

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 91475 / April 5, 2021**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 4207 / April 5, 2021**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20256**

**In the Matter of**

**Christopher E. Knauth, CPA,**

**Respondent.**

**ORDER INSTITUTING 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 Christopher E. Knauth, CPA (“Respondent” or “Knauth”) 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>

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<sup>1</sup> 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 the person is found . . . (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.

<sup>2</sup> Rule 102(e)(1)(ii) provides, in pertinent part, that:

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 be lacking in character or integrity or to have engaged in unethical or improper professional conduct.

Rule 102(e)(1)(iii) provides, in relevant 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 willfully

## II.

After an investigation, the Division of Enforcement and the Office of the Chief Accountant alleges that:

### Summary

1. This proceeding arises from wholesale failures by Christopher E. Knauth in conducting the fiscal year 2018 audit and quarterly reviews for the periods ended June 30, 2018, September 30, 2018, and March 31, 2019, for Issuer A on behalf of Audit Firm A. At the outset, Knauth failed to register Audit Firm A, of which he was a principal, with the Public Company Accounting Oversight Board (“PCAOB”). Further, the work Knauth performed during the audit and quarterly reviews for Issuer A failed to comply with multiple PCAOB auditing standards, in that Knauth (1) failed to properly plan the audit and to identify and assess risks of material misstatement; (2) failed to exercise due professional care and professional skepticism (including through the failure to obtain required engagement quality reviews (“EQRs”)); (3) failed to obtain sufficient appropriate audit evidence; and (4) failed to prepare adequate audit documentation.

2. On behalf of Audit Firm A, Knauth falsely represented to Issuer A that it was registered with the PCAOB when conducting the audit and interim reviews for Issuer A, including in Audit Firm A’s audit report. Knauth also falsely represented in Audit Firm A’s audit report that Audit Firm A conducted its audit in compliance with PCAOB standards.

3. As a result of Knauth’s conduct, Knauth willfully aided and abetted and caused Audit Firm A’s violations of Section 102(a) of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), willfully aided and abetted and caused Audit Firm A’s violation of Rule 2-02 (b)(1) of Regulation S-X, and willfully aided and abetted and caused Issuer A’s violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder. Knauth’s conduct also constituted improper professional conduct pursuant to Section 4C of the Exchange Act and Rule 102(e) of the Commission’s Rules of Practice.

### **A. RESPONDENT**

4. Christopher Knauth, age 53, is a resident of Plano, Texas. Knauth was a founder and principal of Audit Firm A from October 2017 until December 2019. Prior to that, Knauth was a partner at three other accounting firms since 2003. Knauth has been licensed as a Certified Public Accountant in Texas since 1995.

### **B. OTHER RELEVANT ENTITIES**

5. Audit Firm A was a Texas professional limited liability company headquartered in Frisco, Texas, and founded in October 2017. While structured as a professional limited liability company, in practice, Knauth and his co-principal in Audit Firm A solely shared office space and certain limited overhead expenses, each maintaining separate clients and keeping revenue from his

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violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

own client engagements. Audit Firm A was never registered with the PCAOB. Audit Firm A audited Issuer A's financial statements for the company's fiscal year ended December 31, 2018, and conducted interim reviews for Issuer A for the quarters ended June 30, 2018, September 30, 2018, and March 31, 2019.<sup>3</sup> Knauth entered into the engagement with Issuer A and performed all of the audit work for Issuer A. Knauth's co-principal in Audit Firm A was unaware of the Issuer A engagement. Audit Firm A ceased operations in December 2019 and officially dissolved in September 2020.

6. Issuer A is a Nevada corporation headquartered in Plano, Texas. Issuer A was at all relevant times an issuer as defined by the Sarbanes-Oxley Act. Issuer A's common stock was registered with the Commission pursuant to Exchange Act Section 12(g). Issuer A's common stock was quoted on the OTCQB tier of the OTC Markets. Issuer A filed periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and the related rules thereunder. On October 24, 2019, Issuer A filed for bankruptcy. As part of the Delinquent Filings Program and unrelated to this action, on September 21, 2020, the Commission instituted an administrative proceeding against Issuer A pursuant to Section 12(j) of the Exchange Act and instituted a trading suspension pursuant to Section 12(k) of the Exchange Act. On November 23, 2020, the Commission accepted Issuer A's offer of settlement and, pursuant to Section 12(j) of the Exchange Act, revoked the registration of each class of Issuer A's securities.

## **C. FACTS**

### **i. Engagement by Issuer A**

7. On June 6, 2018, Knauth, on behalf of Audit Firm A, entered into an engagement agreement with Issuer A to perform the audit for the year ended December 31, 2018, as well as interim quarterly reviews for 2018. In addition to conducting the annual audit for the year ended December 31, 2018, Knauth conducted interim reviews on behalf of Audit Firm A for Issuer A for the second and third quarters of 2018, and the first quarter of 2019.

8. In that engagement agreement, signed by Knauth, Audit Firm A represented to Issuer A: "We are responsible for conducting our integrated audit of the financial statements and internal control over financial reporting in accordance with the standards established by the Public Company Accounting Oversight Board (PCAOB)."

9. The engagement agreement also provided that "Chris Knauth is the engagement partner and is responsible for supervising the engagement and signing the [audit] report or authorizing another individual to sign it."

### **ii. Failure to Register with the PCAOB**

10. Prior to Audit Firm A's engagement by Issuer A, neither Audit Firm A nor Knauth had performed any audit work for a public company, and at the time of Audit Firm A's engagement by Issuer A in June 2018, Audit Firm A was not registered with the PCAOB. On

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<sup>3</sup> Issuer A is the only public company and/or registered broker-dealer for whom Audit Firm A conducted any audits or interim reviews.

August 16, 2018, Knauth signed and submitted to the PCAOB a Form 1, Application for Registration, on behalf of Audit Firm A. Knauth did not confer with his co-principal in Audit Firm A regarding the engagement with Issuer A or the PCAOB registration application.

11. On August 28, 2018, after its initial review of the application, PCAOB staff sent an email to Knauth with requests for corrections and additional information, and, on September 17, 2018, the PCAOB issued a letter to Knauth requesting additional information regarding the application for registration. In the September 17, 2018 letter, the PCAOB made clear that the application had not been approved, warning that “[i]f [Audit Firm A] declines to provide the requested information, the Board may deem the application incomplete, as described in PCAOB Rule 2106(b)(2), may deem the application not to have been received in accordance with PCAOB Rule 2102, or may take other such action as the Board deems appropriate.”

12. Between October 2018 and April 2019, PCAOB staff sent seven follow-up emails to Knauth, attaching a copy of the September 17, 2018 letter and requesting to be advised of “[his] plans to resubmit [his] firm’s application for registration.” Additionally, in a March 15, 2019 telephone call initiated by Knauth, PCAOB staff reiterated to Knauth that he needed to respond to the PCAOB’s requests for information. Knauth did not provide responses to the PCAOB’s requests for information.

13. On May 9, 2019, the PCAOB informed Knauth by letter that, because the PCAOB had not received the additional requested information, the PCAOB deemed the application as not received. On the same day, Knauth informed PCAOB staff in a telephone call that he intended to “re-submit a new application” and that he would address the PCAOB’s questions related to the original application. Knauth never resubmitted an application for registration or provided responses to the PCAOB’s requests for information.

14. Despite failing to complete Audit Firm A’s registration with the PCAOB, Knauth conducted the annual audit of Issuer A’s financial statements for the fiscal year 2018. Knauth prepared and caused Audit Firm A to issue an audit report dated April 15, 2019, which Issuer A included in its Form 10-K for the year ended December 31, 2018 filed with the Commission. The audit report signed by Audit Firm A, through Knauth, falsely stated that “[w]e are a public accounting firm registered with the [PCAOB].”

15. Knauth also performed interim reviews on behalf of Audit Firm A for Issuer A for the quarters ended June 30, 2018, September 30, 2018, and March 31, 2019, despite Audit Firm A not being registered with the PCAOB.

16. On August 1, 2019, following initial notification from the PCAOB and subsequent discussions with Knauth regarding Audit Firm A’s failure to register with the PCAOB, Issuer A filed a Form 8-K with the Commission announcing that (i) Issuer A’s financial statements for fiscal year 2018 and quarters ended June 30, 2018, September 30, 2018, and March 31, 2019, which were included in Issuer A’s annual report on Form 10-K or quarterly reports on Form 10-Q, should no longer be relied upon because they were not audited or reviewed by a registered public accounting firm; and (ii) Issuer A had dismissed Audit Firm A and retained a new firm as its independent registered public accounting firm. Issuer A has not filed updated reports with the Commission.

17. Audit Firm A received \$49,000 in fees, all of which went to Knauth, for its audit and review work for Issuer A. Between August and September 2019—after being contacted by Commission Staff—Knauth agreed to pay Issuer A a total of \$140,000 to reimburse it for the audit fees and for additional costs associated with Audit Firm A’s failure to register with the PCAOB.

**iii. Failure to Conduct Audit and Reviews in Accordance with PCAOB Standards**

18. In conducting the fiscal year 2018 audit and the June 30, 2018, September 30, 2018 and March 31, 2019 interim reviews of Issuer A, Knauth’s work was deficient and failed to comply with multiple PCAOB auditing standards. The audit work papers lack sufficient documentation to determine what, if any, work was conducted. The work papers reflect no audit planning. It appears from the existing documentation that Knauth merely obtained certain limited documents from Issuer A and did not perform further analysis sufficient to identify and appropriately assess the risks of material misstatement or exercise sufficient professional skepticism, including by conducting further questioning. Further, no engagement quality reviews, as required under PCAOB standards, were performed on Knauth’s audit or interim review work.

19. Specifically, Knauth (1) failed to properly plan the audit and to identify and assess risks of material misstatement; (2) failed to exercise due professional care and professional skepticism (including through the failure to obtain required EQRs); (3) failed to obtain sufficient appropriate audit evidence; and (4) failed to prepare adequate audit documentation.

20. As the engagement partner on the audit and reviews of Issuer A, Knauth was responsible for compliance with PCAOB standards. PCAOB Auditing Standard No. 1201, *Supervision of the Audit Engagement* (“AS No. 1201”); AS No. 1201.03.

21. Knauth aided and abetted and caused Audit Firm A to issue an audit report containing an unqualified audit opinion for Issuer A for the year ended December 31, 2018. The audit report falsely stated that the audit was performed “in accordance with the standards of the PCAOB,” when, as described below, the audit failed to comply with PCAOB standards.

*Failure to Properly Plan the Audit (AS No. 2101) and Interim Reviews (AS No. 4105) and to Identify and Assess Risks of Material Misstatement (AS No. 2110)*

22. PCAOB Auditing Standard No. 2101, *Audit Planning* (“AS No. 2101”), establishes requirements regarding planning an audit. AS No. 2101.01. “Planning the audit includes establishing the overall audit strategy for the engagement and developing an audit plan, which includes, in particular, planned risk assessment procedures and planned responses to the risks of material misstatement.” AS No. 2101.05.

23. The auditor should develop and document an audit plan that includes a description of: the planned nature, timing, and extent of the risk assessment procedures; the planned nature, timing, and extent of tests of controls and substantive procedures; and other planned audit procedures required to be performed so that the engagement complies with PCAOB standards. AS No. 2101.10.

24. “The purpose and objective of planning the audit are the same for an initial audit or a recurring audit engagement. However, for an initial audit, the auditor should determine the additional planning activities necessary to establish an appropriate audit strategy and audit plan, including determining the audit procedures necessary to obtain sufficient appropriate audit evidence regarding the opening balances.” AS No. 2101.19.

25. PCAOB Auditing Standard No. 4105, *Reviews of Interim Financial Information* (“AS No. 4105”), requires that, “[i]n an initial review of interim financial information, the accountant should perform procedures that will enable him or her to obtain sufficient knowledge of the entity’s business and its internal control.” AS No. 4105.12. In planning a review of interim financial information (following an initial review), the accountant should perform procedures to update his or her knowledge of the entity’s business and internal control to aid in determining inquiries to be made and analytical procedures to be performed, and to identify particular events, transactions, or assertions to which the inquiries may be directed or analytical procedures applied. AS No. 4105.11.

26. Knauth failed to engage in any meaningful audit planning process in connection with Audit Firm A’s audit of Issuer A’s fiscal year 2018 financial statements and interim reviews for June 30, 2018, September 30, 2018, and March 31, 2019. Among other things, Knauth failed to develop any audit plan that included a description of the planned nature, timing, and extent of the risk assessment procedures; the planned nature, timing, and extent of tests of controls and substantive procedures; and any other planned audit procedures required to be performed. Nor did Knauth perform any planning procedures to obtain knowledge of, or to update his knowledge of, Issuer A’s business and internal control. In failing to engage in such planning, Knauth failed to comply with AS No. 2101 and AS No. 4105, among others.

27. PCAOB Auditing Standard No. 2110, *Identifying and Assessing Risks of Material Misstatement* (“AS No. 2110”), requires the auditor to “perform risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement, whether due to error or fraud.” AS No. 2110.04.

28. In addition, under AS No. 4105, if the accountant has not audited the most recent annual financial statements, the accountant should perform procedures to obtain knowledge of an entity’s internal control, including knowledge of the relevant aspects of the control environment, the entity’s risk assessment process, control activities, information and communication, and monitoring, as those terms are defined in AS No. 2110. AS No. 4105.13; *see also* AS No. 4105.10; AS No. 4105.12 (“[i]n an initial review of interim financial information, the accountant should perform procedures to enable him or her to obtain sufficient knowledge of the entity’s business and its internal control,” including considering the nature of any risks of material misstatement due to fraud identified by the predecessor auditor).

29. “Risks of material misstatement can arise from a variety of sources, including external factors, such as conditions in the company’s industry and environment, and company-specific factors, such as the nature of the company, its activities, and internal control over financial reporting.” AS No. 2110.05. “Thus, the audit procedures that are necessary to identify and appropriately assess the risks of material misstatement include consideration of both external factors and company-specific factors.” AS No. 2110.05.

30. Knauth did not perform sufficient risk assessment procedures, and did not perform steps, such as obtaining an understanding of Issuer A’s activities, environment or internal control over financial reporting. As such, Knauth failed to comply with AS No. 2110 and AS No. 4105.

*Failure to Exercise Due Professional Care and Professional Skepticism (AS No. 1015) and Failure to Obtain Engagement Quality Reviews (AS No. 1220)*

31. PCAOB Auditing Standard No. 1015, *Due Professional Care in the Performance of Work* (“AS No. 1015”), requires auditors to exercise due professional care in the planning and performance of the audit and the preparation of the report and in conducting interim reviews. AS No. 1015.01; AS No. 4105.01 (noting that AS No. 1015 applies to interim reviews). Auditors are required further to exercise professional skepticism, which is an attitude that includes “a questioning mind and a critical assessment of audit evidence.” AS No. 1015.07

32. In addition, the auditor should “consider the competency and sufficiency of the evidence. Since evidence is gathered and evaluated throughout the audit, professional skepticism should be exercised throughout the audit process.” AS No. 1015.08.

33. In addition, PCAOB Auditing Standard No. 1220, *Engagement Quality Review* (“AS No. 1220”), provides that for both audits and interim reviews, an engagement quality reviewer should, among other things, “evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement.” AS 1220.09 and .14. “Documentation of an engagement quality review should be included in the engagement documentation.” AS 1220.20.

34. Beyond merely obtaining certain limited documents from Issuer A, Knauth did not conduct sufficient audit procedures to assess such audit evidence. As such, Knauth failed to exercise due professional care and professional skepticism in violation of AS No. 1015, among others.

35. Further, Audit Firm A did not perform the procedures described in AS No. 1220 and did not obtain any EQR with regard to the audit and interim reviews. As such, Audit Firm A violated AS No. 1220, and, by failing to arrange for the EQRs, Knauth further failed to exercise due professional care.

*Failure to Obtain Sufficient Appropriate Audit Evidence (AS No. 1105)*

36. PCAOB Auditing Standard No. 1105, *Audit Evidence* (“AS No. 1105”) requires an 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. 1105.04. “Audit evidence is all the information, whether obtained from audit procedures or other sources, that is used by the auditor in arriving at the conclusions on which the auditor’s opinion is based.” AS No. 1105.02.

37. By merely obtaining certain limited documents from Issuer A, without performing sufficient audit procedures to assess that audit evidence, Knauth failed to obtain sufficient appropriate audit evidence to support Audit Firm A’s issuance of the audit report for Issuer A’s fiscal year 2018 financial statements. As such, Knauth failed to comply with AS No. 1105, among others.

*Failure to Prepare Adequate Documentation  
for the Audit (AS No. 1215) and Interim Reviews (AS No. 4105.52)*

38. In conducting an audit or interim review, an auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions. PCAOB Auditing Standard No. 1215, *Audit Documentation* (“AS No. 1215”). Audit documentation must clearly demonstrate that the work was in fact performed and “must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement (a) to understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and (b) to determine who performed the work and the date such work was completed as well as the person who reviewed the work and the date of such review.” AS No. 1215; AS No. 1215.06.

39. In connection with interim reviews, in addition to the requirements under AS No. 1215, under AS No. 4105 “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.” AS No. 4105.52.

40. As described above, Audit Firm A’s work papers contain no audit program and lack documentation to determine what, if any, procedures were performed or conclusions reached with respect to the audit and interim reviews of Issuer A. As such, Knauth failed to comply with AS No. 1215 and AS No. 4105, among others.

#### **D. VIOLATIONS**

41. Section 102(a) of the Sarbanes-Oxley Act provides that “it shall be unlawful for any person that is not a registered public accounting firm to prepare or issue, or to participate in the preparation or issuance of, any audit report with respect to any issuer.”<sup>4</sup> Audit Firm A was not registered with the PCAOB when it performed the audit and interim reviews of Issuer A and, accordingly, violated Section 102(a) of the Sarbanes-Oxley Act. Knauth willfully aided and abetted and caused Audit Firm A’s violations of Section 102(a) of the Sarbanes-Oxley Act.

42. Rule 2-02(b)(1) of Regulation S-X requires an accountant’s report to state “the applicable professional standards under which the audit was conducted.” 17 CFR 210.2-02(b)(1). An auditor violates Regulation S-X Rule 2-02(b)(1) if it issues a report stating it has conducted its audit in accordance with PCAOB standards when it has not. Audit Firm A violated Rule 2-02(b)(1) of Regulation S-X by issuing an audit report for Issuer A’s fiscal year 2018 audit stating that it had conducted the audit in accordance with PCAOB standards when it had not. Knauth

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<sup>4</sup> A violation of the Sarbanes-Oxley Act or any rule that the PCAOB issues under the Sarbanes-Oxley Act is treated for all purposes in the same manner as a violation of the Exchange Act, including with respect to penalties. Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7202(b)(1).



willfully aided and abetted and caused Audit Firm A's violations of Rule 2-02(b)(1) of Regulation S-X.

43. Section 13(a) of the Exchange Act and Rule 13a-1 thereunder require issuers with equity securities registered under Section 12 to file annual reports with the Commission that have been audited by an independent public accountant registered with the PCAOB.<sup>5</sup> Exchange Act Rule 13a-13 requires the same companies to file with the Commission accurate quarterly reports on Form 10-Q. Rule 10-01(d) of Regulation S-X requires the interim financial statements included in a Form 10-Q to be reviewed by an independent public accountant registered with the PCAOB. 17 C.F.R. § 210.10-01(d); *see also* 17 C.F.R. § 210.8-03. Issuer A filed an annual report on Form 10-K for fiscal year 2018 and quarterly reports on Form 10-Q for the quarters ended June 30, 2018, September 30, 2018, and March 31, 2019, all of which were either audited or reviewed by Audit Firm A when Audit Firm A was not registered with the PCAOB. Knauth willfully aided and abetted and caused Issuer A's violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

44. Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice provide, in part, that the Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before the Commission to any person who is found by the Commission to have engaged in improper professional conduct. With respect to persons licensed to practice as accountants, "improper professional conduct" includes "intentional or knowing conduct, including reckless conduct, that results in a violation of applicable professional standards." *See* Rule 102(e)(1)(iv)(A). In addition, "improper professional conduct" includes either of the following two types of negligent conduct: (i) "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 (ii) "repeated instances of unreasonable conduct, each resulting in violations of applicable professional standards, that indicate a lack of competence to practice before the Commission." *See* Rule 102(e)(1)(iv)(B)(1) and (2). By failing to comply with PCAOB standards in the audit and interim reviews of Issuer A, as described above, Knauth engaged in improper professional conduct as defined in Rule 102(e)(1)(iv).

45. Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice provide, in part, that the Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before the Commission to any person who is found by the Commission "[t]o have willfully violated, or willfully aided and abetted the violation of, any provision of the Federal securities laws or the rules and regulations thereunder." Through the conduct described above, Knauth willfully aided and abetted violations of the federal securities laws and rules and regulations thereunder within the meaning of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

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<sup>5</sup> *See also* 15 U.S.C. § 78c(a)(59); 15 U.S.C. § 7201(12) (defining registered public accounting firm as a public accounting firm registered with the PCAOB).

### III.

In view of the allegations made by the Division of Enforcement and the Office of the Chief Accountant, the Commission deems it appropriate 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 Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate against Respondent pursuant to Section 4C of the Exchange Act and Rule 102(e)(1) of the Commission's Rules of Practice; and

C. Whether, pursuant to Section 21C of the Exchange Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 102(a) of the Sarbanes-Oxley Act; Rule 2-02(b)(1) of Regulation S-X; Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder; and whether Respondent should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act.

### IV.

IT IS ORDERED that a public hearing before the Commission for the 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 by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent 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(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If any Respondent fails to file the directed Answer, or fails to appear at a hearing or conference 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 Respondent Knauth by any means permitted by the Commission's Rules of Practice.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

Attention is called to Rule 151(b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed with the Office of the Secretary and all motions, objections, or applications will be decided by the Commission. The Commission requests that an electronic courtesy copy of each filing should be emailed to [APFilings@sec.gov](mailto:APFilings@sec.gov) in PDF text-searchable format. Any exhibits should be sent as separate attachments, not a combined PDF.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 120-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination 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 public 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.

Vanessa A. Countryman  
Secretary