

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80103 / February 24, 2017

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3860 / February 24, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17857

In the Matter of

**Edward Richardson Jr.,
CPA and Edward
Richardson Jr.,**

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 and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 4C¹ and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rules 102(e)(1)(ii) and 102(e)(1)(iii) of the Commission’s Rules of Practice² against Edward Richardson Jr., CPA (“Firm”) and Edward Richardson Jr. (“Richardson”) (collectively, “Respondents”).

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

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

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

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENTS

1. Edward Richardson Jr., age 68 and a resident of West Bloomfield, Michigan, is a CPA licensed in Michigan. Richardson also holds accounting licenses and permits in several additional states. Richardson, the sole owner of the Firm, was the engagement partner responsible for all of the audits conducted by the Firm for the fiscal years ended January 1, 2010 through December 31, 2015 (the “Relevant Period”).

2. Edward Richardson Jr., CPA is an accounting and auditing firm registered with the Public Company Accounting Oversight Board (“PCAOB”) since 2009. The Firm’s primary business is auditing small broker-dealers. The Firm is located in Southfield, Michigan. During most of the Relevant Period, the Firm employed one professional staff member in addition to Richardson and one clerical assistant.

B. RESPONDENTS FAILED TO OBTAIN ENGAGEMENT QUALITY REVIEWS REQUIRED BY PCAOB STANDARDS

1. PCAOB Auditing Standard No. 7, *Engagement Quality Review*, requires auditors to obtain an Engagement Quality Review (“EQR”) and concurring approval from a competent reviewer who is independent from the audit client.

2. The Firm served as the independent public accountant for an SEC registrant (“Issuer A”) in connection with financial statement audits for the fiscal years ended December 31, 2012 and December 31, 2013. Respondents failed to obtain an EQR and concurring approval in connection with each audit of Issuer A for the fiscal years ended 2012 and 2013. In addition, the Firm issued an audit report in connection with each of its audits of Issuer A stating that the audit had been conducted in accordance with PCAOB standards.

3. The Firm served as the independent public accountant for over 80 broker-dealer audit clients in connection with financial statement audits required under paragraph

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

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

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

(d) of Exchange Act Rule 17a-5 for the fiscal years ended after June 1, 2014 and through December 31, 2014.³ Respondents failed to obtain an EQR and concurring approval in connection with each of these audits. In addition, the Firm issued an audit report in connection with each of these audits stating that the audit had been conducted in accordance with PCAOB standards.

4. The Firm served as the independent public accountant for over 80 broker-dealer audit clients in connection with financial statement audits required under paragraph (d) of Exchange Act Rule 17a-5 for the fiscal years ended January 31, 2015 through December 31, 2015. Respondents engaged an accountant to perform the required EQR with respect to a small number of these audits, but failed to do so for the remaining audits. For each of these remaining audits, the Firm issued an audit report stating that the audit had been conducted in accordance with PCAOB standards when Respondents knew that EQRs were required under PCAOB standards and had not been performed.

5. As a result of Respondents' conduct, Issuer A and dozens of the Firm's broker-dealer audit clients filed with the Commission financial statements that included audit reports that falsely stated the audits had been conducted in accordance with PCAOB standards.

C. RESPONDENTS FAILED TO COMPLY WITH NUMEROUS OTHER PCAOB STANDARDS AND/OR GENERALLY ACCEPTED AUDITING STANDARDS

1. The Firm served as the independent public accountant for the financial statement audits of Issuer A for the fiscal years ended December 31, 2012 and December 31, 2013, for the financial statement audit of a broker-dealer ("Broker-Dealer A") for the fiscal year ended December 31, 2014, and for the financial statement audit of a broker-dealer ("Broker-Dealer B") for the fiscal year ended May 31, 2012. In connection with these audits, Richardson and the Firm failed to comply with numerous PCAOB auditing standards and/or generally accepted auditing standards ("GAAS"), as described below. Taken together, these failures evidence a persistent lack of due care by Respondents. Respondents neither possess the degree of skill commonly possessed by auditors nor exercised reasonable care and diligence in performing audit work.

2. In 2012, 2013, and 2014 respectively, the Firm served as the independent public accountant for the financial statement audits of over 75 clients each year that filed audited financial statements with the Commission. A large percentage of these audit clients have fiscal years ending on December 31. For example, the Firm audited over 75 broker-dealers with fiscal years ended December 31, 2014, and approximately 70 of the audit reports signed by the Firm are dated February 16, 2015.

³ Audits of broker-dealers for fiscal years ending on or after June 1, 2014 are required to be performed in accordance with PCAOB standards. *See* Exchange Act Rule 17 C.F.R. § 240.17a-5(g)(1); *Broker-Dealer Reports*, SEC Release No. 34-70073 (July 30, 2013), 78 Fed. Reg. 51910 (Aug. 21, 2013).

3. Auditing Standard No. 8, *Audit Risk*, discusses the auditor’s consideration of audit risk and requires the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement due to error or fraud. Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*, establishes requirements regarding the process of identifying and assessing risks of material misstatement of the financial statements, thereby providing a basis for designing and implementing responses to those risks. Auditing Standard No. 13, *The Auditor’s Response to the Risks of Material Misstatement*, establishes requirements regarding designing and implementing responses to the risks of material misstatement through appropriate overall audit responses and audit procedures. Respondents did not appropriately perform risk assessment procedures during the audits of Issuer A and/or Broker-Dealer A. For example, in instances where Respondents identified fraud risks during their audits of Issuer A and/or Broker-Dealer A, the audit responses to such risks were inappropriate, inconsistent, or incomplete. During the audit of Broker-Dealer A, Respondents identified revenue recognition and management override of controls as possible fraud risks and documented that the audit responses were to confirm revenue and test controls. Respondents, however, only subjected one of the client’s three revenue streams to confirmation procedures, and the confirmation procedures that were performed were inadequate, including, but not limited to, the design and timing of the confirmation procedures and the failure to address exceptions and non-responses. In addition, Respondents did not obtain or document a sufficient understanding of, or adequately test, internal controls, yet concluded that internal controls were designed and implemented effectively and that the risk of material misstatement related to control risk was low for all audit areas. In addition, when documenting opportunities for fraud, Respondents identified a lack of segregation of duties due to the size of Broker-Dealer A as an opportunity for fraud, but inappropriately noted that this risk was “offset by the fact that the FINOP and FINRA auditors closely watches [sic] and reviews financial statement activity.” The FINOP⁴ was an employee of Broker-Dealer and FINRA does not perform the function noted by Respondents. During the audits of Issuer A, Respondents inappropriately identified reliance upon reviews by SEC staff as part of their risk assessment procedures, and inaccurately identified such reviews as being a “key control.” Respondents also identified risks related to financial reporting by stating: “Shortcomings in financial statements would be frowned [sic] by the SEC.”

4. AU Section 334,⁵ *Related Parties*, provides guidance on procedures that should be considered by the auditor to address related party transactions. Respondents did not obtain an understanding of the nature, purpose, or collectability of related party receivables during the audit of Broker-Dealer A. Respondents also did not identify that

⁴ A “FINOP” is a broker-dealer’s Financial and Operations Principal, who has responsibilities related to, among other things, financial reporting and recordkeeping.

⁵ The PCAOB adopted as interim standards, on a transitional basis, the auditing standards promulgated by the Auditing Standards Board of the American Institute of Certified Public Accountants as in existence on April 16, 2003, to the extent not superseded or amended by the PCAOB. See PCAOB Rule 3200T, Interim Auditing Standards. Standards identified by the letters “AU” are such standards.

required disclosures concerning related party transactions were missing from the footnotes to Broker-Dealer A's financial statements despite being aware of the transactions.

5. AU Section 330, *The Confirmation Process*, provides guidance about the confirmation process in audits performed in accordance with PCAOB standards, including the design of confirmations and performing alternative procedures when responses to confirmation requests are not received. With respect to the audits of Issuer A and/or Broker-Dealer A, Respondents did not appropriately design confirmations and performed insufficient procedures, including, but not limited to, performing no procedures whatsoever when confirmations were either returned with discrepancies or not returned at all.

6. Auditing Standard No. 3, *Audit Documentation*, establishes general requirements for documentation the auditor should prepare and retain in connection with engagements conducted pursuant to PCAOB standards. Audit documentation created and maintained by Respondents during the audits of Issuer A and/or Broker-Dealer A, and created by staff under Richardson's supervision, was inadequate, incomplete, unclear, and contained numerous mistakes and inconsistencies. For example, audit documentation frequently failed to indicate the source, person responsible for the preparation and/or review of the document, and the dates of preparation and/or review; details of conversations with clients' management were not documented, even when such conversation was the sole support for the completion of relevant audit steps; and certain workpapers were dated after the date of the audit report, and there was no documentation of the reason for adding such workpapers. In addition, an experienced auditor could not look at the audit documentation and understand the procedures performed, evidence obtained, or conclusions reached.

7. Auditing Standard No. 14, *Evaluating Audit Results*, establishes requirements regarding the auditor's evaluation of the audit results and determination of whether he or she has obtained sufficient appropriate audit evidence. Auditing Standard No. 15, *Audit Evidence*, explains what constitutes audit evidence and establishes requirements regarding designing and performing audit procedures to obtain sufficient appropriate audit evidence. Respondents failed to appropriately evaluate audit results during the audits of Issuer A and/or Broker-Dealer A. For example, Respondents' workpapers for Broker-Dealer A include an Accumulated Misstatement Evaluation Form, which purports to list, and evaluate, the misstatements or errors identified during the audit. This workpaper is incomplete and inaccurate because it identifies only one misstatement or error, although several misstatements or errors were identified by Respondents during the audit. Moreover, the required evaluation of misstatements in their totality was neither performed nor documented. In addition, Respondents signed off on the audit report prior to performing audit procedures that were intended to respond to the identified fraud risk related to revenue recognition.

8. Respondents also failed to comply with additional PCAOB auditing standards during their audits of Issuer A and/or Broker-Dealer A, including, but not limited to, Auditing Standard No. 16, *Communication with Audit Committees*, including, but not limited to, the lack of required communications with the audit committee; PCAOB Rule

3526, including the lack of communication with the audit committee concerning independence; AU Section 316, *Consideration of Fraud in the Financial Statement Process*, including, but not limited to, deficient testing of journal entries; AU Section 333, *Management Representations*, including, but not limited to, the fact that Broker-Dealer A's management representation letter is dated after the date of the audit report; AU Section 508, *Reports on Audited Financial Statements* and AU Section 530, *Dating of Independent Auditor's Report*, including, but not limited to, inaccurate audit report dates; and AU Section 550, *Other Information in Documents Containing Audited Financial Statements*, including, but not limited to, the failure to read and consider information included in Issuer A's Form 10-K and Form 10-K/A filings, other than the audited financial statements, prior to filing with the SEC.

9. AU Section 230, *Due Professional Care in the Performance of Work*, imposes upon an auditor the responsibility to observe the standards of field work and reporting and to exercise professional skepticism. In addition to the foregoing, Respondents failure to comply with AU Section 230 includes, but is not limited to, the use of outdated and inapplicable audit programs in connection with audits of Issuer A. For example, Respondents used a superseded disclosure requirements checklist for nonpublic businesses from January 2007 in connection with the audit of Issuer A's financial statements for the fiscal year ended December 31, 2012. Respondents' workpapers also reflect responses that were cut-and-pasted from the workpapers of other audit clients. For example, some workpapers for the audit of Broker-Dealer B document discussions with a different audit client's President and some workpapers for the audit of Issuer A identify clearing broker statements as a source document – as so identified in the workpapers for Broker-Dealer B as well as other broker-dealer audit clients – although Issuer A was not in the brokerage business. In total, the breadth and depth of the audit issues related to Respondents' audits, including the audit failures described above and the presence of numerous mistakes, errors, and/or oversights in the workpapers, demonstrate a lack of due professional care in the performance of work.

10. As a result of Respondents' conduct, Issuer A, Broker-Dealer A, and Broker-Dealer B filed with the Commission financial statements that included audit reports that falsely stated the audits had been conducted in accordance with PCAOB standards.

D. RESPONDENTS PREPARED CLIENT FINANCIAL STATEMENTS FILED WITH THE COMMISSION IN VIOLATION OF AUDITOR INDEPENDENCE REQUIREMENTS

1. The Firm served as the independent public accountant for the financial statement audits of over 80 broker-dealer audit clients for the fiscal years ended January 1, 2010 through December 31, 2012 (the "Relevant Period for Independence"). In connection with at least one audit performed for each of these broker-dealer audit clients during the Relevant Period for Independence, Respondents prepared the financial statements and/or notes to the financial statements that were filed with the Commission under paragraph (d) of Exchange Act Rule 17a-5 in violation of the Commission's auditor independence regulations set forth in Rule 2-01(b) and (c) of Regulation S-X.

2. For example, during the audit of Broker-Dealer B for the year ended May 31, 2012, Respondents were provided with financial documents generated by Broker-Dealer B. Respondents reviewed and tested these documents, and the financial data contained therein, as part of the audit. Respondents then utilized the information contained in these documents to create a set of financial statements to be filed with the Commission. In particular, Firm personnel working on Firm computers entered Broker-Dealer B's financial data into the Firm's engagement software and then used that engagement software to generate a new set of financial statements, including the notes to the financial statements, using the prior year's financial statements as a template. Respondents updated or revised the financial statements and notes to the financial statements as needed. Respondents then provided the set of financial statements that Respondents had prepared to Broker-Dealer B's management for approval.

3. In July 2012, Broker-Dealer B filed with the Commission an annual report required under paragraph (d) of Exchange Act Rule 17a-5 for the fiscal year ended May 31, 2012. Included in that filing is an audit report signed by the Firm and stating, among other things, that the Firm's audit of Broker-Dealer B was conducted "in accordance with auditing standards generally accepted in the United States of America."

4. Section 17(e)(1)(A) of the Exchange Act requires that every registered broker or dealer "shall annually file with the Commission a balance sheet and income statement certified by an independent public accounting firm, or by a registered public accounting firm if the firm is required to be registered under the Sarbanes-Oxley Act of 2002, prepared on a calendar or fiscal year basis, and such other financial statements (which shall, as the Commission specifies, be certified) and information concerning its financial condition as the Commission, by rule may prescribe as necessary or appropriate in the public interest or for the protection of investors."

5. Exchange Act Rule 17a-5(e)(1)(i) states: "An audit shall be conducted by a public accountant who shall be in fact independent as defined in paragraph (f)(3) of this section herein, and he shall give an opinion covering the statements filed pursuant to paragraph (d)"⁶ Exchange Act Rule 17a-5(f)(3) further states that, for such audits, "[a]n accountant shall be independent in accordance with the provisions of Rule 2-01(b) and (c) of Regulation S-X."

⁶ The provisions of Exchange Act Rule 17a-5 referred to in paragraphs II.D.5 and 6 are those in effect during, and applicable to, the Relevant Period for Independence. On July 30, 2013, the Commission adopted certain amendments to Rule 17a-5. *See* Broker-Dealer Reports, Exchange Act Release No. 34-70073 (July 30, 2013), 78 Fed. Reg. 51910 (Aug. 21, 2013). Among other things, the amendments to Rule 17a-5 require that audits of brokers and dealers be performed in accordance with PCAOB standards, effective for audits of fiscal years ending on or after June 1, 2014. The auditor independence requirement of Rule 2-01 of Regulation S-X applied to broker-dealer audits both before and after the July 30, 2013 amendments. At the time of the Relevant Period for Independence, prior to the amendments, that requirement was set out in Rule 17a-5(f)(3). It is now set out in Rule 17a-5(f)(1).

6. Exchange Act Rule 17a-5(g) requires that “[t]he audit shall be made in accordance with generally accepted auditing standards” and Exchange Act Rule 17a-5(i) requires that “[t]he accountant’s report shall . . . [s]tate whether the audit was made in accordance with generally accepted auditing standards.” GAAS require auditors to maintain strict independence from their audit clients; an auditor “must be free from any obligation to or interest in the client, its management or its owners.” *See* Statement on Auditing Standard No. 1, Section 220.03. Accordingly, if an auditor’s report states that its audit was performed in accordance with GAAS when the auditor was not independent, then it has violated Exchange Act Rule 17a-5(i). *See In the Matter of Rosenberg Rich Baker Berman & Company and Brian Zucker, CPA*, Exchange Act Release No. 69765 at p. 5 (June 14, 2013).

7. Rule 2-01(c)(4) of Regulation S-X provides that an accountant is not independent if, at any point during the audit and professional engagement period, the accountant provides prohibited non-audit services to an audit client. Rule 2-01(c)(4)(i) of Regulation S-X provides that prohibited non-audit services include bookkeeping or other services related to the accounting records or financial statements of the audit client, and defines such services as:

Any service, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the audit client’s financial statements, including:

- (A) Maintaining or preparing the audit client’s accounting records;
- (B) Preparing the audit client’s financial statements that are filed with the Commission or that form the basis of financial statements filed with the Commission; or
- (C) Preparing or originating source data underlying the audit client’s financial statements.

8. Rule 2-01(c)(4)(i) of Regulation S-X specifically prohibits an audit firm from preparing an audit client’s financial statements that are filed with the Commission. With respect to the audit of Broker-Dealer B described above, Respondents violated this rule by, among other things: aggregating line items from internal books and records to the financial statements; changing line item descriptions; drafting or editing notes to the financial statements; and converting FOCUS reports or bookkeeping software program reports into financial statements.

9. Respondents engaged in substantially similar conduct in connection with at least one audit for dozens of additional broker-dealer clients during the Relevant Period for Independence.

10. As a result of Respondents' conduct in preparing the financial statements, including the notes thereto, Respondents were not independent of their broker-dealer audit clients under the independence criteria established by Rule 2-01(c)(4) of Regulation S-X, which Exchange Act Rule 17a-5 makes applicable to the audits of broker-dealer financial statements. As a result, each such broker-dealer client filed with the Commission financial statements that included an audit report that falsely stated the audit had been conducted in accordance with GAAS.

E. VIOLATIONS

1. As a result of the conduct described above, the Firm willfully violated, and Richardson willfully aided and abetted and caused the Firm's violations of, Rule 2-02(b)(1) of Regulation S-X, which requires an accountant's report to state whether the audit was made in accordance with generally accepted auditing standards.⁷

2. As a result of the conduct described above, the Firm willfully violated, and Richardson willfully aided and abetted and caused the Firm's violations of, Exchange Act Rule 17a-5, which requires an accountant's report to state (1) whether the audit was made in accordance with PCAOB standards,⁸ or (2) with respect to the Relevant Period for Independence, whether the audit was made in accordance with GAAS.

3. As a result of the conduct described above, the Firm and Richardson willfully aided and abetted and caused Issuer A to file with the Commission annual reports that contained false and misleading information in violation of Exchange Act Sections 13(a) and 15(d) and Rules 13a-1 and 15d-1 promulgated thereunder.⁹

4. As a result of the conduct described above, the Firm and Richardson willfully aided and abetted and caused dozens of broker-dealer audit clients to file with the Commission annual reports that were not audited by an independent accountant and/or that contained false and misleading information in violation of Exchange Act Section 17(a) and Rule 17a-5 promulgated thereunder.

⁷ “[R]eferences in Commission rules and staff guidance and in the federal securities laws to GAAS or to specific standards under GAAS, as they relate to issuers, should be understood to mean the standards of the PCAOB plus any applicable rules of the Commission.” *See* Commission Guidance Regarding the Public Company Oversight Board's Auditing and Related Professional Practice Standard No. 1, SEC Exchange Act Release No. 34-49708 (May 14, 2004).

⁸ As part of the Rule 17a-5 amendments adopted by the Commission on July 30, 2013, *see supra* note 6, Rule 17a-5(i)(2)(i) was amended to state: “The independent public accountant's reports must . . . [s]tate whether the examinations or review, as applicable, were made in accordance with standards of the Public Company Accounting Oversight Board.”

⁹ At the time Issuer A filed its Form 10-K for the year ended December 31, 2013, Issuer A had securities registered pursuant to Exchange Act Section 12(g) and therefore filed annual reports with the Commission pursuant to Exchange Act Section 13(a). At the time Issuer A filed its Form 10-K for the year ended December 31, 2012, Issuer A was required to file annual reports with the Commission pursuant to Exchange Act Section 15(d).

5. Rule 102(e) of the Commission's Rules of Practice allows the Commission to censure a person or deny the privilege of appearing or practicing before it to any person if it finds that such person has engaged in "improper professional conduct" or has willfully violated or willfully aided and abetted the violation of any provision of the Federal securities laws. Exchange Act §§ 4C(a)(2) and (3); Rules 102(e)(1)(ii) and (iii). Rule 102(e) defines improper professional conduct, in part, as either:

- (1) A single instance of highly unreasonable conduct that results in a violation of applicable professional standards in circumstances in which the registered public accounting firm or associated person knows, or should know, that heightened scrutiny is warranted.
- (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.

Exchange Act § 4C(b)(2); Rule 102(e)(1)(iv)(B).

6. Questions regarding an auditor's independence always warrant heightened scrutiny. *See* Amendment to Rule 102(e) of the Commission's Rules of Practice, 63 Fed. Reg. 57164, 57168 (Oct. 26, 1998) (codified at 17 C.F.R. Part 201). The Commission has defined the "highly unreasonable" standard as:

an intermediate standard, higher than ordinary negligence but lower than the traditional definition of recklessness used in cases brought under Section 10(b) of the Exchange Act and Rule 10b-5 of the Exchange Act. The highly unreasonable standard is an objective standard. The conduct at issue is measured by the degree of the departure from professional standards and not the intent of the accountant.

Id. at 57,167.

7. As a result of the conduct described above, the Firm and Richardson engaged in improper professional conduct subject to Section 4C(a)(2) of the Exchange Act and the Commission's Rules of Practice 102(e)(1)(ii).

8. As a result of the conduct described above, the Firm and Richardson willfully violated and/or willfully aided and abetted violations of the federal securities laws, which constitute conduct subject to Section 4C(a)(3) of the Exchange Act and the Commission's Rules of Practice 102(e)(1)(iii).

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 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 4C of the Exchange Act and Rule 102(e) of the Commission's Rules of Practice, Respondents should be censured or denied, temporarily or permanently, the privilege of appearing or practicing before the Commission as accountants;

C. Whether, pursuant to Section 21C of the Exchange Act, Respondents should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 13(a), 15(d), and 17(a) of the Exchange Act and Rules 13a-1, 15d-1, and 17a-5 promulgated thereunder and Rule 2-02(b)(1) of Regulation S-X, whether Respondents should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondents should be ordered to pay disgorgement pursuant to Sections 21B(e) and 21C(e) of the Exchange Act.

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 Respondents fail to file the directed answer, or fail to appear at a hearing after being duly notified, Respondents may be deemed in default and the proceedings may be determined against them 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