

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101972 / December 19, 2024

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4549 / December 19, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22366

In the Matter of

**DAVIDSON & COMPANY
LLP, EREZ BAHAR, CA,
CPA, and GRANT BLOCK,
CA, CPA.**

Respondents.

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

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted against Davidson & Company LLP (“Davidson” or the “Firm”), Erez Bahar (“Bahar”), and Grant Block (“Block”) (collectively “Respondents”) pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order

(“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

SUMMARY

1. This matter involves violations of auditor independence rules and Public Company Accounting Oversight Board (“PCAOB”) Auditing Standards resulting from repeated failures by Davidson and several of its audit partners to comply with audit partner rotation requirements during the course of their engagement as the independent auditor for nine issuer clients between 2019 and 2023 (“relevant time period”). These failures resulted in Davidson’s issuance of audit reports that erroneously stated the Firm had conducted its audits in accordance with PCAOB standards; the failures also caused the issuer clients to file annual and quarterly reports with the Commission that were not reviewed by an independent public accountant as required by Regulation S-X of the Exchange Act.

2. Furthermore, these failures arose from a deficient system of quality controls and monitoring and a lack of diligent firm management by the Firm’s current and former managing partners, Bahar and Block, respectively.

RESPONDENTS

3. **Davidson & Company LLP** is a Canadian accounting and auditing firm headquartered in Vancouver, British Columbia and registered with the Canadian Public Accountability Board (“CPAB”). The Firm has also been registered with the PCAOB since 2003.

4. **Erez Bahar** joined Davidson in 1999 and is the Firm’s current managing partner. He is a licensed Canadian Chartered Accountant² (“CA”) and Chartered Professional Accountant (“CPA”) and a certified public accountant licensed in the state of Washington. In 2011, Bahar was denied temporarily the privilege of appearing or practicing before the Commission for a period of two years for engaging in improper professional conduct.

5. **Grant Block** joined Davidson in 1989 and was the Firm’s managing partner from the early 2000s to December 31, 2023. He is a licensed Canadian CA and CPA and a certified public accountant licensed in the state of Nevada.

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

² A “Chartered Accountant” designation was one of three professional designations granted by Canadian accounting bodies to accountants who satisfied requisite educational coursework and training and passed required exams, similar to Certified Public Accountant licenses in the United States. In 2014, the Canadian accounting bodies merged to form a unified Chartered Professional Accountants of Canada (CPA Canada), which would thereafter offer the single CPA designation.

RELATED INDIVIDUALS

6. **Partner A** joined Davidson in 2001 and is a Canadian CA and CPA and a certified public accountant licensed in the state of Washington. At relevant times, Partner A served as the lead engagement partner or the engagement quality review (“EQR”) partner for Issuer A.

7. **Partner B** joined Davidson in 1993 and is a Canadian CA and CPA and a certified public accountant licensed in the state of Nevada. At relevant times, Partner B served as the EQR partner for Issuer B.

RELEVANT ISSUERS

8. During the relevant time period, **Issuer A**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of December.

9. During the relevant time period, **Issuer B**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of December.

10. During the relevant time period, **Issuer C**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of June.

11. During the relevant time period, **Issuer D**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of September.

12. During the relevant time period, **Issuer E**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of December.

13. During the relevant time period, **Issuer F**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of December.

14. During the relevant time period, **Issuer G**’s common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of December.

15. During the relevant time period, **Issuer H**’s common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and traded on NASDAQ. The issuer also had a fiscal year ending on the last day of December.

16. During the relevant time period, **Issuer I** filed a Form S-1 registration statement that was withdrawn before it became effective³ and the company's common stock traded on the OTC Markets. The issuer also had a fiscal year ending on the last day of December.

FACTS

i. Commission Audit Partner Rotation Requirements and PCAOB “Cooling-Off” Requirements

17. Under the Exchange Act, Regulation S-X, and PCAOB Auditing Standards, registered public accounting firms and their associated persons are required to be independent of their audit clients throughout the audit and professional engagement period.

18. Section 10A(j) of the Exchange Act, *Audit Partner Rotation*, states “[i]t shall be unlawful for a registered public accounting firm to provide audit services to an issuer if the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has performed audit services for that issuer in each of the 5 previous fiscal years of that issuer.”⁴

19. Rule 10A-2 of the Exchange Act, *Auditor Independence*, provides that it shall be unlawful for an auditor not to be independent with respect to, among other requirements, the partner rotation requirements of the Commission's Regulation S-X. The Commission's independence rules allow lead and concurring partners to serve for five consecutive years, after which they may not serve in either role for another period of five consecutive years. Rule 2-01(c)(6)(i)(A)(1) of Regulation S-X. Similarly, PCAOB Rule 3520, *Auditor Independence*, requires that a registered public accounting firm and its associated persons be independent of the Firm's issuer audit clients throughout the audit and professional engagement period.

20. PCAOB Auditing Standard (“AS”) 1220.08, *Independence, Integrity, and Objectivity*, states that “[t]he person who served as the engagement partner during either of the two audits preceding the audit subject to the engagement quality review may not be the engagement quality reviewer.” (“Cooling-Off Requirements”).

ii. Davidson Violated Audit Partner Rotation Requirements and PCAOB EQR Cooling-Off Requirements

21. Davidson failed to comply with the audit partner rotation requirements of the Exchange Act and Regulation S-X, which impaired the Firm's independence with respect to

³ Issuer I's Form S-1 included the company's financial statements for 2021 that were audited by Davidson pursuant to PCAOB Auditing Standards. Therefore, Davidson's engagement of this issuer would be subject to the PCAOB Auditing Standards including those related to independence. Because Issuer I withdrew its Form S-1 prior to effectiveness, the company is not subject to the reporting requirements of the Exchange Act.

⁴ Section 10A(f), *Definitions*, referring to Section 3, defines issuer as “any person who issues or proposes to issue any security.”

engagements for the six issuer clients described below, impacting six annual audits and 18 interim reviews during the relevant time period.

Issuer	Partner	Description	Number of Audits and Interim Reviews Impacted
Issuer A	Partner A	Partner A improperly served as the EQR partner for the Q1, Q2 and Q3 2019 reporting periods after previously serving as the EQR or lead engagement partner for the preceding five fiscal years (Q1 2014 to EOY 2018).	Three Interim Reviews
Issuer B	Partner B	Partner B improperly served as the EQR partner for the 2019 and Q1 and Q2 2020 reporting periods after previously serving as the EQR partner for the preceding five fiscal years (Q1 2014 to EOY 2018).	One Audit Five Interim Reviews
Issuer C	Bahar	Bahar improperly served as the EQR partner for the 2020 audit ⁵ of a foreign private issuer after previously serving as the EQR partner for the preceding five fiscal years (2015 to 2019).	One Audit
Issuer D	Bahar	Bahar improperly served as the EQR partner for the 2021 and 2022 reporting periods after previously serving as the EQR partner for the preceding five fiscal years (Q1 2015 to EOY 2020).	Two Audits Six Interim Reviews
Issuer E	Block	Block improperly served as the lead engagement partner for the 2021 and Q1 2022 reporting periods after previously serving as the lead engagement partner for the preceding five fiscal years (Q1 2016 to EOY 2020).	One Audit Four Interim Reviews
Issuer F	Block	Block improperly served as the EQR partner for the 2021 audit ⁶ of a foreign private issuer after previously serving as the EQR partner for the preceding five fiscal years (2016 to 2020).	One Audit

⁵ As a foreign private issuer, Issuer C is only required to furnish annual reports on Form 20-F and is not required to furnish quarterly reports to the Commission.

⁶ As a foreign private issuer, Issuer F is only required to furnish annual reports on Form 20-F and is not required to furnish quarterly reports to the Commission.

22. Davidson also failed to comply with the PCAOB EQR Cooling-Off Requirements with respect to engagements of three additional issuer clients and Issuer A, (which are described below), impacting five annual audits and 11 interim reviews during the relevant time period.

Issuer	Partner	Description	Number of Audits and Interim Reviews Impacted
Issuer A	Partner A	Partner A improperly served as the EQR partner for the 2018 audit and Q1, Q2 and Q3 2019 reporting periods immediately after serving as the lead engagement partner in either of the two preceding audits.	One Audit Three Interim Reviews
Issuer G	Bahar	Bahar improperly served as the EQR partner for the 2021 and 2022 reporting periods immediately after serving as the lead engagement partner in either of the two preceding audits.	Two Audits Six Interim Reviews
Issuer H	Bahar	Bahar improperly served as the EQR partner for the 2021 audit and Q2 and Q3 2022 reporting periods ⁷ immediately after serving as the lead engagement partner in either of the two preceding audits.	One Audit Two Interim Reviews
Issuer I	Bahar	Bahar improperly served as the EQR partner for the 2021 audit immediately after serving as the lead engagement partner in either of the two preceding audits.	One Audit

23. In connection with all of the engagements of the issuer clients, Davidson issued audit reports erroneously stating that the Firm conducted its audits in accordance with PCAOB standards.

iii. Davidson’s Deficient System of Quality Controls

24. During the relevant time period, Davidson tracked partner engagement assignments through two different systems: (1) the Partner Rotation Schedule (“Rotation Spreadsheet”), an Excel spreadsheet created by Block and manually maintained by him and the Firm’s Director of Finance; and (2) the Firm’s time and billing software (“Software”) that was supposed to incorporate partner assignments from the Spreadsheet.

25. However, these quality control systems were not appropriately designed, and Block and the Firm did not implement a sufficient process to provide reasonable assurance of the

⁷ Prior to the second quarter of 2022, Issuer H was a foreign private issuer and was not required to furnish quarterly reports to the Commission. However, Issuer H lost its foreign private issuer status and became subject to SEC reporting requirements applicable to U.S. domestic companies beginning with its second quarter financial statements for 2022.

accuracy of the data in either system. The manual processes in the creation and maintenance of the Rotation Spreadsheet and the lack of interaction between the Rotation Spreadsheet and the Software risked discrepancies in partner assignments and caused discrepancies in partner assignments. Additionally, during the relevant time period, neither Block nor Bahar implemented any additional processes or testing to provide reasonable assurance of the accuracy of the data both within and between the two systems. The Rotation Spreadsheet was only updated and reviewed annually and there was no process for any other periodic review of the data in either system.

26. Furthermore, the Firm's partners on the audit engagements referenced above did not independently track or monitor the length of time that they had served as the lead engagement partner or EQR partner on a particular assignment and relied solely on the data from the Firm's deficient systems to comply with audit partner rotation and cooling-off requirements.

27. During the relevant time period, Block, as the Firm's managing partner, had control of and final authority over Davidson's system of quality controls for partner rotation and engagement assignments yet failed to design or implement policies and procedures sufficient to provide reasonable assurance of compliance with audit partner rotation and PCAOB Cooling-Off Requirements. Additionally, during the relevant time period, Block and Bahar were members of the Firm's Executive Committee, which was responsible for all aspects of the Firm's system of quality management and which also failed to implement policies and procedures sufficient to provide reasonable assurance of compliance with audit partner rotation and PCAOB Cooling-Off Requirements.

28. Additionally, Bahar caused Davidson's violations by personally failing to comply with the audit partner rotation requirements and Cooling-Off Requirements when conducting seven annual audits and 14 interim reviews for five different issuer engagements. Block caused Davidson's violations by personally failing to comply with the audit partner rotation requirements when conducting two annual audits and four interim reviews for two different issuer engagements.

VIOLATIONS

29. Section 10A(j) of the Exchange Act and Rule 10A-2 thereunder make it unlawful for an auditor not to be independent with respect to, among other requirements, the partner rotation requirements. As a result of the conduct described above, Davidson violated, and Bahar and Block caused Davidson to violate, Section 10A(j) and Rule 10A-2 thereunder.

30. Rule 2-01(b)(1) of Regulation S-X requires an accountant's report to state "the applicable professional standards under which the audit was conducted." Through the conduct described above, Davidson violated, and Bahar and Block caused Davidson to violate, Regulation S-X Rule 2-02(b)(1) when they issued audit reports stating that they had conducted their audits in accordance with PCAOB standards when they had not.

31. Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require issuers with securities registered under Section 12 of the Exchange Act to file annual and quarterly reports with the Commission. The obligation to file such reports embodies the requirement that they be true and correct. Regulation S-X requires that audits and reviews of such financial statements be

done by an independent public accountant in accordance with PCAOB standards. Regulation S-X, Rules 1-02(d) (annual audits) and 10-01(d) (quarterly reviews of interim financial statements). The same requirements apply to smaller reporting companies. Regulation S-X, Rules 8-02 (annual audits) and 8-03 (interim financial statements). Davidson and its partners authorized issuers to include audit reports in their filings that falsely stated that the audits had been conducted by an independent public accountant and in accordance with PCAOB standards. Thus, and through the conduct described above, Davidson, Bahar, and Block caused the Firm's issuer clients to violate Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder when the issuer clients failed to obtain audits and interim reviews of financial statements that had been performed by independent public accountants in accordance with PCAOB standards.

COOPERATION AND REMEDIAL EFFORTS

32. In determining to accept the Offers, the Commission considered the Firm's cooperation and remedial efforts, including that, after receiving a document request from Commission staff, the Firm voluntarily and promptly performed an internal review of its engagements, reported violations found during that review, and enhanced its controls, as referenced in paragraph 33 below.

UNDERTAKINGS

33. In connection with the conduct described above and prior to this action, Davidson implemented enhanced controls related to audit partner rotation procedures ("enhanced rotation controls"), and hired a consultant to evaluate these enhanced rotation controls to date and provide the Commission staff with a report of its findings. In addition, Respondent Davidson undertakes to:

- a. Retain, within thirty (30) days of the entry of this Order, at its own expense, the services of a qualified consultant ("Consultant"), not unacceptable to the Commission staff, to review, test, and evaluate the implementation and functioning of Davidson's enhanced rotation controls (the "Review").
- b. Provide to the Commission staff, within forty-five (45) days of the entry of this Order, a copy of the engagement letter detailing the Consultant's responsibilities, to Sarah Lamoree, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.
- c. Require the Consultant, within thirty (30) days after completion of the Review, which in no event shall be more than 540 days after the entry of this Order, to submit a detailed written report of its findings to Davidson and to the Commission staff (the "Report"). Davidson shall require that the Report include a description of the Review performed, the names of the individuals who performed the Review, the conclusions reached by the Review, the Consultant's recommendations for changes in or improvements to Davidson's

enhanced rotation controls, if any, as a result of the Review, and a summary of the plan for implementing any recommended changes in or improvements to Davidson's enhanced rotation controls.

- d. Davidson shall adopt all recommendations regarding the enhanced rotation controls contained in the Report within sixty (60) days of the date of the Report; provided, however, that within fifteen (15) days after the date of Report, Davison shall advise the Consultant and the Commission staff in writing of any recommendations that Davidson considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that Davidson considers unduly burdensome, impractical, or inappropriate, Davidson need not adopt such recommendation at that time, but shall propose in writing an alternative policy, procedure, or disclosure designed to achieve the same objective or purpose.
- e. As to any recommendation concerning Davidson's enhanced rotation controls on which Davidson and the Consultant do not agree, Davidson and the Consultant shall attempt in good faith to reach an agreement within thirty (30) days after the date of the Report. Within fifteen (15) days after the conclusion of the discussion and evaluation by Davidson and the Consultant, Davidson shall require that the Consultant inform Davidson and the Commission staff in writing of the Consultant's final determination concerning any recommendation that Davidson considers to be unduly burdensome, impractical, or inappropriate. Davidson shall abide by the determinations of the Consultant and, within sixty (60) days after final agreement between Davidson and the Consultant or final determination by the Consultant, whichever occurs first, Davidson shall adopt and implement all of the recommendations regarding the enhanced rotation controls that the Consultant deems appropriate.
- f. Cooperate fully with the Consultant and shall provide the Consultant with access to such of Davidson's files, books, records, and personnel as are reasonably requested by the Consultant for review.

34. Davidson shall not have the authority to terminate the Consultant or substitute another consultant for the initial Consultant, without the prior written approval of the Commission staff. Davidson shall compensate the Consultant and persons engaged to assist the Consultant for services rendered under this Order at their reasonable and customary rates.

35. Davidson shall require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondents, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement shall also provide that the Consultant will require that any firm with which he/she

is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondents, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

36. The Report and related written communications of the Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) as otherwise required by law.

37. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

38. Davidson agrees to certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Davidson agrees to provide such evidence. The certification and supporting material shall be submitted to Sarah Lamoree, Assistant Director, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Pursuant to Section 21C of the Exchange Act, Respondents Davidson, Bahar and Block cease and desist from committing or causing any violations and any future violations of Sections 10A(j) and 13(a) of the Exchange Act and Rules 10A-2, 13a-1, and 13a-13, promulgated thereunder, and Rule 2-02(b)(1) of Regulation S- X.

B. Respondent Davidson shall comply with the undertakings enumerated in Paragraphs 33 to 38 above.

C. Respondent Davidson shall pay a civil money penalty in the amount of \$265,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments:

- i. \$66,250 within 30 days of entry of this Order;
- ii. \$66,250 within 180 days of entry of this Order;
- iii. \$66,250 within 270 days of entry of this Order; and
- iv. \$66,250 within 364 days of entry of this Order.

As to Respondent Davidson, payments shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Davidson shall contact the staff of the Commission for the amount due. If Davidson fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

D. Respondent Bahar shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

E. Respondent Block shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$20,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center

Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Respondent making payment (*i.e.*, Davidson & Company LLP, Erez Bahar, CA, CPA or Grant Block, CA, CPA), and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to D. Mark Cave, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondents Bahar and Block, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents Bahar and Block under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents Bahar and Block of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary