in fact, acquired BHCA, Accelera would have had the obligation to file a Form 8-K with financial statements for BHCA. Accelera's failure to file an 8-K with financial statements for BHCA was a sign that Accelera never acquired BHCA at all.

62. Accelera's management took a different approach to accounting for other, similar potential acquisitions. In late 2014 and early 2015, Accelera entered into three new purchase agreements with other entities that contained substantially identical terms to the BHCA Stock Purchase Agreement. As with BHCA, Accelera never made any payments toward these purchases. Instead, as with BHCA, the parties entered into extension agreements. However, despite the similarities, Accelera never consolidated those other companies into its financial statements. This disparity did not prompt A&C to re-examine Accelera's treatment of BHCA.

63. As of October 1, 2015, Accelera was in default on the Stock Purchase Agreement (the final extension entered into by the parties expired on September 30, 2015).

64. In or around late-2015, Accelera's Chief Strategic Officer contacted Gandhi (the engagement partner for the 2015 audit of Accelera's financial statements). She argued that Accelera should restate its financials to remove BHCA, and explained that Accelera had never had control over BHCA. Gandhi, after consultation with Wahl, said that restatement was unnecessary.

65. In March of 2016, Accelera provided Gandhi and Wahl with a draft termination agreement from BHCA's owner's attorney. The draft required Accelera to "disclos[e] that [Accelera] did not own an interest in [BHCA] and should not have recognized on its books and records the revenue and expenses of [BHCA] for the years of 2012 [sic], 2013, 2014, and 2015." In a cover email transmitting the draft agreement, an Accelera officer wrote to Gandhi, "[t]his continues to be an issue .... I need to know how we can remove the revenue and restate all those years." In response to the e-mail and draft, Gandhi asked if it was "possible to negotiate this section" of the termination agreement. Ultimately, the final version of the termination agreement did not include a restatement requirement. Later, Gandhi bragged to Accelera about his handling of this issue, writing to Accelera that "[o]ur firm helped you, through my own guidance, to review and point out flaws in the legal agreements related to the [BHCA] termination and avoid multiple years of restatements. Not just any accounting firm would be able to provide this kind of value."

66. Notwithstanding the red flags described above, A&C – through Wahl (for 2013 and 2014) and Gandhi (for 2015) – signed the auditor reports for the Form 10-Ks that Accelera filed in 2013, 2014, and 2015. Deutchman provided concurring approval, without which A&C

would not have been able to grant permission to Accelera to use A&C's audit report for its 2014 Form 10-K. In addition, A&C – through Wahl – approved the issuance of Accelera's 2014 and 2015 interim reviews, and Deutchman provided a concurring approval for the issuances in the third quarter of 2014 and the first and second quarters of 2015.

### **Inadequate Procedures Regarding the BHCA Transaction**

67. A&C's audits were fundamentally flawed. A&C performed inadequate audit procedures to verify the propriety of consolidating BHCA, to the extent that A&C performed any audit procedures at all.

68. During the 2013 audit of Accelera, a newly-hired staff accountant with no audit experience drafted a memorandum ostensibly analyzing the BHCA transaction (the "Acquisition Memo"). The Acquisition Memo contains faulty, inadequate, conclusory, and incomplete analysis, and it does not support the conclusion that Accelera had control over BHCA in 2013.

69. For example, the Acquisition Memo states that a "key" question when determining if a transaction constitutes a business combination is "did someone gain control." But the memo does not analyze whether Accelera, in fact, controlled BHCA. Instead, the memo states that Accelera may control BHCA in the future: "Under the terms of the Agreement . . . the Acquirer will obtained [sic] 100% ownership."

70. As a second example, the Acquisition Memo emphasizes that the "acquisition date" is "the date the acquirer obtains control," and is "not necessarily the date of an agreement or reaching binding terms." But the memo never actually identifies an acquisition date for the BHCA transaction, and never analyzes whether Accelera had, in fact, obtained control over BHCA.

71. As another example, the Acquisition Memo acknowledges that Accelera had not yet paid for the BHCA shares. The memo states that the payment would take place sometime in the future: "the Issuer will pay BHCA \$4,550,000." The memo does not analyze when Accelera would pay for the shares, or whether Accelera would own the BHCA shares before paying for them.

72. The Acquisition Memo states that BHCA "would become" a "wholly owned subsidiary of the Issuer" as a result of the payment of \$4,550,000.

73. As a final example, the Acquisition Memo uses the future tense when describing Accelera's control of BHCA. "Revenue will begin to accrue to the Issuer from Target operations prospectively from the date the Issuer obtains control."

74. A&C prepared no other documentation analyzing whether Accelera had acquired or controlled BHCA, or analyzing whether it was appropriate to consolidate their financials.

75. Apart from drafting the Acquisition Memo and reviewing the Stock Purchase Agreement and other agreements documenting the transaction, the engagement team did not

perform any procedures to analyze the propriety of consolidating BHCA into Accelera during the 2013 audit.

76. Despite the fact that Accelera failed to make any payments toward the purchase of BHCA during 2014, A&C did not perform any analysis of the propriety of consolidating BHCA into Accelera's financials in conducting Accelera's quarterly reviews for the year 2014. By the time A&C conducted those reviews, BHCA's owner had already told A&C that Accelera did not own or control BHCA.

77. In auditing Accelera's year-end financial statements for 2014, Wahl and the other members of the engagement team never discussed the propriety of consolidating BHCA. Instead, the team deferred, without analysis, to the audit team's 2013 conclusion that consolidation was appropriate. As Deutchman testified, he "just assumed that [the 2013 engagement team] had made the right decisions." Deutchman also testified that he ignored all of the issues raised by the CFO, both because he did not respect the CFO and because he believed A&C was a good firm.

78. Despite the multiple red flags raised during 2015 – including, but not limited to, Accelera's CFO advising that consolidation was inappropriate – A&C never addressed the propriety of Accelera's decision to consolidate BHCA into Accelera's financial statements during the quarterly reviews conducted during 2015.

79. Although A&C personnel claim that the BHCA consolidation was discussed internally during the 2015 year-end audit engagement, there is no documentation of those discussions or analysis. In addition, key documents regarding the BHCA transaction – including the Acquisition Memo, the Stock Purchase Agreement, and the promissory note – are not among the 2015 audit work papers.

### **Failure to Appropriately Staff the Engagements and to Properly Supervise Staff**

80. A&C violated professional auditing standards when it assigned staff to the Accelera audits. A&C assigned staff who did not have the requisite experience and expertise, or the requisite availability, to perform the audits. A&C also failed to adequately supervise the staff who were assigned. In addition, Deutchman, as EQR, played an inappropriate role in the 2014 audit.

81. Under PCAOB Standard AU § 210, *Training and Proficiency of the Independent Auditor*, the auditor is required to have "adequate technical training and proficiency as an auditor." (AU § 210.01).<sup>8</sup> In addition, under PCAOB Standard AU § 230, *Due Professional Care in the Performance of Work*, an auditor "should possess 'the degree of skill commonly possessed' by other auditors." (AU § 230.05).

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<sup>8</sup> References herein to the PCAOB standards are to the standards that were in effect at the time of the relevant conduct.

82. PCAOB Standard AS No. 10, *Supervision of the Audit Engagement*, states that the engagement partner “is responsible for proper supervision of the work of engagement team members and for compliance with PCAOB standards.” To determine the extent of supervision necessary, the engagement partner should take into account, among other things, “[t]he risks of material misstatement” and “[t]he knowledge, skill, and ability of each engagement team member.” (AS No. 10.6). In addition, under QC § 20, the amount of supervision required depends on the ability and experience of the personnel. (QC § 20.11).

83. PCAOB Standard AS No. 7, *Engagement Quality Review*, states that the EQR must be independent of the company, perform the engagement quality review with integrity, and maintain objectivity in performing the review. (AS No. 7.6). In particular, the EQR should not “assume any of the responsibilities of the engagement team.” (AS No. 7.7).

84. The 2013 audit of Accelera was staffed by: (a) a newly-hired staff accountant who had no audit experience; (b) a second staff accountant with one year of experience; and (c) Wahl, who was – at the time – allegedly working 80 to 100 hours a week and acting as the engagement partner for half of the firm’s clients. There was no manager assigned to the 2013 audit.

85. The newly-hired staff accountant, who had no audit experience, and who had never before analyzed or researched these topics, was tasked with preparing the Acquisition Memo. As discussed above, the Acquisition Memo was flawed, did not support the conclusion that Accelera had control over BHCA, and contained faulty, inadequate, conclusory, and incomplete analysis. Although Wahl purportedly supervised this staff accountant’s work in drafting the memorandum, these issues and errors were not resolved.

86. A&C assigned Deutchman as EQR on the 2014 audit and on the quarterly reviews from the third quarter of 2014 through the second quarter of 2015. By the time A&C started work on the 2014 Accelera audit, A&C had reprimanded Deutchman twice for failure to properly supervise staff accountants and for substandard job performance.

87. Notwithstanding Deutchman’s disciplinary issues, he was given responsibilities far exceeding those typically or appropriately assigned to an EQR. Deutchman fulfilled many of the roles that should have been filled by Wahl as the engagement partner. For example, Deutchman handled communications with Accelera and Accelera’s counsel and, according to audit staff, was more actively involved than Wahl. This level of involvement compromised his ability to operate objectively, as required by AS No. 7.

88. A&C did not staff any partner-level employees on the engagement for the third quarter 2015 quarterly review of Accelera.

### **Failure to Obtain Sufficient Appropriate Audit Evidence**

89. A&C did not support its audit opinion with sufficient appropriate audit evidence. A&C did not gather sufficient evidence to support its opinion, including evidence that Accelera owned or controlled BHCA. A&C also did not give sufficient weight to evidence that undermined its opinion.



90. PCAOB Standard AS No. 15, *Audit Evidence*, requires the auditor to “plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.” (AS No. 15.4). Further, “[i]f audit evidence obtained from one source is inconsistent with that obtained from another ... the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit.” (AS No. 15.29). Among other things, “[e]vidence obtained from a knowledgeable source that is independent of the company is more reliable than evidence obtained only from internal company sources.” (AS No. 15.8). Appropriate audit evidence must be “both relevant and reliable in providing support for the conclusions on which the auditor’s opinion is based.” (AS No. 15.6-15.8). Similarly, for the interim reviews, A&C was required to perform “procedures to obtain a basis for communicating whether he or she is aware of any material modifications that should be made to the interim financial information for it to conform with generally accepted accounting principles.” PCAOB Standard AU § 722, *Interim Financial Information* at AU § 722.15. If, in performing its review of interim financial information, A&C became aware of information indicating that that information may not be in conformity with GAAP in all material respects, A&C was required to “make additional inquiries or perform other procedures” that it considered “appropriate to provide a basis for communicating whether [it was] aware of any material modifications that should be made to the interim financial information.” (AU § 722.22).

91. PCAOB Standard AU § 333, *Management Representations*, states that representations from a company’s management “are part of the evidential matter the independent auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit.” (AU § 333.02). AU § 333 also states that “[i]f a representation made by management is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation made. Based on the circumstances, the auditor should consider whether his or her reliance on management’s representations relating to other aspects of the financial statements is appropriate and justified.” (AU § 333.04). PCAOB Standard AS No. 3, *Audit Documentation*, states that “audit documentation must include information the auditor has identified relating to significant findings or issues that is inconsistent with or contradicts the auditor’s final conclusions.” (AS No. 3.8).

92. AS No. 7 required Deutchman, as EQR, to evaluate whether appropriate consultations took place on any “difficult or contentious matters.” (AS No. 7.10(h), 7.15(f)).

93. A&C issued audit reports containing unqualified opinions, and Wahl approved the issuance of the audit reports. However, they failed to obtain sufficient appropriate audit evidence to provide a reasonable basis for their opinions, to understand the highly material transaction with BHCA, or to resolve inconsistencies.

94. A&C knew that Accelera had material weaknesses in its internal control over financial reporting. In its Forms 10-K, Accelera reported that its internal control over financial reporting was ineffective as of December 31, 2014 and 2015. A&C noted in its 2014 and 2015 audit planning memoranda that it had “determined not to rely on the internal control of the company based on past audit experience.”

95. In addition, as of July of 2015, A&C became aware that Accelera was under an SEC investigation relating to its financial reporting, and specifically relating to the consolidation of BHCA.

96. A&C and Wahl also improperly relied on Accelera management's representations in the face of contrary evidence. Among other things, Accelera's agreements with BHCA contradicted management's representations regarding ownership of BHCA. Also, the draft termination agreement from BHCA's owner, which indicated that Accelera had never controlled BHCA, contradicted Accelera's accounting treatment of BHCA. Moreover, the representations from some Accelera officers (that consolidation was inappropriate and that Accelera did not control BHCA) contradicted the representations from other Accelera officers (that consolidation was appropriate). However, A&C and Wahl did not perform audit procedures necessary to resolve these conflicts.

97. As EQR, Deutchman failed to properly evaluate the engagement team's audit work and conclusions regarding the BHCA consolidation. He knew that Accelera's agreements with BHCA indicated that Accelera would not own BHCA until it had paid, and he knew Accelera had not paid for BHCA. Also, Accelera's CFO had repeatedly called into question the accounting treatment of the BHCA transaction. However, Deutchman did nothing to determine whether the engagement team had appropriately considered that transaction.

#### **Failure to Document Significant Findings or Issues**

98. A&C did not properly document its significant findings or issues about consolidating Accelera's financials with BHCA.

99. PCAOB standards require accountants to document the procedures performed, evidence obtained, and conclusions reached. (AS No. 3.6). In particular, auditors are required to document any significant findings or issues, such as the results of procedures that indicate financial statements could be materially misstated, as well as the actions taken to address those findings. (AU § 722.52; AS No. 3.12). Audit documentation must contain, among other things, information sufficient to allow an experienced auditor with no connection to the work to understand the procedures performed, evidence obtained, and conclusions reached and to determine who performed the work, when the work was completed, the person who reviewed the work, and the date of the review. (AS No. 3.6).

100. A&C and Wahl failed to document communications that called into question the BHCA consolidation, including the communications raising the issue of restatement from BHCA's owner, Accelera's former CFO, and Accelera's Chief Strategic Officer, as discussed above.

101. Apart from the Acquisition Memo, A&C did not document any procedures that it performed, if any, to address the issue of BHCA's consolidation.

### **Failure to Exercise Due Professional Care**

102. A&C did not exercise due professional care during the Accelera audits.

103. PCAOB Standard AU § 230, *Due Professional Care in the Performance of Work*, requires auditors to exercise due professional care throughout the audit, including by “exercise of professional skepticism.” Under this standard, “[p]rofessional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence” (at AU § 230.07), and auditors “consider the competency and sufficiency of the evidence” (at AU § 230.08) and “neither assume[] that management is dishonest nor assume[] unquestioned honesty” (at AU § 230.09). (*See also* AU § 722.01).

104. For the reasons outlined above, A&C, Deutchman, and Wahl failed to meet AU § 230.

### **Failure to Maintain an Adequate System of Quality Control for Audits and Interim Reviews**

105. PCAOB Standard QC § 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, provides that a CPA firm shall have a system of quality control for its accounting and auditing practice. (QC § 20.01). Quality control includes adopting policies and establishing procedures to provide the firm with reasonable assurance of complying with professional standards. (QC § 20.04). Policies and procedures should be established to encompass all phases of the design and execution of the engagement. (QC § 20.17-.18). Policies and procedures should also address engagement quality reviews pursuant to PCAOB Standard AS No. 7, *Engagement Quality Review*. (QC § 20.18).

106. A&C failed to design and maintain an adequate system of quality control for audit and interim review engagements and engagement quality reviews because A&C's quality control policies and procedures manual failed to adequately address all phases of the design and execution of these engagements. The policies and procedures covering audits were deficient because they did not discuss, for example: (1) how the assessment of inherent risk, control risk, and fraud risk affects the audit procedures performed; (2) a description of the test of controls and substantive audit procedures, and how the test of controls affects the substantive audit procedures performed; (3) the purpose of audit work papers and what should be included in the work papers; (4) evaluating the audit evidence obtained to determine whether the evidence is sufficient and appropriate to support the conclusions reached; and (5) evaluating misstatements identified by the accountant or brought to the accountant's attention.

107. With regard to interim reviews, A&C's manual included interim review procedures for privately held companies, but did not include interim review procedures for publicly-held companies. Even if the manual's interim review procedures for privately held companies were applied to publicly-held companies, the procedures would be deficient. For example, the procedures did not discuss: (1) the objective of a review; (2) inquiring of a predecessor auditor when conducting an initial review; (3) obtaining an understanding of a company's internal control as it relates to the preparation of financial information; (4) a

description of inquiry and analytical procedures, and when and how to apply these procedures; (5) the purpose of interim review work papers and what should be included in the work papers; and (6) evaluating misstatements identified by the accountant or brought to the accountant's attention.

108. With regard to engagement quality reviews, A&C's policies and procedures manual was deficient because the procedures did not discuss, for example: (1) the objective of an engagement quality review; and (2) the EQR evaluating the engagement team's significant judgments and related conclusions by holding discussions with the engagement partner and other team members and reviewing documentation.

### **A&C's False Reports**

109. By virtue of the conduct described above, A&C failed to adhere to numerous PCAOB standards in auditing Accelera's 2013, 2014, and 2015 financial statements.

110. Despite the multiple egregious deviations from PCAOB standards, A&C – through Wahl (for the 2013 and 2014 financial statements) and Gandhi (for the 2015 financial statements) – issued reports on Accelera's financial statements. Deutchman provided concurring approval of the issuance of the report on the 2014 financial statements, without which A&C would not have been able to grant permission to Accelera to use A&C's audit report for its Form 10-K.

111. A&C, Wahl and Deutchman knew these reports would be filed with the Commission on Accelera's Forms 10-K. Those reports contained A&C's representation that the audits were conducted in accordance with PCAOB standards and its opinion, based on those audits, that Accelera's financial statements fairly presented, in all material respects, the Company's financial position and results of operations in accordance with GAAP. A&C, Deutchman, and Wahl knew or were reckless in not knowing that those reports were false.

### **Summary of Charges Relating to Accelera Audits and Interim Reviews**

112. As a result of the conduct described above:

- a. A&C willfully violated Exchange Act Section 10(b) and Rule 10b-5(b) thereunder, and Deutchman willfully aided and abetted A&C's violation of Exchange Act Section 10(b) and Rule 10b-5(b) thereunder;
- b. A&C, Wahl, and Deutchman willfully aided and abetted and were a cause of Accelera's violation of Section 13(a) of the Exchange Act, and Rules 13a-1 and 13a-13 thereunder;
- c. A&C willfully violated Rule 2-02(b) of Regulation S-X, and Wahl and Deutchman willfully aided and abetted and were a cause of A&C's violation of Rule 2-02(b) of Regulation S-X; and

- d. A&C, Wahl, and Deutchman willfully violated or willfully aided and abetted violations of the federal securities laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice, and engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

## **2013 PREMIER AUDIT**

### **Background**

#### ***Premier's Fraudulent Valuation of the Note and Gain on the Sale of Discontinued Operations***

113. In December 2011, Randall Letcavage and an associate ("Associate A") acquired approximately 50% of Premier's outstanding shares, paying \$175,000 in cash to the Company's then-CEO and majority shareholder, and caused Premier to acquire certain assets from green energy companies owned entirely or in large part by either Letcavage or Associate A ("related party green energy companies") in exchange for additional Premier stock (the "Stock-for-Related-Party-Assets Swap"). Using these assets, and through a new wholly-owned subsidiary, WePower Ecolutions, Premier's business changed from selling low-priced caskets to providing clean energy products and services. Letcavage and Associate A installed Kevin Donovan as CEO of WePower Ecolutions and as president and CEO of Premier itself.

114. Premier valued the assets obtained from the related party green energy companies at zero, noting in its FY 2011 and FY 2012 financial statements that the assets had been obtained from the two related party green energy companies and that the equipment obtained, originally valued at approximately \$16,000, had proven to be defective, and thus its value had been reduced to zero.

115. Premier's performance following the change in business model remained poor, however, and its share price declined throughout 2012. In the fourth quarter of 2012, Letcavage and Associate A arranged for a management shake-up in which, among other changes, Letcavage joined the board of directors and replaced Donovan as Premier's and WePower Ecolutions' president and CEO and several board members were replaced. Under Letcavage's management, Premier then decided to discontinue the operations of WePower Ecolutions and report a roughly \$750,000 loss on the discontinued operations.

#### ***The Discontinued-Operations-for-Note Swap***

116. In January 2013, after protracted negotiations with Donovan over his exit package, Premier effectively sold WePower Ecolutions to a newly-formed company (WePower Eco Corp. ("New Eco")), to be run by Donovan. In exchange, New Eco gave Premier an unsecured note with a \$5 million face value (the "Note"), and purportedly assumed certain Premier liabilities (the "Discontinued-Operations-for-Note Swap").

117. The terms of the Note were extremely generous to New Eco. Among other things, the Note was unsecured and secondary to all other debt New Eco might incur, the interest rate was below market at 2%, and repayment was scheduled over twenty years, with no principal payments due for five years and no interest due for eleven months. Neither the face amount nor the terms of the Note were based on a valuation, independent or otherwise, of the assets transferred to New Eco.

118. Given that the Note was received in exchange for assets and not cash, under GAAP, upon receipt the Note should have been “recorded at the fair value of the property, goods, or services or at the amount that reasonably approximates the fair value of the note [receivable], whichever is the more clearly determinable.” ASC 310-10-30-5, *Receivables*.

119. Premier management’s estimate of the fair value of the Note at the time of receipt was \$869,000 – a figure that was inconsistent with GAAP but rather was chosen to achieve the desired accounting result. See ASC 820-10-30, *Fair Value Measurement*. The \$869,000 figure was the largest of three fair value figures that appeared on a document provided to Premier by an independent valuation firm the company had engaged to value the Note (“Valuation Firm”). This document, which Premier later characterized as a “preliminary valuation,” consisted solely of Excel spreadsheets illustrating the Valuation Firm’s valuation models, as applied to outdated and unsupported revenue projections for New Eco.<sup>9</sup> The Valuation Firm sought updated revenue projections and support for such projections from New Eco, and sought Premier’s help in getting such information, but never received it.<sup>10</sup>

120. In its financial statements for the first quarter of 2013, Premier reported a loss before non-controlling interest and discontinued operations of \$519,601 and a gain of \$985,138 on discontinued operations, based on the \$869,000 “preliminary valuation” of the Note and New Eco’s purported assumption of \$116,000 of WePower Ecolutions’ debt. (Premier treated the

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<sup>9</sup> The Valuation Firm needed current revenue projections for New Eco and support for the projections in order to value New Eco, the borrower. The Firm was trying to value the borrower, because the collectability of the Note was entirely dependent on the borrower’s (New Eco’s) ability to pay because the Note was unsecured and not guaranteed. The \$869,000 figure was one of the two – unsupported – figures for the fair value of New Eco that appeared on the spreadsheets; the third was an unsupported figure for the fair value of the Note.

<sup>10</sup> The Valuation Firm ultimately completed its work without the requested information, valuing the Note at zero and New Eco at less than \$10,000. The Firm’s findings and analysis were set forth in a draft valuation report, which the Firm sent to Premier management on or about April 9, 2014. As explained in the report, the Firm’s valuations were primarily based on the 2012 performance of WePower Ecolutions, which had not been known to the Firm when it generated the “preliminary valuation” and the terms of the Note. All of that information was known, recklessly disregarded, or should have been known, to Wahl during the audit.

entire value of the Note as a gain on the sale of WePower Ecolutions because, as described above, it had valued those assets at zero when it acquired them in the Stock-for-Related Party-Assets Swap.) The reported \$869,000 value of the Note, along with the purported elimination of debt, thus converted a quarterly loss to net income for the quarter of \$466,147. Premier also reported the Note as an asset worth \$869,000 on its balance sheet.

121. On each reporting date in 2013, Premier failed to evaluate the Note for impairment as required by GAAP. See ASC 310-10-35, *Receivables*. Instead Premier reported the value of the Note as \$869,000, making the Note Premier's largest tangible asset, constituting at least 12% of the company's total assets.

### ***The Note-for-Stock Swap***

122. The first payment on the Note – an interest payment of \$50,000 – was due on December 7, 2013. New Eco failed to make the payment and the Note went into default on December 22, 2013. Without assessing the Note for impairment or collectability, Premier continued to report the Note as an asset valued at \$869,000 on its December 31, 2013 balance sheet.

123. The company made no effort to collect on the Note. Instead, on or about February 27, 2014, Premier exchanged the Note with WePower LLC for the return of 2.5 million shares of Premier common stock held by WePower LLC (the “Note-for-Stock Swap”). WePower LLC was a related party;<sup>11</sup> it was also the source of most of the worthless related party green energy assets upon which New Eco's business was based (and the discontinued WePower Ecolution's operations had been based).

124. Premier disclosed the Note-for-Stock swap in a Subsequent Events note to its 2013 financial statements. The company failed to disclose, however, that the Note was in default on December 31, 2013.

### ***Premier's Improper Accounting for the TPC Stake***

125. On February 28, 2013, Premier acquired an 80% interest in The Power Company USA, LLC TPC (“TPC”), a privately-held deregulated power broker, along with an option to purchase the remaining 20% interest within 120 days, in exchange for 30 million shares of Premier common stock.

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<sup>11</sup> Related parties include owners of record or known beneficial owners of more than 10% of the voting interests of the entity and their immediate families. ASC 850-10-20. WePower LLC, which was owned by Associate A, was a related party because it was an owner of record or beneficial owner of more than 10% of Premier's voting stock, directly and/or through another company purportedly controlled by Associate A's son.

126. In its financial statements for the first three quarters of 2013 and its audited FY 2013 financial statements, Premier valued its interest in TPC at \$4.5 million – the purported value of the 30 million shares issued to the sellers as consideration for the acquisition – and allocated the entire amount to goodwill, which then constituted a majority of the company’s assets. The company explained that it had allocated the \$4.5 million amount to goodwill because an independent valuation of the identifiable assets and liabilities it had acquired had not yet been completed.

127. Premier’s accounting for its stake in TPC did not conform to GAAP in several respects. First, according to ASC 805, *Business Combinations*, before recognizing goodwill from an acquisition, all identifiable assets and liabilities acquired (including identifiable intangible assets) must be assigned a portion of the purchase price based on their fair values. Only after this valuation of, and allocation to, identifiable assets is performed can the remaining unallocated purchase price be recorded as goodwill. If, as the company represented in public statements around the time it purchased TPC, Premier had acquired certain customer contracts and receivables that purportedly had value, to comply with GAAP, the company should have assigned a portion of the purported purchase price to such assets.<sup>12</sup>

128. Second, after recording the \$4.5 million in goodwill for its stake in TPC, Premier later failed to adequately assess that goodwill for impairment, in accordance with ASC 350-20, *Goodwill, Subsequent Measurement*. Premier determined, incorrectly, that as of December 31, 2013, the \$4.5 million of goodwill attributable to its TPC stake – which constituted approximately 99% of its goodwill and 65% of its total assets reported as of December 31, 2013 – was not impaired. It was not until the fourth quarter of 2014 that Premier recognized any impairment to its TPC-related goodwill.

**Respondents A&C and Wahl Failed to Audit Premier’s FY 2013 Financial Statements in Accordance with Applicable Professional Standards and Ignored Multiple Indications of Fraud**

129. The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. PCAOB Standard AU § 316.01, *Consideration of Fraud in a Financial Statement Audit*, citing AU §110.

130. Wahl was the engagement partner on A&C’s audit of Premier’s FY 2013 financial statements.

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<sup>12</sup> Premier engaged the Valuation Firm to prepare a purchase price allocation report, which would have assigned fair value estimates to the identifiable assets and liabilities the company had acquired with its acquisition of its stake in TPC, but failed to provide the Firm with the information it needed to perform its analysis. As a result, by the time of the 2013 audit, and to this day, the Valuation Firm prepared neither a report nor an underlying analysis.



131. In planning the 2013 audit, Wahl identified as significant risks relating to the financial statements and fraud risks: (a) the weakness in the company's control environment, (b) significant transactions between related parties, and (c) revenue recognition. Wahl also identified the following additional significant risks: (d) the overstatement of assets, (e) the Note, and (f) goodwill, and planned for the audit to focus on accounts receivable and sales confirmation and substantive testing in commercial and residential customers for TPC, the collectability of the Note and related party transactions and disclosures.

132. Wahl identified several risks associated with the company's control environment with respect to financial reporting and disclosures, including the inexperience with financial reporting of the board and CEO, the absence of an audit committee or a full-time CFO who was sufficiently competent to achieve financial reporting objectives, and the lack of sufficient internal control to achieve the financial reporting and disclosures control.

133. Despite the significant risks, including fraud risks, that Wahl knew were present, he failed to exercise the appropriate level of due professional care and professional skepticism in gathering and evaluating audit evidence related to the collectability and valuation of the Note and the allocation and impairment of goodwill purportedly arising from the TPC acquisition, in accordance with PCAOB Standard AU § 316.13, *Consideration of Fraud in a Financial Statement Audit, The Importance of Exercising Professional Skepticism*.

134. Specifically, Wahl failed to (a) perform audit procedures in a manner that addressed the assessed risk of material misstatement due to error or fraud as required by PCAOB Standard AS No. 13, *The Auditor's Responses to the Risks of Material Misstatement*, and (b) obtain sufficient appropriate audit evidence, as required by PCAOB Standard AS No. 15, to support A&C's conclusion that Premier management's estimate of the fair value of the Note and Premier's stake in TPC was fairly presented in conformity with GAAP.

#### ***A&C's and Wahl's Failures in Auditing Management's \$869,000 Valuation of the Note***

135. A&C and Wahl failed to obtain sufficient appropriate audit evidence, as required by PCAOB Standards AS No. 14, *Evaluating Audit Results*, and AS No. 15, *Audit Evidence*, of the status and collectability of the Note. The audit team sent a confirmation request to New Eco but received no response and failed to perform alternative procedures, as required by PCAOB Standard AU § 330, *The Confirmation Process, Alternative Procedures*, at .31 -.32. Had the team reviewed Premier's cash receipts for payments due on the Note, *see* AU § 330.32, for example, it would have discovered that the Note was in default. The work papers do not document any alternative procedures to obtain evidence regarding the status of the Note and do not reflect the default.

136. A&C and Wahl also failed to obtain sufficient appropriate audit evidence, as required by AS No. 14 and AS No. 15 of the estimated \$869,000 fair value of the Note. The team asked the Valuation Firm for a copy of a valuation report but was told by the Firm that it had prepared only spreadsheets and had not drafted a report. The team sought Premier's assistance in obtaining a valuation report but was told, incorrectly, that there was no need for one because the valuation of the Note had been addressed during the 2012 audit. Nonetheless,

according to the work papers, the team concluded that the estimated fair value of the Note was fairly stated based on the Valuation Firm’s spreadsheets — the spreadsheets the Valuation Firm had prepared to demonstrate its models, using outdated and unsupported revenue projections.

137. Although the engagement team had not obtained the requested valuation report, or any other form of findings by the Valuation Firm, the audit work papers indicate that the team treated the spreadsheets as findings by a specialist and tried – but failed – to adhere to the standard for the use of the work of a specialist set forth in PCAOB Standard AU § 336, *Using the Work of a Specialist*.<sup>13</sup> For example, the team failed to obtain an understanding of the assumptions used by the Valuation Firm to arrive at the \$869,000 fair value figure shown on the spreadsheets, as required by AU § 336.12. Had they done so, they would have learned, among other things, that (a) the assumptions underlying that figure were based on revenue projections that were outdated and unsupported, (b) the data supporting the projections had not been tested, (c) the Firm had been unable to obtain current revenue projections and support for such projections from New Eco, and (d) even if the Valuation Firm had been able to complete its work and arrive at a fair value estimate for New Eco, the fair value of the Note would have to be lower, just as the Firm’s initial fair value figure for the Note shown on the “preliminary valuation” was lower than the initial, unsupported, fair value figures for New Eco shown there.<sup>14</sup>

#### ***A&C’s and Wahl’s Failures in Auditing Premier’s Accounting for its TPC Stake***

138. During the 2013 audit, A&C and Wahl also failed to audit Premier’s accounting for its interest in TPC in accordance with PCAOB standards. A&C failed to obtain sufficient appropriate audit evidence, as required by AS No. 15 to support the analysis it performed that resulted in its conclusion that goodwill with respect to TPC was not impaired as of December 31, 2013.

139. Furthermore, A&C and Wahl failed to exercise due professional care and professional skepticism, in accordance with PCAOB Standard AU § 230, *Due Professional Care in the Performance of Work*, by failing to reconcile Premier’s allocation of the entire \$4.5 million purported TPC value to goodwill with the company’s repeated public statements

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<sup>13</sup> To use the work of a specialist, the “auditor should (a) obtain an understanding of the methods and assumptions used by the specialist, (b) make appropriate tests of data provided to the specialist, taking into account the auditor's assessment of control risk, and (c) evaluate whether the specialist's findings support the related assertions in the financial statements.” AU § 336.12, *Using the Work of Specialist*.

<sup>14</sup> In addition, the work papers failed to document, as required by AS No. 3, *Audit Documentation*, important aspects of the audit team’s work and analysis that ostensibly supported A&C’s conclusion that the value of the Note was properly stated. For example, the work papers did not document the assumptions underlying the Valuation Firm’s \$869,000 fair value figure for New Eco or the reasons that the team purportedly concluded that those assumptions were reasonable. Nor do they document any testing of the data provided to the Valuation Firm, as required by AU § 336.

that as part of the TPC acquisition it would be acquiring significant identifiable assets (including sales contracts and receivables). A&C knew of, recklessly disregarded, or should have known of, those statements, which were filed on Forms 8-K.

140. Instead, according to the work papers, based on discussions with management, A&C accepted management's assertion that the initial accounting for the TPC acquisition was not complete and the provisional amounts recorded by Premier with respect to the acquisition were still subject to revision because the necessary fair value evaluations were still in progress – more than a year after the transaction had closed. At no point did A&C resolve to obtain evidence of a fair value analysis or question whether the provisional amounts recorded by Premier with respect to TPC were supportable by sufficient appropriate audit evidence.

#### ***A&C and Wahl Failed to Obtain Sufficient Appropriate Audit Evidence***

141. Wahl knew that the Valuation Firm had not issued a final fair value estimate or a valuation report or other form of findings in support of its valuation of the Note. But he did not insist upon a valuation report and supporting findings by the Valuation Firm or by another independent expert. Nor did he direct the engagement team to obtain a written statement from the Valuation Firm of its estimate of the fair value of the Note as of December 31, 2013. Had the team sought such a written statement they would have learned that the Valuation Firm did not agree that \$869,000 was a reasonable estimate of the fair value of the Note or even of New Eco.

142. Instead of requiring a valuation report by the Valuation Firm or another independent valuation expert or even a written statement by the Valuation Firm of the Note's fair value, Wahl directed the team to cease work on the Note valuation, reasoning that the \$869,000 value of the Note at December 31, 2013 was supported by the value Premier had supposedly obtained for it in the subsequent Note-for-Stock swap described above.

143. Had Wahl exercised the requisite due care and professional skepticism however, he would have seen numerous indications that at December 31, 2013, if not before, the \$869,000 Note valuation was materially overstated. For example, Wahl knew, recklessly disregarded, or should have known, that:

- The Note was unsecured and secondary to all other debt New Eco might incur;
- The interest rate was below market at 2%;
- Repayment was scheduled over twenty years, with no principal payments due for five years and no interest due for eleven months; and
- The face amount and terms of the Note were not based on a valuation, independent or otherwise, of the assets transferred to the borrower (New Eco).

144. Additionally, Wahl knew, recklessly disregarded, or should have known, that:

- The discontinued operations that were to be the basis of the borrower’s business had generated over \$750,000 in losses for 2012;
- The borrower was a newly-formed, start-up company to be run by the same individual who had run the discontinued operation at a loss;
- The borrower had refused to provide the Valuation Firm with any information;
- Although the Note was the largest tangible asset on its balance sheet, and its second largest asset overall, management had not recorded on Premier’s year-end income statement any accrued interest or any gain or loss as a result of change in the Note’s fair value;
- The borrower had failed to make the first required payment and Premier had made no attempt to collect or even evaluate the Note for impairment or measure it for its current fair value; and
- WePower LLC, the entity with which Premier exchanged the Note for the return of stock, was a related party and the party from whom Premier had originally acquired the assets, in exchange for stock.

145. All of these facts, which Wahl knew, recklessly disregarded, or should have known, called into question the reasonableness of management’s \$869,000 estimate of the Note’s fair value, for which the engagement team had little, if any, appropriate audit evidence.

146. A&C’s and Wahl’s audit of Premier’s accounting for its stake in TPC was also deficient. First, Wahl did not question Premier’s allocation of the entire purported purchase price to goodwill on the grounds that Premier still had not received an independent valuation of any of the identifiable assets acquired, even though more than a year had passed since the acquisition. Second, the audit team relied entirely on management’s representations that goodwill based on the TPC acquisition had not been impaired since the acquisition. Thus, A&C and Wahl failed to exercise due professional care and professional skepticism in reviewing management’s accounting for the TPC stake – which accounted for a majority of Premier’s reported assets and had been obtained in a cashless transaction.

### ***A&C and Wahl Ignored Multiple Indications of Fraud***

147. Wahl was required to exercise due professional care, including professional skepticism, in planning and performing the audits. “Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence” (PCAOB Standard AU § 230.07, *Due Professional Care in the Performance of Work*), and requires auditors to “neither assume[] that management is dishonest nor assume[] unquestioned honesty” (AU § 230.09). Because he failed to exercise the requisite professional skepticism, Wahl failed to view the three

swaps<sup>15</sup> and management’s accounting for the TPC stake as indications of fraud and specifically indications of material misstatement in Premier’s financial statements. Thus, he and A&C failed to fulfill their responsibilities to perform their audit of Premier’s FY 2013 financial statements “to obtain reasonable assurance about whether the financial statements [were] free from material misstatement, whether caused by error or fraud,” as required by PCAOB Standard AU § 316, *Consideration of Fraud in a Financial Statement Audit*.

148. The three swaps and the TPC acquisition were significant unusual transactions within the meaning of AU § 316.66. The Stock-for-Related Party-Assets Swap occurred towards the end of the fiscal year (2011), was a related party transaction whose terms were not based on an appraisal of the assets or the stock, and involved no exchange of cash. The Discontinued-Assets-for-Note swap occurred barely a week after the end of the fiscal year (2012), and its purported \$869,000 value was greater than the \$750,000 loss on the discontinued operations that Premier had to declare for that year. The terms of the Note were not based on an appraisal of the assets exchanged for it, the transaction involved no exchange of cash, and the terms of the Note were highly advantageous to the borrower. Moreover, management had recorded no interest or gain or loss on the Note and its asserted value of the Note was unchanged from the date of acquisition through each reporting date in 2013.

149. Similarly, the Note-for-Stock swap also occurred soon after the end of the fiscal year, the terms of the transaction were not based upon an independent appraisal of the Note and no cash changed hands. Moreover, the counter-party to the transaction, WePower LLC, was a related party, and the party from whom Premier had acquired the bulk of WePower Ecolutions’ assets – the assets upon which the payments promised under the Note – was based.

150. Confronted with those significant unusual transactions, Wahl should have “gain[ed] an understanding of the business rationale for such transactions and whether that rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting. . .” (AU § 316.66).

151. Had he sought to gain an understanding of the three swaps, Wahl would have seen that they were in substance a round-trip of essentially worthless related party assets, effected for their financial statement impact. By inserting the Discontinued-Operations-for-Note Swap between the late 2011 Stock-for-Related Party-Assets Swap and the early 2014 Note-for-Stock Swap, Premier management was able to inflate the Company’s assets and manufacture a gain of almost one million dollars, while concealing or obscuring the fact that the assets obtained from the related parties that controlled the company were essentially worthless.

152. The TPC Acquisition was also a significant unusual transaction within the meaning of AU § 316.66. As with the three swaps, the TPC acquisition occurred soon after the

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<sup>15</sup> The three swaps are (1) the Stock-for-Related Party-Assets Swap, which occurred in late 2011, (2) the Discontinued-Operations-for-Note Swap that occurred in January 2013, and (3) the Note-for-Stock Swap that occurred in February 2014.

end of the fiscal year, the terms of the transaction were arrived at without an independent valuation of the assets acquired and liabilities assumed by Premier or of the stock given as consideration, no cash was exchanged, and the valuation of the identifiable assets and liabilities acquired still had not been completed more than a year after the transaction closed.

***Despite Their Egregious Deviations from Professional Standards, A&C and Wahl Represented in A&C's Audit Report that A&C Had Audited Premier's 2013 Financial Statements in Accordance with Those Standards***

153. By virtue of the conduct described above, A&C and Wahl failed to adhere to numerous PCAOB standards in auditing Premier's 2013 financial statements, as set forth above.

154. Despite his and the audit team's multiple egregious deviations from PCAOB standards, Wahl authorized the issuance of A&C's report on Premier's 2013 financial statements, which he knew would be filed with the Commission on Form 10-K, and he authorized the inclusion in that report of A&C's false representation that the audit was conducted in accordance with PCAOB standards and its opinion, based on that audit, that Premier's financial statements fairly presented, in all material respects, the Company's financial position and results of operations in accordance with GAAP. Wahl knew or recklessly disregarded that the statement of audit compliance was false or did not believe the statement. Accordingly, A&C's report on Premier's financial statements for the year 2013 was materially false and misleading.

**A&C Failed to Maintain an Adequate System of Quality Control for Audits**

155. PCAOB Standard QC § 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice* ("QC § 20"), provides that a CPA firm shall have a system of quality control for its accounting and auditing practice. (QC § 20.01). Quality control includes adopting policies and establishing procedures to provide the firm with reasonable assurance of complying with professional standards. (QC § 20.04). Policies and procedures should be established to encompass all phases of the design and execution of the engagement. (QC § 20.17-.18). Policies and procedures should also address engagement quality reviews pursuant to PCAOB Standard AS No. 7, *Engagement Quality Review*. (QC § 20.18).

156. A&C failed to design and maintain an adequate system of quality control for audit engagements and engagement quality reviews because A&C's quality control policies and procedures manual failed to adequately address all phases of the design and execution of these engagements. The policies and procedures covering audits were deficient because they did not discuss, for example: (1) how the assessment of inherent risk, control risk, and fraud risk affects the audit procedures performed; (2) a description of the test of controls and substantive audit procedures, and how the test of controls affects the substantive audit procedures performed; (3) the purpose of audit work papers and what should be included in the work papers; (4) evaluating the audit evidence obtained to determine whether the evidence is sufficient and appropriate to support the conclusions reached; and (5) evaluating misstatements identified by the accountant or brought to the accountant's attention.

157. With regard to engagement quality reviews, A&C’s policies and procedures manual was deficient because the procedures did not discuss, for example: (1) the objective of an engagement quality review; and (2) the EQR evaluating the engagement team’s significant judgments and related conclusions by holding discussions with the engagement partner and other team members and reviewing documentation.

### **Summary of Charges Relating to Premier Audit**

158. As a result of the conduct described above:

- a. A&C and Wahl willfully violated Exchange Act Section 10(b) and Rule 10b-5(b) thereunder;
- b. Wahl willfully aided and abetted A&C’s violations of Exchange Act Section 10(b) and Rule 10b-5(b) thereunder;
- c. A&C and Wahl willfully aided and abetted and were a cause of Premier’s violation of Section 13(a) of the Exchange Act, and Rule 13a-1 thereunder;
- d. A&C willfully violated Rule 2-02(b) of Regulation S-X, and Wahl willfully aided and abetted and was a cause of A&C’s violation of Rule 2-02(b) of Regulation S-X; and
- e. A&C and Wahl willfully violated or willfully aided and abetted violations of the federal securities laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice, and engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice.

### **2013 CANNAVEST INTERIM REVIEWS**

#### **Background**

159. CannaVEST was originally a shell company with no operations, no revenues, and only \$431 in assets at December 31, 2012. In December 2012, the company entered into an agreement to buy PhytoSphere Systems, LLC (“PhytoSphere”) from Medical Marijuana, Inc. (“MJNA”) for a stated purchase price of \$35 million. On January 29, 2013, the PhytoSphere acquisition closed, and the company was transformed from a shell company into a business allegedly with over \$35 million in assets and operations in the hemp business.

160. In connection with this acquisition, on June 15, 2017, the Commission filed an injunctive action against CannaVEST and its CEO Mona (Case No. 2:17-CV-01681-APG-PAL). The Commission’s complaint alleges that CannaVEST and Mona made material

misrepresentations and/or misleading omissions on CannaVEST's quarterly reports filed with the SEC for its first three quarters of 2013.

161. The Commission's complaint alleges that in CannaVEST's Forms 10-Q for the first two quarters of 2013, CannaVEST and Mona overstated CannaVEST's total assets. The overstatements related to CannaVEST's acquisition of PhytoSphere in the first quarter of 2013. CannaVEST agreed to the purported \$35 million purchase price only because CannaVEST could pay it primarily with CannaVEST shares that had little or no trading volume at the time, and which Mona believed had little value, and a small amount of cash. The Commission alleges that Mona knew that CannaVEST was paying substantially less than \$35 million to acquire the PhytoSphere business, that PhytoSphere was not worth \$35 million, and that CannaVEST would have never agreed to the purported purchase price if CannaVEST were required to pay cash for PhytoSphere.

162. The Commission's complaint alleges that Mona, nevertheless, had CannaVEST record \$35 million worth of assets related to the PhytoSphere acquisition on CannaVEST's balance sheet in its Form 10-Q for the first quarter of 2013. As a result, CannaVEST materially overstated its assets on its balance sheet for the first quarter of 2013. The Commission alleges that in CannaVEST's Form 10-Q for the second quarter of 2013, CannaVEST continued to report falsely the value of its assets related to the PhytoSphere acquisition.

163. The Commission's complaint alleges that in CannaVEST's Form 10-Q for the third quarter of 2013, CannaVEST and Mona wrote down the value of the assets related to the PhytoSphere acquisition to \$8 million after obtaining a third-party valuation report that valued PhytoSphere at \$8 million as of January 29, 2013. CannaVEST, however, failed to disclose that it had never paid \$35 million for those assets, that the assets were never worth \$35 million, and that the balance sheets for the first and second quarters of 2013 were materially overstated.

164. In April 2014, CannaVEST restated all three quarters to reflect \$8 million in assets related to the PhytoSphere acquisition on CannaVEST's balance sheet.

165. A&C conducted the interim reviews for CannaVEST's Q1 through Q3 2013 financial information.

166. Wahl served as the engagement partner for CannaVEST's Q1 through Q3 2013 interim reviews.

167. Chung served as the EQR for CannaVEST's Q1 interim review.

168. Shek served as the audit manager for CannaVEST's Q1 through Q3 interim reviews.



**A&C, Wahl, and Shek Failed to Make Adequate Inquiries and Perform Appropriate Analytical Procedures in CannaVEST's Q1 and Q2 2013 Interim Reviews**

169. PCAOB Standard AU § 722, *Interim Financial Information*, provides that the objective of an interim review is to provide the accountant with a basis for communicating whether they are aware of any material modifications that should be made to the interim financial information for it to conform with GAAP. (AU § 722.07). A review consists principally of making inquiries of management and performing analytical procedures. (AU §§ 722.07, 722.15).

170. In the Q1 and Q2 2013 interim reviews, A&C, Wahl, and Shek failed to make adequate inquiries of management. As a result, they failed to become aware that material modifications should be made to the total asset value on CannaVEST's balance sheet for those quarters.

171. In the Q1 2013 interim review, Wahl and Shek failed to make inquiries of Mona for the fair value of the consideration, *i.e.*, the fair value of CannaVEST's shares as of January 29, 2013, that CannaVEST would pay to MJNA. CannaVEST and Mona treated the PhytoSphere acquisition as a business combination. *See* ASC 805, *Business Combinations*, and ASC 820, *Fair Value Measurement*. Under ASC 805 and 820, CannaVEST and Mona should have determined the fair value of CannaVEST's stock (*i.e.*, the fair value of the consideration) as of the acquisition date, January 29, 2013, and used this fair value to determine how much CannaVEST was paying to acquire PhytoSphere. CannaVEST and Mona, however, never determined the fair value of CannaVEST's shares as of January 29, 2013, and Wahl and Shek failed to make inquiries of Mona for the fair value.

172. Instead, Wahl and Shek reviewed and relied on the PhytoSphere purchase agreement as the sole support for the \$35 million total asset value recorded on CannaVEST's balance sheet. The purchase agreement stated that CannaVEST would pay for PhytoSphere with CannaVEST shares and/or cash, and that CannaVEST would make these payments in five installments over the course of fiscal year 2013. Mona intended to pay the five installments primarily with CannaVEST shares and only a small amount of cash. In addition, the purchase agreement stated that CannaVEST's shares would be valued at a minimum of \$4.50 and a maximum of \$6.00 per share (the "collar"). Mona, however, had no basis for assigning a value of \$4.50 to \$6.00 per share and Mona only came up with the collar in order to cap the number of shares provided to MJNA. Mona did not know how much CannaVEST shares were worth because the shares were either not trading or had very little trading on the OTC market. Mona believed that CannaVEST's shares had little value.

173. In the Q1 2013 interim review, Wahl and Shek also failed to make inquiries of Mona regarding how he determined the collar. If they had inquired, they would have found that Mona set the collar with no basis for the fair value of CannaVEST's shares, that Mona never took any steps to determine the fair value of CannaVEST's shares (unrestricted or restricted) as of January 29, 2013, and that Mona did not know the fair value of the shares. Wahl and Shek should have made inquiries of Mona regarding what steps he planned to take to determine the fair value of the shares, and based on the shares' fair value, A&C, Wahl, and Shek would have

become aware that material modifications to the total asset value on CannaVEST's balance sheet should have been made.<sup>16</sup>

174. In the Q2 2013 interim review, A&C, Wahl, and Shek failed to perform appropriate analytical procedures and failed to make adequate inquiries of management. As a result, A&C, Wahl, and Shek again did not become aware that material modifications to the total asset value on CannaVEST's balance sheet should have been made.

175. A&C, Wahl, and Shek failed to perform appropriate analytical procedures for the Q2 2013 interim review because they failed to prepare balance sheet analytics that compared the Q1 2013 balance sheet to the Q2 2013 balance sheet. *See* AU § 722.16, *Analytical Procedures and Related Inquiries*, analytical procedures should include comparing the quarterly interim financial information with comparable information from the immediately preceding interim period. A&C's Q2 2013 balance sheet analytics only compared the FYE 2012 balance sheet to the Q2 2013 balance sheet. From Q1 to Q2 2013, CannaVEST made significant changes to the allocation of the \$35 million value among the individual assets related to the PhytoSphere acquisition. For example, from Q1 to Q2, CannaVEST decreased the value of its rights to purchase CBD oil from \$11.5 million to \$947,388, and increased the value of its goodwill from \$17,535,000 to \$26,998,125. An appropriate balance sheet analytics would have shown these substantial changes in allocation between Q1 and Q2. Instead, the balance sheet analytics only listed the new asset values for Q2, e.g. \$947,388 for rights to purchase CBD oil and \$26,998,125 for goodwill, and did not show how these asset values had changed significantly since Q1.

176. Wahl and Shek reviewed the balance sheet analytics, but failed to identify that the analytics did not compare Q1 to Q2. If these significant changes between Q1 and Q2 had been documented in the analytics, the changes should have raised a red flag with A&C, Wahl, and Shek regarding the accuracy of the \$35 million total asset value for PhytoSphere. This should have then prompted A&C, Wahl, and Shek to make inquiries of management related to the fair value of the consideration paid by CannaVEST for PhytoSphere. If Wahl and Shek had made such inquiries related to the fair value of the consideration, they would have become aware that material modifications to the total asset value on CannaVEST's balance sheet should have been made.

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<sup>16</sup> CannaVEST ultimately provided a total of 5,825,000 restricted shares and paid \$950,000 in cash (borrowed from another entity) to MJNA during fiscal year 2013. CannaVEST and Mona never determined the fair value of CannaVEST's shares as of January 29, 2013. However, in September 2013, CannaVEST had an independent valuation done on its shares (related to another transaction) that found CannaVEST's unrestricted shares were worth \$1.13 per share and its restricted shares were worth \$0.68, as of August 21, 2013.

### **A&C, Wahl, and Shek Failed to Consider Whether a Restatement of CannaVEST's Q1 and Q2 2013 Financial Information Was Necessary During the Q3 2013 Interim Review**

177. Under PCAOB Standard AU § 722, *Interim Financial Information*, misstatements identified by the accountant, or brought to the accountant's attention, should be evaluated to determine whether material modification should be made to the interim financial information for it to conform to GAAP, and the accountant should consider the nature, cause (if known), and amount of the misstatements, and whether the misstatements originated in the preceding year or interim periods of the current year. (AU § 722.26).

178. During the Q3 2013 interim review, A&C, Wahl, and Shek failed to consider whether a restatement of CannaVEST's Q1 and Q2 2013 financial information was necessary.

179. In October 2013, CannaVEST obtained a valuation report from a third-party valuation firm that reported PhytoSphere was worth \$8 million as of January 29, 2013. Wahl and Shek reviewed this valuation report. As a result of the report, the engagement team prepared a memo that discussed impairing CannaVEST's goodwill in Q3 by \$26,998,125. Wahl and Shek reviewed this memo. The memo did not consider whether a restatement of CannaVEST's Q1 and Q2 financial information was necessary.

180. In addition, Wahl sent CannaVEST an email that included a proposed modification for goodwill impairment of \$26,998,125 on its Q3 balance sheet and income statement based on the \$8 million valuation report. CannaVEST recorded this impairment. Wahl even admitted in a follow-up email to CannaVEST, "...looks like this should have been booked originally at \$8.0MM, not the approximately \$35MM." Wahl, however, did not take any action to consider whether a restatement was necessary.

181. The valuation report should have been a red flag for Wahl and Shek that the original \$35 million total asset value reported on CannaVEST's Q1 and Q2 2013 balance sheet may be incorrect. This should have prompted Wahl and Shek to make inquiries into the fair value of the consideration as of January 29, 2013 and consider whether a restatement of CannaVEST's financial statements included in its Q1 and Q2 2013 Forms 10-Q was necessary.

### **A&C, Wahl, and Shek Failed to Consider and Update their Knowledge of CannaVEST's Internal Controls and Lack of Personnel with Appropriate Accounting Qualifications When Planning the Q1 through Q3 2013 Interim Reviews**

182. Under PCAOB Standard AU § 722, *Interim Financial Information*, in planning a review of interim financial information, the accountant should perform procedures to update their knowledge of the entity's business and its internal controls to: (a) aid in the determination of inquiries to be made and the analytical procedures to be performed, and (b) identify particular events, transactions, or assertions to which the inquiries may be directed or analytical procedures applied. (AU §§ 722.10-722.13).

183. A&C, Wahl, and Shek failed to consider and update their knowledge of CannaVEST's internal controls and lack of personnel with appropriate accounting qualifications when planning the Q1 through Q3 2013 interim reviews.

184. With regards to CannaVEST's internal controls, CannaVEST and Mona failed to devise a sufficient system of internal accounting controls, such that transactions (like the PhytoSphere acquisition) were properly recorded to permit preparation of financial statements in accordance with GAAP and to maintain accountability of assets. In addition, CannaVEST lacked personnel with appropriate accounting qualifications. CannaVEST did not have a CFO from Q1 through Q3 2013, and its Forms 10-Q for those quarters stated that management had identified a material weakness in the effectiveness of internal control over financial reporting related to CannaVEST's lack of personnel with appropriate accounting qualifications.

185. When planning the Q1 through Q3 2013 interim reviews, A&C, Wahl, and Shek failed to consider and update their knowledge of CannaVEST's internal controls and lack of accounting personnel, did not assess whether these matters increased the risk of material misstatement, and did not plan their interim review procedures accordingly to address that risk.

186. Moreover, when planning the Q2 and Q3 interim reviews, A&C, Wahl, and Shek did not have a sufficient understanding of CannaVEST's internal controls. A&C's inquiries checklist for the Q2 and Q3 interim reviews, which Wahl and Shek reviewed, indicated that CannaVEST did not have any significant deficiencies or material weaknesses in internal control over financial reporting. This directly contradicted CannaVEST's disclosure in its Forms 10-Q, which stated that management had identified a material weakness in internal control over financial reporting related to CannaVEST's lack of personnel with appropriate accounting qualifications.

**A&C, Wahl, and Shek Failed to Identify that the Engagement Team Did Not Prepare Adequate Documentation for CannaVEST's Q1 through Q3 2013 Interim Reviews**

187. Under PCAOB Standard AS No. 3, *Audit Documentation*, an accountant's interim review documentation is the written record of the basis for the accountant's conclusions that provides the support for the accountant's representations. The documentation also facilitates the planning, performance, and supervision of the engagement, and is the basis for the review of the quality of the work because it provides the reviewer with written documentation of the evidence supporting the accountant's significant conclusions. Among other things, the documentation includes records of the planning and performance of the work, the procedures performed, evidence obtained, and conclusions reached by the accountant. (AS No. 3.2).

188. Under PCAOB Standard AU § 722, *Interim Financial Information*, an accountant's interim review documentation should include any findings or issues that in the accountant's judgment are significant, for example, the results of review procedures that indicate that the interim financial information could be materially misstated, including actions taken to address such findings, and the basis for the final conclusions reached. In addition, the documentation should: (a) enable members of the engagement team with supervision and review responsibilities to understand the nature, timing, extent, and results of the review procedures

performed; (b) identify the engagement team member(s) who performed and reviewed the work; and (c) identify the evidence the accountant obtained in support of the conclusion that the interim financial information being reviewed agreed or reconciled with the accounting records. (AU §§ 722.51-722.52).

189. A&C, Wahl, and Shek failed to identify that the engagement team did not prepare adequate documentation for CannaVEST's Q1 through Q3 2013 interim reviews. For example, for the Q1 interim review, Wahl and Shek should have made inquiries of Mona for the fair value of the consideration related to the PhytoSphere acquisition, and had this amount documented in the work papers. For the Q2 interim review, Wahl and Shek should have included a balance sheet analytics that compared Q1 to Q2 in the work papers. For the Q3 interim review, Wahl and Shek should have considered whether a restatement was necessary and had this restatement analysis documented in the work papers. In addition, for the Q1 through Q3 interim reviews, Wahl and Shek should have documented in the planning memo A&C's knowledge of CannaVEST's internal controls, including how the material weakness that related to the lack of accounting personnel increased the risk of material misstatement, and how the engagement team planned to address that risk through interim review procedures.

#### **A&C, Wahl, and Shek Failed to Exercise Due Professional Care in CannaVEST's Q1 through Q3 2013 Interim Reviews**

190. PCAOB Standard AU § 722, *Interim Financial Information*, requires that an accountant exercise due professional care, as provided in AU § 150.02, *Generally Accepted Auditing Standards*, in the performance of an interim review. (AU § 722.01). Under PCAOB Standard AU § 230, *Due Professional Care in the Performance of Work*, due professional care requires that an accountant exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of the evidence. (AU § 230.07).

191. A&C, Wahl, and Shek failed to exercise due professional care and failed to exercise a sufficient level of professional skepticism when performing CannaVEST's Q1 through Q3 2013 interim reviews. They failed to properly plan the interim reviews, properly assess the risk of material misstatement, consider how to address that risk through interim review procedures, make appropriate inquiries of management, perform appropriate analytics, and adequately document the interim reviews.

#### **A&C Failed to Maintain an Adequate System of Quality Control for Interim Reviews**

192. PCAOB Standard QC § 20, *System of Quality Control for a CPA Firm's Accounting and Auditing Practice*, provides that a CPA firm shall have a system of quality control for its accounting and auditing practice. (QC § 20.01). Quality control includes adopting policies and establishing procedures to provide the firm with reasonable assurance of complying with professional standards. (QC § 20.04). Policies and procedures should be established to encompass all phases of the design and execution of the engagement. (QC § 20.17-.18). Policies and procedures should also address engagement quality reviews pursuant to PCAOB Standard AS No. 7, *Engagement Quality Review*. (QC § 20.18).

193. A&C failed to design and maintain an adequate system of quality control for interim review engagements and engagement quality reviews because A&C's quality control policies and procedures manual failed to adequately address all phases of the design and execution of these engagements. A&C's manual included interim review procedures for privately held companies, but did not include interim review procedures for publicly-held companies.

194. Even if the manual's interim review procedures for privately held companies were applied to publicly-held companies, the procedures would be deficient. For example, the procedures did not discuss: (1) the objective of a review; (2) inquiring of a predecessor auditor when conducting an initial review; (3) obtaining an understanding of a company's internal control as it relates to the preparation of financial information; (4) a description of inquiry and analytical procedures, and when and how to apply these procedures; (5) the purpose of interim review work papers and what should be included in the work papers; and (6) evaluating misstatements identified by the accountant or brought to the accountant's attention.

195. With regard to engagement quality reviews, A&C's policies and procedures manual was deficient because the procedures did not discuss, for example: (1) the objective of an engagement quality review; and (2) the EQR evaluating the engagement team's significant judgments and related conclusions by holding discussions with the engagement partner and other team members and reviewing documentation.

### **Chung Failed to Conduct an Adequate Engagement Quality Review in CannaVEST's Q1 Interim Review**

196. PCAOB Standard AS No. 7, *Engagement Quality Review*, provides that an EQR in an interim review evaluates the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the interim review. To evaluate such judgments and conclusions, the EQR, to the extent necessary, holds discussions with the engagement partner and other team members and reviews documentation. (AS No. 7.14).

197. Furthermore, the EQR evaluates, among other things, the engagement team's significant judgments that relate to engagement planning, including the consideration of the company's business, recent significant activities, and related financial reporting issues and risks. In addition, the EQR reviews the interim financial information for all periods presented and for the immediately preceding interim period. (AS No. 7.15). The EQR also evaluates whether the engagement documentation that he or she reviewed supports the conclusions reached by the engagement team with respect to the matters reviewed. (AS No. 7.16).

198. The EQR may provide a concurring approval of issuance only if, after performing her review with due professional care, she is not aware of a significant engagement deficiency. A significant engagement deficiency in an interim review includes but is not limited to: (1) the engagement team failing to perform interim review procedures necessary in the circumstances of the engagement; and (2) the engagement team reaching an inappropriate overall conclusion on the subject matter of the engagement. (AS No. 7.17).

199. Chung provided a concurring approval of issuance for CannaVEST's Q1 interim review. Chung, however, failed to conduct an adequate engagement quality review and identify significant engagement deficiencies in the interim review. Specifically, Chung failed to identify that the engagement team did not make adequate inquiries of management, did not properly plan the engagement, and did not prepare adequate documentation for the engagement. As a result, Chung should not have provided a concurring approval of issuance for the Q1 interim review.

200. Chung failed to identify that the engagement team did not make adequate inquiries of management related to the PhytoSphere acquisition. Chung discussed the PhytoSphere acquisition with Wahl, knew the acquisition was significant, and reviewed the PhytoSphere purchase agreement. Chung, however, failed to identify that the engagement team did not make inquiries of Mona for the fair value of the consideration, *i.e.*, the fair value of CannaVEST's shares as of January 29, 2013. As the EQR, Chung should have identified that the engagement team failed to make this critical inquiry regarding the value of CannaVEST's shares. Chung even acknowledged that if a client had a \$35 million acquisition, she would have asked the client to obtain a valuation related to the acquisition as support for the \$35 million recorded on the balance sheet. Chung, however, did not ask the engagement team to make inquiries of CannaVEST to obtain such a valuation.

201. Chung also failed to identify that the engagement team did not properly plan the Q1 interim review. When planning the Q1 interim review, the engagement team failed to consider and update their knowledge of CannaVEST's internal controls and lack of accounting personnel, did not assess whether these matters increased the risk of material misstatement, and did not plan their interim review procedures accordingly to address that risk. As a result, the engagement team failed to properly plan the Q1 interim review, and Chung did not identify these planning failures.

202. Furthermore, Chung failed to identify that the engagement team did not prepare adequate documentation for the Q1 interim review. For example, Chung should have identified that the work papers did not document the fair value of the consideration related to the PhytoSphere acquisition. In addition, Chung should have identified that the planning memo did not document relevant aspects of the engagement team's knowledge of CannaVEST's internal controls and lack of accounting personnel, the associated risk of material misstatement, and plans to address that risk.

### **Chung Failed to Exercise Due Professional Care in CannaVEST's Q1 2013 Interim Review**

203. PCAOB Standard AS No. 7, *Engagement Quality Review*, requires that an EQR perform her review with due professional care. (AS No. 7.17). Under PCAOB Standard AU § 230, *Due Professional Care in the Performance of Work*, due professional care requires that an accountant exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of the evidence. (AU § 230.07).

204. Chung failed to exercise due professional care and failed to exercise a sufficient level of professional skepticism when providing an engagement quality review for CannaVEST's Q1 interim review. As a result, Chung failed to identify the engagement team's planning failures

and lack of adequate documentation. Chung also failed to identify that the interim review had significant engagement deficiencies, such as the engagement team not performing adequate inquiries, and the engagement team inappropriately concluding that CannaVEST's Q1 financial statements did not require any material modifications to conform to GAAP.

### **Summary of Charges Relating to CannaVEST Interim Reviews**

205. As a result of the conduct described above, A&C, Wahl, Chung, and Shek engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

### **VIOLATIONS**

206. As a result of the conduct described above in the Accelera and Premier engagements, A&C willfully violated Exchange Act Section 10(b) and Rule 10b-5(b) thereunder, which prohibit, in connection with the purchase or sale of securities, the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

207. As a result of the conduct described above in the Premier engagement, Wahl willfully violated, and willfully aided and abetted A&C's violations of, Exchange Act Section 10(b) and Rule 10b-5(b) thereunder.

208. As a result of the conduct described above in the Accelera engagement, Deutchman willfully aided and abetted A&C's violation of Exchange Act Section 10(b) and Rule 10b-5(b) thereunder.

209. As a result of the conduct described above in the Accelera engagement, A&C, Wahl, and Deutchman willfully aided and abetted and were causes of Accelera's violation of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder, which require an issuer to file with the Commission accurate annual and quarterly reports.

210. As a result of the conduct described above in the Premier engagement, A&C and Wahl willfully aided and abetted and were causes of Premier's violation of Section 13(a) of the Exchange Act and Rule 13a-1 thereunder, which require an issuer to file with the Commission accurate annual reports.

211. As a result of the conduct described above in the Accelera and Premier engagements, A&C willfully violated Rule 2-02(b) of Regulation S-X, which requires an



accountant's report to accurately state whether the audit was made in accordance with generally accepted auditing standards.<sup>17</sup>

212. As a result of the conduct described above in the Accelera and Premier engagement, Wahl willfully aided and abetted and was a cause of A&C's violations of Rule 2-02(b) of Regulation S-X.

213. As a result of the conduct described above in the Accelera engagement, Deutchman willfully aided and abetted and was a cause of A&C's violations of Rule 2-02(b) of Regulation S-X.

214. As a result of the conduct described above in the Accelera and Premier engagements, A&C and Wahl willfully violated or willfully aided and abetted violations of the federal securities laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

215. As a result of the conduct described above in the Accelera engagement, Deutchman willfully aided and abetted violations of the federal securities laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

216. As a result of the conduct described above in the Accelera, Premier, and CannaVEST engagements, A&C and Wahl engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice by engaging in, as provided under Rule 102(e)(1)(iv): (A) intentional or knowing conduct, including reckless conduct, that results in a violation of applicable professional standards; or (B) either of the following two types of negligent conduct: (1) a single instance of highly unreasonable conduct that results in a violation of applicable professional standards in circumstances in which an accountant knows, or should know, that heightened scrutiny is warranted; or (2) repeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission.

217. As a result of the conduct described above in the Accelera engagement, Deutchman engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice by engaging in conduct described in Rules 102(e)(1)(iv)(A) or 102(e)(1)(iv)(B).

218. As a result of the conduct described above in the CannaVEST engagement, Chung and Shek engaged in improper professional conduct within the meaning of

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<sup>17</sup> Pursuant to Commission interpretive guidance, GAAS, as used in Regulation S-X, means the standards of the PCAOB and any applicable Commission rules. Securities Act Rel. No. 8422 (May 14, 2004).

Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice by engaging in conduct described in Rules 102(e)(1)(iv)(A) or 102(e)(1)(iv)(B).

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted against A&C, Wahl, and Deutchman, and that public administrative proceedings be instituted against Chung and Shek to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. Whether, pursuant to Section 21C of the Exchange Act, Respondents A&C, Wahl, and Deutchman should be ordered to cease and desist from committing or causing violations of, and any future violations of, Sections 10(b) and 13(a) of the Exchange Act, and Rules 10b-5, 13a-1, and 13a-13 thereunder, and Rule 2-02(b) of Regulation S-X;

C. Whether, pursuant to Sections 21B(e) and 21C(e) of the Exchange Act, Respondents A&C and Wahl should be ordered to pay disgorgement;

D. Whether, pursuant to Section 21B(a)(2) of the Exchange Act, Respondents A&C, Wahl, and Deutchman should be ordered to pay a civil penalty; and

E. Whether, pursuant to Section 4C of the Exchange Act and Section 102(e) of the Commission's Rules of Practice, Respondents A&C, Wahl, Deutchman, Chung, and Shek should be censured or denied, temporarily or permanently, the privilege of appearing or practicing before the Commission as an accountant.

### IV.

IT IS ORDERED that a public hearing for purposes of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If a Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields  
Secretary