

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

**ADMINISTRATIVE PROCEEDING  
File No. 3-17950**

**In the Matter of,**

**David Pruitt, CPA**

**Respondent.**

**RESPONDENT DAVID PRUITT'S MOTION TO COMPEL COMPLIANCE WITH A  
SUBPOENA FOR DOCUMENTS**

Respondent David N. Pruitt (“Mr. Pruitt”), through his undersigned counsel, respectfully submits this motion for entry of an order compelling Timothy Keenan to comply with the subpoena for documents (the “Subpoena”) served on him by Respondent. The Affidavit of Jimmy Fokas (“Fokas Aff.”) is submitted in support of this motion.

On Friday, August 25, 2017, Mr. Pruitt, pursuant to Rule 232 of the Securities and Exchange Commission’s Rules of Practice, submitted to the Court for issuance a subpoena for documents with related attachments to be served on Mr. Keenan, the former Senior Vice President of Finance and CFO for Integrated Systems Group of L3 Technologies, Inc. (“L3”) and identified in the Order Instituting Proceedings (“OIP”) as the “Aerospace Systems CFO.” The Court issued the Subpoena—which had a return date of Monday, September 18, 2017—on Monday, August 28, 2017. *See Fokas Aff. Ex. A.* On the same day, Respondent served the Subpoena on Mr. Keenan via overnight courier with signature required to his address at 1900 Hi Line Drive, Dallas, Texas 75207. The Subpoena was delivered on Tuesday, August 29, 2017 and signed for as received on the same day.

Prior to service of the Subpoena, Respondent searched several databases to confirm that the address on the Subpoena was the correct address for Mr. Keenan. Mr. Keenan is the officer of a real estate investment firm which is registered at the 1900 Hi Line Drive address and Mr. Keenan lists this address as his address on the corporate registration. *See Fokas Aff. Ex. B.* The website of the real estate firm lists the same address and contains what Respondent believes to be a picture of Mr. Keenan. *See Fokas Aff. Ex. C.*

Mr. Keenan did not respond to the Subpoena or otherwise contact Respondent’s counsel by the return date, September 18, 2017. On September 22, 2017, Respondent’s counsel sent a letter along with another copy of the Subpoena to Mr. Keenan via overnight courier requesting

immediate compliance with the Subpoena. *See Fokas Aff. Ex. D.* This letter was signed as received on September 23, 2017. Mr. Keenan again did not respond to this letter or otherwise contact Respondent's counsel.

Mr. Keenan is a key witness in this proceeding who is referenced at several critical points in the OIP. It is likely that he will testify at the hearing as both Respondent and the Division of Enforcement have identified him on their respective preliminary fact witness lists. It is critical for the preparation of Mr. Pruitt's defense that Mr. Keenan comply with the Subpoena and produce any responsive documents immediately.

Respondent respectfully requests that the Court grant this motion and enter an order compelling Mr. Keenan to comply with the Subpoena no later than three days after entry of the requested order and for such other relief that the Court deems appropriate in order to compel such compliance. Hearing officers "have the authority to do all things necessary and appropriate" in the discharge of their duties and this should include compelling compliance with subpoenas issued by the Court. *See 17 C.F.R. § 201.111; 5 U.S.C. § 556.*

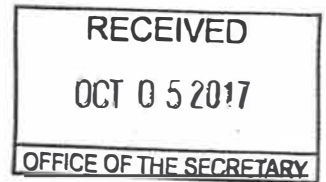
Dated: October 4, 2017  
New York, New York

By: 

John J. Carney  
Jimmy Fokas  
Margaret E. Hirce  
Bari R. Nadworny  
BAKER & HOSTETLER LLP  
45 Rockefeller Plaza  
New York, New York 10111  
Telephone: 212.589.4200  
Facsimile: 212.589.4201

*Attorneys for Respondent David Pruitt*

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING  
File No. 3-17950

In the Matter of,

David Pruitt, CPA

Respondent.

AFFIDAVIT OF JIMMY FOKAS

STATE OF NEW YORK     )  
  ss:  
COUNTY OF NEW YORK    )

Jimmy Fokas, being duly sworn, deposes and says:

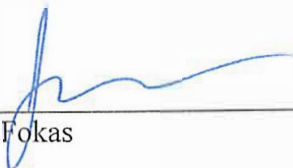
1. I am an attorney admitted to practice in New York. I am a member of the law firm of Baker & Hostetler, LLP, counsel for Respondent David Pruitt in this action. I am submitting this affidavit, based upon my own personal knowledge, in support of Respondent Pruitt's Motion to Compel Compliance with a Subpoena for Documents.

2. Attached as Exhibit A is a true and correct copy of the subpoena for documents served on Timothy Keenan in the above-referenced proceeding.

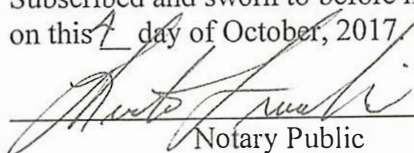
3. Attached as Exhibit B is a true and correct copy of the corporate registration of 48er Properties, Inc.

4. Attached as Exhibit C is a true and correct copy of the web page [http://www.48erproperties.com/investor\\_web\\_page/about\\_us?permalink\\_text=48erpropertiescom](http://www.48erproperties.com/investor_web_page/about_us?permalink_text=48erpropertiescom) as of October 4, 2017.

5. Attached as Exhibit D is a true and correct copy of the letter from Jimmy Fokas to Timothy Keenan dated September 22, 2017.

  
\_\_\_\_\_  
Jimmy Fokas

Subscribed and sworn to before me  
on this 7 day of October, 2017.

  
\_\_\_\_\_  
Notary Public

My commission expires on 2/10/20

**LINDA FRANCESCHINI  
NOTARY PUBLIC, STATE OF NEW YORK  
QUALIFIED IN BRONX COUNTY  
LIC. # 01FR6098635  
MY COMM. EXPIRES FEBRUARY 10, 2020**



**SUBPOENA TO PRODUCE DOCUMENTS**

Issued Pursuant to U.S. Securities and Exchange Commission Rules of Practice 111(b) and 232, 17 C.F.R. §§ 201.111(b), 201.232.

1. TO

Timothy Keenan  
1900 Hi Line Drive  
Dallas, Texas 75207

This subpoena requires you to produce documents or other tangible evidence described in Item 7, at the request of the Party described in Item 4, in the U.S. Securities and Exchange Commission Administrative Proceeding described in Item 6.

2. PLACE OF PRODUCTION

Baker & Hostetler, LLP  
45 Rockefeller Plaza  
New York, NY 10111

3. DATE AND TIME PRODUCTION IS DUE

Monday, September 18, 2017

4. PARTY AND COUNSEL REQUESTING  
ISSUANCE OF SUBPOENA

Party:  
David N. Pruitt  
Counsel:  
Margaret E. Hirce and Bari R. Nadworny  
Baker & Hostetler, LLP  
212-589-4200

5. THE PRODUCTION OF DOCUMENTS OR OTHER  
TANGIBLE EVIDENCE IS ORDERED BY

James E. Grimes

Administrative Law Judge  
U.S. Securities and Exchange Commission

6. TITLE OF THE MATTER AND ADMINISTRATIVE PROCEEDING NUMBER

In the Matter of David Pruitt, CPA, Admin. Proc. File No. 3-17950

7. DOCUMENTS OR OTHER TANGIBLE EVIDENCE TO BE PRODUCED (ATTACH PAGES AS REQUIRED)

See Attachments A-B

DATE SIGNED

8/28/17

SIGNATURE OF ADMINISTRATIVE LAW JUDGE

**GENERAL INSTRUCTIONS**

**MOTION TO QUASH**

The U.S. Securities and Exchange Commission's Rules of Practice require that any application to quash or modify a subpoena comply with Commission Rule of Practice 232(e)(1), 17 C.F.R. § 201.232(e)(1).

# ATTACHMENT A

**ATTACHMENT A**  
**TO SUBPOENA TO TIMOTHY KEENAN**

**DEFINITIONS**

1. “Communication” means the transmittal of information (in the form of facts, ideas, inquiries or otherwise). “Communication” includes any transmittal or receipt of information, whether by chance or prearranged, formal or informal, oral or portrayed in any “document,” and specifically includes: (a) conversations, meetings and discussions in person; (b) conversations, meetings and discussions by telephone or through telephonic messages; and (c) written and electronic correspondence, including communications by e-mail.
2. “Document” includes writings, drawings, graphs, charts, photographs, sound recordings, images, and other data or data compilations, stored in any medium from which information can be obtained either directly or, if necessary, after translation into a reasonably usable form. “Document” specifically includes responsive content regardless of the media upon which it is expressed including but not limited to paper, physical evidence, and electronically-stored information. “Document” includes but is not limited to all computerized data or content stored on electromagnetic media even if they are designated as drafts or deleted. “Document” includes but is not limited to voicemail messages, audio files, all e-mail messages including without limitation web-based e-mail messages such as Gmail messages, text messages, and all other formats including but not limited to word processing, electronic spreadsheets, images, databases, Intranet system data, Internet system data, telephone or cellular telephone calling records, or data compilations.
3. For all purposes herein, spelling, grammar, syntax, abbreviations, idioms, and proper nouns shall be construed and interpreted according to their context to give proper meaning and consistency to the Requests for Production of Documents set forth herein (the “Request” or “Requests”).
4. “Related to” or “concerning” means and is interchangeable within the broadest sense, referring to, reflecting, describing, evidencing, constituting, pertaining to, regarding, identifying, touching upon, or in relation to.
5. If not explicitly stated, the term “including” shall mean including but not limited to.
6. “All” and “each” shall be construed as both all and each.
7. The connectives “and” and “or” shall be construed either disjunctively or conjunctively as necessary to bring within the scope of this subpoena all documents and responses that might otherwise be construed to be outside of its scope.
8. “You” or “Your” means Timothy Keenan and/or anyone acting on behalf of Timothy Keenan.



9. "L3" means L3 Technologies, Inc. (formerly known as L-3 Communications Holdings, Inc.), Vertex, and includes any subsidiaries, sectors, groups, divisions, segments, employees, contractors, representatives, management, agents, or officers.
10. The "Relevant Period" means January 1, 2013 through the present.
11. "ASD" means the Army Sustainment Division of L3.
12. "C-12 Contract" means the fixed-price aircraft maintenance contract between L3 and the U.S. Army, No. W58RGZ-10-C-0107, dated June 2, 2010.
13. "U.S. Army" means the United States Army, and any of its civil employees, officers, representatives, or agents including but not limited to ACC –Redstone or other command, division, or unit of any kind with oversight of the C-12 Contract with L3.
14. "69 invoices" refers to any Communications or Documents during the Relevant Period relating to billing and payment by the U.S. Army for work performed by L3 for the U.S. Army under the C-12 Contract that was invoiced as described in paragraphs 2, 10, and 20-23 of the attached Order Instituting Proceedings ("OIP"). *See* Attachment B.
15. "Revenue Recovery Initiative" refers to the effort to review the C-12 Contract to determine if there were items not billed to the U.S. Army that should have been billed for work already performed, as described in paragraph 10 of the OIP. *See* Attachment B.
16. "Legal Entitlement" refers to the effort to determine the amount of revenue L3 was legally entitled to recognize from the work already performed by L3 for the U.S. Army that had not been billed to the U.S. Army, as described in paragraph 12 of the OIP. *See* Attachment B.

### INSTRUCTIONS

1. All Documents shall be identified by the Request(s) to which they are primarily responsive or be produced as they are maintained in the usual course of business.
2. Produce all Documents and all other materials described below in Your actual or constructive possession, custody, or control, including in the possession, custody, or control of a current or former employee, that were created during or that relate or refer to the Relevant Period, wherever those Documents and materials are maintained, including on personal computers, PDAs, wireless devices, or web-based e-mail systems such as Gmail, Yahoo, etc.
3. You must produce all Documents in Your possession, custody, or control, whether maintained in electronic or paper form and whether located on hardware owned and maintained by You or hardware owned and/or maintained by a third party that stores data on Your behalf. You must produce all such Documents even if they were deleted or in draft form. Without limitation, hardware where such data may be stored includes: servers; desktop, laptop, or tablet computers; cell and smart phones; PDA devices; scanners, fax machines, and copying machines; and mobile storage devices, such as

thumb or external hard drives. Electronically stored Documents include any computerized data or content stored on electromagnetic media. Without limitation, types of electronically stored Documents include e-mail, voicemail, instant messages, intranet and internet system data, telephone and cellular telephone calling records, data compilations, spreadsheets, word processing Documents, images, databases, digital photocopier memory, and any other information stored in memory storage devices.

4. Produce the original or duplicate of each Document requested together with all non-identical copies and drafts of that Document. If a duplicate is produced, it should be legible and bound or stapled in the same manner as the original.
5. Documents not otherwise responsive to these Requests should be produced: (i) if such Documents mention, discuss, refer to, explain, or concern one or more Documents that are called for by these Requests; (ii) if such Documents are attached to, enclosed with, or accompany Documents called for by these Requests; or (iii) if such Documents constitute routing slips, transmittal memoranda or letters, comments, evaluations, or similar materials.
6. Documents attached to each other should not be separated; separate Documents should not be attached to each other.
7. Documents should include all exhibits, appendices, linked Documents, or otherwise appended Documents that are referenced in, attached to, included with, or are a part of the requested Documents.
8. If any Document, or any part thereof, is not produced based on a claim of attorney-client privilege, work-product protection, or any other privilege, then in answer to such Request or part thereof, for each such Document, You must:
  - a. Identify the type, title and subject matter of the Document;
  - b. State the place, date, and manner of preparation of the Document;
  - c. Identify all authors, addressees, and recipients of the Document, including information about such persons to assess the privilege asserted; and
  - d. Identify the legal privilege(s) and the factual basis for the claim.
9. Documents should not contain redactions unless such redactions are made to protect information subject to the attorney-client privilege and/or work product doctrine. In the event any Documents are produced with redactions, a log setting forth the information requested in Instruction 8 above must be provided.
10. To the extent a Document sought herein was at one time, but is no longer, in your actual or constructive possession, custody, or control, state whether it: (i) is missing or lost; (ii) has been destroyed; (iii) has been transferred to others; and/or (iv) has been otherwise disposed of. In each instance, identify the Document, state the time period during which it was maintained, state the circumstance and date surrounding authorization for such

disposition, identify each person having knowledge of the circumstances of the disposition, and identify each person who had possession, custody, or control of the Document. Documents prepared prior to, but which relate or refer to, the time period covered by these Requests are to be identified and produced.

### MANNER OF PRODUCTION

#### FILE FORMAT:

- Images (Single-page CCITT Group 4 TIFF) for e-mail and all other ESI excluding spreadsheets (e.g., MS Excel, Lotus 123, etc.) Color images in Single-page JPG.
- Native file format for spreadsheets
- Native file format for audio and video data
- Bates-stamped Placeholders indicating any exception files or natively produced documents
- With respect to data that cannot be processed, loaded and reviewed in an e-Discovery review platform including, but not limited to, databases, scientific, engineering, and sampling data, the parties shall meet and confer to develop an agreed upon production format. In the event that such data is in the form of an attachment to e-mail, it shall be produced in native file format or in another useable format agreed to by the parties.

#### TEXT PROVIDED:

- Extracted text (document level) for all native files that contain text
- OCR (document level) for all redacted images
- OCR (document level) or extracted text for all PDFs

IMAGE LOAD FILE: Opticon “.OPT”

METADATA LOAD FILE: Concordance “.DAT”

#### METADATA:

For all non-redacted documents, please include the General Metadata fields for all files and respective metadata fields for e-mails and electronic documents (e.g., MS Word, MS Excel, etc.)

where available using industry standard techniques. With respect to redacted documents, metadata may be withheld as needed to preserve the privilege.

GENERAL METADATA	DEFINITION
START BATES	The start bates of the document
END BATES	The end bates of the document
BEG ATTACH	The start bates of attachment
END ATTACH	The end bates of attachment
Custodian	The name of the original custodian of the file
All Custodian	The names of each custodian who possessed the file
Fileextension	The extension of the file
Email type	Defines if a message file is an email or attachment
File path	The address where the file resides on the electronic media
Size	The amount of space the file takes up on the electronic media. Reported in kilobytes
Hash	The SHA (Secure Hash Algorithm) for the original native file

EMAIL METADATA	DEFINITION
FROM	The person who authored the email
TO	Recipient(s) of the email
CC	Person(s) copied on the email
BCC	Person(s) blind copied on the email
Date Sent	Date the email was sent expressed as GMT
Time Sent	Time the email was sent expressed as GMT
Date Received	Date received in GMT
Time Received	Time received in GMT
Subject	Subject line of email

Child Records (attachment count)	The count of attachments
Conversation Index	Indicates the position of a message within the larger conversation
Hash	The SHA (Secure Hash Algorithm) for the original native file
Native Link	Relative path of submitted native files for Excel spreadsheets

EDOCS METADATA	DEFINITION
Author	The person who authored the document
Date Created	Date the document was created expressed as GMT
Time Created	Time the document was created expressed as GMT
Date Last Modified	Date the file was last changed/saved
Time Last Modified	Time the file was last changed/saved
Title	Title of the document
Native Link	Relative path of submitted native files
Hash	The SHA (Secure Hash Algorithm) for the original native file

**DUPLICATES:**

- All custodians of duplicate documents should be listed in the “All Custodian” data field

## REQUESTS FOR PRODUCTION OF DOCUMENTS

1. All Documents and Communications by and between You and L3; the U.S. Army; or any other individual or entity related to the 69 invoices during the Relevant Period.
2. All Documents and Communications by and between You and L3; the U.S. Army; or any other individual or entity related to the Revenue Recovery Initiative during the Relevant Period.
3. All Documents and Communications by and between You and L3; the U.S. Army; or any other individual or entity related to Legal Entitlement during the Relevant Period.
4. All Documents and Communications from, to, or concerning David Pruitt, related to the 69 invoices during the Relevant Period, including but not limited to Documents and Communications with the U.S. Army; internal to L3; or with any other individual or entity.
5. All Documents and Communications from, to, or concerning David Pruitt, related to the Revenue Recovery Initiative during the Relevant Period, including but not limited to Documents and Communications with the U.S. Army; internal to L3; or with any other individual or entity.
6. All Documents and Communications from, to, or concerning David Pruitt, related to Legal Entitlement during the Relevant Period, including but not limited to Documents and Communications with the U.S. Army; internal to L3; or with any other individual or entity.
7. All Documents and Communications concerning any meetings or conversations between L3 and the U.S. Army related to the payment of the 69 invoices during the Relevant Period.
8. All Documents and Communications concerning any meetings or conversations between L3 and the U.S. Army related to the Revenue Recovery Initiative during the Relevant Period.
9. All Documents and Communications related to unbilled work performed by ASD, or the appropriate L3 entity, for the U.S. Army in connection with the C-12 Contract during the Relevant Period.
10. All Documents and Communications related to the authorization and performance of work under the C-12 Contract for the U.S. Army resulting in the revenue sought as part of the Revenue Recovery Initiative.
11. All Documents concerning the payment or non-payment by the U.S. Army for the goods, services, and labor provided by ASD, or the appropriate L3 entity, in connection with the 69 invoices, the Revenue Recovery Initiative, or Legal Entitlement.

12. All Documents and Communications not called for in numbers 1 through 11 related to the 69 invoices, Revenue Recovery Initiative, or Legal Entitlement during the Relevant Period.
13. All Documents and Communications related to any interview, testimony, or proffer of an L3 employee by the Securities and Exchange Commission, Department of Justice, or Federal Bureau of Investigation.
14. All Documents concerning L3 performance reviews You received during the Relevant Period.
15. All Documents concerning any performance bonus, incentive bonus, management incentive bonus or similar incentive compensation received or deferred during Your employment at L3 in the form of cash, stock, or otherwise during the Relevant Period.
16. All Documents sufficient to identify Your employment history from 2010 through the present.
17. All Documents sufficient to identify the calendar You maintained from August 1, 2013 through July 31, 2014.

# **ATTACHMENT B**



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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 80548 / April 28, 2017**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3868 / April 28, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17950**

**In the Matter of**

**David Pruitt, 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 David Pruitt, CPA ("Pruitt" or "Respondent") pursuant to Sections 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(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 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.

<sup>2</sup> 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.

## II.

After an investigation, the Division of Enforcement alleges that:

### A. SUMMARY

1. These proceedings arise out of L3 Technologies, Inc.'s (formerly known as L-3 Communications Holdings, Inc.) ("L3") improper recognition of \$17.9 million in revenue at its Army Sustainment Division ("ASD") subsidiary in 2013 and Q1 2014. The improperly recognized revenue was related to a fixed-price aircraft maintenance contract between ASD and the U.S. Army, referred to as the C-12 Contract.

2. In late December 2013, Pruitt—the VP of Finance at ASD—instructed a subordinate to create 69 invoices related to unresolved claims under the C-12 Contract in L3's internal accounting system ("SAP"), and withhold delivery of those invoices from the U.S. Army. However, other than a handful of invoices that were delivered to the U.S. Army in early 2014, the vast majority of these invoices were never submitted to the U.S. Army, but instead were discovered during an investigation of ASD's finances approximately six months later. By entering the invoices in SAP, ASD improperly recognized approximately \$17.9 million in additional revenue at the end of 2013, and in Q1 2014.

3. On October 10, 2014, L3 filed a Form 10-K/A for the fiscal year ended December 31, 2013, and a Form 10-Q/A the first quarter of 2014. Among other things, L3 disclosed in its amendments that it was revising its financial statements to record aggregate pre-tax charges of \$94 million in the Aerospace Systems segment for periods prior to 2011 up to 2013, and approximately \$75 million for the first and second quarters of 2014. Of the adjustments, \$69 million were attributable to the C-12 Contract, and \$15.4 million of the adjustments were related to the improper revenue recognition related to the invoices.

### B. RESPONDENT

4. Pruitt, 60 years old, is a resident of Owens Cross Roads, AL. Pruitt began working for L3 in 2003, and served as the VP of Finance for ASD from January 2013 until January 2014. In January 2014, he was reassigned to the position of Senior Director of Finance for Army Fleet Support at ASD, and served in that role until his termination from L3 on July 30, 2014. Pruitt is a certified public accountant ("CPA") (licensed in Kentucky), certified management accountant, certified government financial manager, and certified defense financial manager.

### C. OTHER RELEVANT ENTITY

5. L3, (NYSE ticker: LLL), a Delaware corporation with its principal place of business in New York, NY, is a prime contractor for various foreign and U.S. Government agencies, including the U.S. Department of Defense. L3's securities are registered with the Commission pursuant to Section 12(b) of the Exchange Act. L3 is a prime contractor in aerospace systems and national security solutions. For fiscal year 2013, L3 reported net sales of \$12.6 billion and an operating income of \$1.2 billion on its consolidated statements of operations.

#### D. BACKGROUND

6. Aerospace Systems is one of four business segments of L3, delivering integrated solutions for the global intelligence market and providing maintenance and logistics support for a wide variety of aircraft and ground systems. Each business segment is comprised of multiple business “sectors,” and each business sector is comprised of multiple business “divisions.” Of relevance to this matter are the Logistics Solutions sector of Aerospace Systems, which provides, among other things, logistics support and aircraft maintenance services to its military customers, and ASD, a subsidiary of Logistics Solutions, which provides support for United States Army aircraft at bases throughout the United States and around the world.

7. L3, through its subsidiary Vertex, and later ASD, contracted to maintain a fleet of approximately 100 fixed-wing C-12 airplanes for the U.S. Army pursuant to the C-12 Contract. The contract had a five year term, commencing on June 2, 2010, and ending on January 31, 2015, with the partial initial year referred to as a “base year” and each subsequent twelve-month period referred to as an “option year.” Almost immediately after receiving the results of its first quarter of operations under the C-12 Contract, Vertex realized that it underbid for the contract, and that the margins going forward would be very low—in the range of 1-2%—creating significant obstacles for Vertex’s management. ASD was formed at the beginning of 2013, in large part to take over the C-12 Contract from Vertex, and improve L3’s performance under the contract. ASD, and particularly Pruitt, worked through 2013 to resolve various issues with the C-12 Contract.

#### E. THE REVENUE RECOVERY INITIATIVE AND LEGAL ENTITLEMENT

8. In the summer of 2013, Pruitt and the President of ASD (“ASD President”) learned that ASD had unaccounted for costs on its balance sheet related to the C-12 Contract in the range of \$30 to \$35 million. The business manager on the C-12 contract (the “C-12 Business Manager”) believed the growth in that particular balance was a result of cost overruns that would result in a large loss to ASD. The C-12 Business Manager informed Pruitt of the costs, and prepared him for a meeting with the ASD President and the President of Logistics Solutions—the corporate parent of ASD—to discuss the potential loss.

9. On or about September 20, 2013, Pruitt, the ASD President, and the C-12 Business Manager reported to the President of Logistics Solutions that they had identified a growing work in progress (“WIP”) balance on ASD’s books arising from the C-12 Contract, and that the Division may need to write off some of the WIP (approximately \$8-9 million). The report angered the President of Logistics Solutions, and he asked members of ASD to re-check their numbers and verify that it was true. The President of Logistics Solutions also directed ASD to determine what work the WIP balance related to, and asked Pruitt, the ASD President, and other members of ASD to determine how to bill it to the U.S. Army. The President of Logistics Solutions requested weekly meetings—and later, daily meetings—with ASD officers, including the ASD President and Pruitt, to obtain a better understanding of the WIP balance. Pruitt and the ASD President were in constant communication with each other from September to December 2013 concerning the status of the review. During the September time period, Pruitt and the ASD President were aware that ASD would not likely meet its annual operating plan EBIT (Earnings Before Interest and Taxes), and it was also evident at the time that ASD was at risk of falling below the required EBIT threshold (i.e., 75% of plan) necessary for management to receive incentive bonuses.

10. The ASD President directed the C-12 Contract team at ASD to review the contract in detail to determine if there were items not billed to the Army that should have been billed. This became known as the Revenue Recovery Initiative. By mid-November 2013, the C-12 Contract Manager identified approximately \$50.6 million in work performed by ASD under the contract that was not billed to the Army. The \$50.6 million value was comprised of nine different work stream items and costs under the C-12 Contract.

11. During the fall of 2013, the focus of the Revenue Recovery Initiative turned to identifying ways to recognize revenue on the unbilled \$50.6 million. Based on the President of Logistics Solutions' words and conduct, Pruitt and the ASD President believed that the President of Logistics Solutions expected ASD to achieve some accounting benefit on the \$50.6 million revenue recovery items by the end of 2013. On November 8, 2013, after reviewing operations review slides prepared by the ASD President, the President of Logistics Solutions sent an email (copying Pruitt) directing the ASD President to "please identify with coordination with [the VP of Finance and CFO of the Aerospace Systems segment ("Aerospace Systems CFO")] the C-12 Army accounting to be used for Q4, specifically, which costs will be deferred related to the claims, and take this accounting into consideration on your LRE [i.e. long range estimate] so we know where we expect to get to in EBIT for 2013."

12. Also during the fall of 2013, certain individuals at ASD and Logistics Solutions began discussing the possibility of recognizing revenue on the \$50.6 million in claims based on a concept called "legal entitlement," even though the claims had not been resolved with the Army. Pruitt and the ASD President both participated in discussions concerning the recognition of revenue based on legal entitlement.

13. On November 22, 2013, there was a conference call among Pruitt, the Aerospace Systems CFO, and others to discuss certain options for how to record revenue pursuant to legal entitlement. The Aerospace Systems CFO recalled that the task was for the C-12 Contract experts—i.e., the General Counsel of ASD and the General Counsel of Logistics Solutions—to find clauses in the C-12 Contract that entitled ASD to payment, show that the government did not follow its obligations under the clauses, determine what to submit as a request for equitable adjustment ("REA"), and estimate based on the contract's history how much the Army would pay. REAs were formal methods under the C-12 Contract by which ASD could request an equitable adjustment to the funding amounts for each Contract Line Item ("CLIN").

14. At Pruitt's request, the General Counsels of ASD and of Logistics Solutions estimated that ASD was likely to recover approximately \$30 million of the entire \$50.6 million, based on their history of negotiations with the government. Between Thanksgiving and December 5, 2013, Pruitt asked the General Counsels of ASD and of Logistics Solutions to prepare letters of legal entitlement that would be used to support the revenue recognition. The General Counsel of ASD indicated that as to one legal entitlement letter, Pruitt drafted it and put the General Counsel of ASD's name on the signature block, asking him to sign it. Because the letter was drafted without his permission, the General Counsel of ASD refused to sign it, and indicated that he was upset that Pruitt had attempted to draft a letter purporting to be from him.

15. Pruitt recalls discussing three options with the President of Logistics Solutions and the Aerospace Systems CFO about how to address the revenue recovery items in November 2013:

(1) record the transactions as inventory, increasing the WIP balance; (2) accrue the revenue associated with the legal entitlement issues; and (3) invoice the Army for amounts to which ASD believed it was legally entitled. While no contemporaneous documents corroborate Pruitt's account that invoicing was considered, Pruitt further claims that he input the transactions in L3's live SAP system to analyze and evaluate the output before a decision was made with respect to recording legal entitlement. After the analysis was complete, according to Pruitt, the transactions were reversed out of SAP.

16. In November 2013, a decision was made by the ASD President and the President of Logistics Solutions to reassign Pruitt from his role as VP of Finance at ASD, based on his performance related to working through several accounting issues including disclosure statements. The ASD President notified Pruitt in early December 2013 of the decision, but kept Pruitt on in his role until the end of January 2014.

17. The Aerospace Systems CFO learned in or around May 2014 that Pruitt was not preparing estimates at completion ("EACs") for the C-12 Contract while the contract was in effect as he was required to do. EACs allowed divisions to project revenue and EBIT, and were therefore relied on by ASD to create forecasts and the annual operating plan. Pruitt falsely represented to the Aerospace Systems CFO and others at group meetings that EACs were completed for each option year.

18. On December 3, 2013, the ASD President presented an operations review regarding ASD to the President of Logistics Solutions. Included was a slide entitled, "Army C-12 Contract Dispute Summary," which listed a table of ten rows with separate "REA/Claim Values" adding up to \$50.6 million. A column on the table was entitled "Legal Entitlement" and applied a discount of either 50% or 60% to each claim value that comprised the \$50.6 million. The presentation also included detailed slides on six of the claims, and noted that ASD planned to meet with the government to reach an amicable resolution and that, "[a]fter the negotiations with the government, L3 is postured to immediately invoice and bill the government."

19. The revenue recovery claims were presented by ASD to the U.S. Army in meetings that took place in late November and early December 2013. On December 5, 2013, the C-12 Contract Manager and the General Counsel of ASD met with representatives of the U.S. Army to discuss the C-12 contract disputes. An email from the C-12 Contract Manager to the President of Logistics Solutions reporting on this meeting indicates that the U.S. Army planned to meet internally on December 17, 2013, and begin meeting with L3 after the new year with the "intent [] to resolve every one of the disputes outside of the REA/Claim process... as quickly as possible." Nothing in the email indicates any request by the U.S. Army to invoice any of the claims before the end of the year. In fact, neither Pruitt nor the ASD President expected to resolve the disputes concerning the revenue recovery items by the end of 2013.

#### F. GENERATION OF INVOICES AND IMPROPER REVENUE RECOGNITION

20. In late December 2013, Pruitt approached the C-12 Business Manager and asked him to explain how revenue was recorded on ASD's books. The C-12 Business Manager told Pruitt that it was either billed or accrued. Pruitt subsequently asked him at what point along the path revenue was recognized. With respect to the unresolved claims concerning the C-12 Contract,

the C-12 Business Manager explained that in order to recognize revenue, a sales order must be created and then released to the Billing Clerk at ASD. The Billing Clerk then generated an invoice in SAP, at which point revenue was recognized on ASD's books. The invoice was then supposed to be submitted into Wide Area Work Flow ("WAWF"), which transmits invoices to the customer, but the submission of the invoice into WAWF did not have to occur in order for ASD to recognize revenue.

21. Pruitt and the Aerospace Systems CFO had a telephone call on or about Friday, December 20, 2013. Pruitt claims they discussed a one-page list of the revenue recovery claims that he purportedly emailed the Aerospace Systems CFO prior to the call. Pruitt claims that he and the Aerospace Systems CFO went down the list and the Aerospace Systems CFO instructed Pruitt which items to invoice and which to accrue. The Aerospace Systems CFO denies giving Pruitt blanket authority to invoice for the claims, but does recall a conversation in which he told Pruitt that he could invoice for work performed during option year 3 (i.e., 2013).

22. On Monday, December 23, 2013, Pruitt emailed the C-12 Business Manager "billing amounts" for seven of the revenue recovery items. The C-12 Business Manager emailed ASD's Controller, copying the C-12 Contract Manager and Pruitt, asking the individual to "[p]lease add planned revenue . . . for the revenue recovery billings that I did today," and further stating, "I believe the current course of action is that they are not to be released to the government."

23. To physically generate the invoices, ASD had to seek the assistance of Vertex's Shared Services department in Madison, AL, because ASD's invoicing specialist was out of the office. Two clerks in Vertex's billing department indicated that not entering invoices through WAWF was unusual, and one conferred with a supervisor, the Controller of Vertex. The Controller of Vertex had seen this type of practice on other smaller accounts while working for an audit firm, but had never seen it at L3 and recognized that not submitting the invoices through WAWF would violate certain "work procedures." The Controller of Vertex called Pruitt, and Pruitt said that based on an agreement with the U.S. Army, ASD and the U.S. Army were going to negotiate each invoice before submitting it through WAWF. The Controller of Vertex was appeased by this conversation, and 69 invoices were generated in SAP but withheld from WAWF, causing ASD to recognize approximately \$17.9 million in revenue, without delivery of the related invoices to the Army by WAWF.

24. The C-12 Business Manager reported concerns with Pruitt's invoicing request to the C-12 Contract Manager on Friday, December 27, 2013, in a conversation that was memorialized in an email that night:

It appears as though [*sic*] the Revenue Recovery items are being handled outside of the L3 corporate policy. I cannot quote the policy, however, I know that a revenue accrual the size of the one that it would take to account for the Revenue Recovery would require Corporate approval. To avoid that Corporate approval, we have been directed to cut invoices through the billing system, but not send the invoices to the government. I believe that is being done to avoid Corporate policy and try to "hide" this from the auditors. I could be mistaken, but this doesn't pass the smell test.

25. That same day, the C-12 Contract Manager had a conversation with Pruitt in which the C-12 Contract Manager relayed the C-12 Business Manager's issues, and also noted that certain employees were concerned regarding "invoice directives" from ASD. Pruitt explained, as the C-12 Contract Manager later wrote in a report to L3's ethics office on December 31, 2013 ("Ethics"), that:

[I]nvoicing in SAP with no immediate intent to extend the invoice to the Government was a "technique" to utilize since New York had forbid [ASD] to accrue the designated Army C-12 Revenue Recovery amounts. This technique had the same year and effect on the financials that accrual would have had—potentially up to \$18M revenue and associated EBIT recognition. I asked [Pruitt] if this "technique" was known to and approved by New York. [Pruitt] answered that he did not know, but that Group had directed him to take this path. I asked if we had this direction in writing and the answer was no.

26. In that same December 31, 2013 email, the C-12 Contract Manager also reported on a conversation that occurred on Monday, December 30, 2013, stating:

Yesterday in a conversation with [the C-12 Business Manager] and the [ASD Controller] over year end close outs, [Pruitt], according to the [C-12 Business Manager], stated that the Army C-12 year end numbers needed to be whatever they had to be in order for Division to make \$40M EBIT. I'm sure [Pruitt] meant something other than how the comment was taken. However, we, and especially the CFO, need to be careful with what we say—in particular in this current environment.

27. ASD, with the revenue from the invoices, met the required 75% of their plan to make bonuses. Pruitt received a bonus of \$62,100 on a base salary of \$189,673 attributable to ASD achieving 75% of plan. This bonus was later rescinded by L3.

#### G. JANUARY 2014 ISSUES REGARDING ACCRUALS AND INVOICES

28. As part of the year-end close, Pruitt also requested that the C-12 Business Manager enter \$8.8 million of accruals related to three revenue recovery items. In connection with these accruals, the Aerospace Systems CFO sought approval from the head of audit and the Corporate Controller to reverse costs charged in prior option years based on anticipated recovery from the government.

29. The Corporate Controller did not allow the accrual of these items. As the Aerospace Systems CFO explained to Pruitt on January 7, 2014, "[b]ased on consultation with [the Corporate Controller and another individual from L3 Corporate] ... the following needs to take place: 1. reverse the [\$8.8M] entries [ ]...[and] Record as billed A/R and revenue the Option Year 3 amounts that are approximately \$2.8M for the PMO Support and \$450k for the Reduced Payments." The Aerospace Systems CFO further explained, "[t]he reversal of cost of sales charged in prior option years is not allowed under [Staff Accounting Bulletin] 104, so we will not be allowed to pick up that profit."

30. The Controller's office requested through the Aerospace Systems CFO that ASD obtain a letter from the U.S. Army indicating that ASD had permission to bill for the \$3.2 million

Option Year 3 claims. In connection with seeking this letter, Pruitt received from the C-12 Contract Manager two separate email chains from late December and early January, neither of which Pruitt had been copied on previously, discussing whether L3 should invoice for all of the revenue recovery items (i.e., not just the \$3.2 million). Both email chains suggest that the U.S. Army intended for L3 to send invoices that would be paid if justified or denied. In one of the email chains, the C-12 Contract Manager specifically asks, “[j]ust to be clear . . . are you telling me to invoice (bill) the government for what we believe we are owed to start the conversation? Or are you telling me to file a claim? I see those as two different actions.” The response was, “I think the first step is to invoice the Government, then a claim will follow if the invoice is denied.” Neither email chain mentioned invoicing in L3’s SAP system but withholding the invoice from the U.S. Army.

#### H. PRUITT MISLEADS L3’s AUDITORS

31. While ASD was focused on obtaining the letter from the U.S. Army, L3’s external auditor sampled ASD invoices and noticed 12 were “pending coordination with the government.” L3’s auditor requested “the WAWF acceptance document or proof of cash receipt as proof of the billing.” On January 14, Pruitt sent a draft explanation to ASD’s Controller (copying the General Counsels of ASD and Logistics Solutions) stating, “[l]et’s review prior to providing to [L3’s auditor].” The document states, in part:

The USG Fixed Wing Division Chief of Contracting [“Army Contracting Officer”]has requested that we coordinate certain 2013 invoices with her prior to submitting to the ACO via WAWF. These invoices are related to contractual interpretation of the contract for which we have a legal basis for our interpretation. This is a slight change in the invoice approval routing process since [the Army Contracting Officer] is not currently in the WAWF routing and she desires to review these invoices prior to the ACO, who is the first level of USG approval in the WAWF.

32. This statement, provided to L3’s auditor, was false and misleading in several respects. First, it omitted that the invoices had not been delivered to the U.S. Army, through WAWF or otherwise. Notably, when the invoices had been generated, Pruitt told the C-12 Business Manager and the C-12 Contract Manager that the procedure was a “technique” to utilize since Corporate had forbidden ASD from accruing revenue. Pruitt told the C-12 Contract Manager that group was directing it, not that the U.S. Army had requested the change (as noted in the email). Later, when the Controller of Vertex questioned why ASD was withholding the invoices from WAWF, Pruitt said that they were going to negotiate each invoice. Moreover, after having just seen the two email chains the C-12 Contract Manager had sent him indicating confusion as to whether or not to invoice the U.S. Army, Pruitt understood that the Army Contracting Officer had not requested ASD to follow the detailed procedure he explained to L3’s auditor. But Pruitt’s misleading statement had the intended effect. –L3’s auditor took comfort that the invoices in question would in fact be presented to the U.S. Army.



## I. THE MISLEADING LETTER TO L3 CORPORATE

33. On January 17, 2014 – three days after Pruitt sent the above explanation to L3’s auditor – the General Counsel of ASD met with the Army Contracting Officer regarding three revenue recovery issues. Pruitt reported to the Aerospace Systems CFO that the General Counsel of ASD “addressed the letter on the invoicing process [with the Army Contracting Officer] and [the Army Contracting Officer] stated [they] would [get ASD a letter] but needed to route through their legal prior to release” and that the General Counsel of ASD “believes it may be possible when they meet legal next Friday.” The Aerospace Systems CFO spoke to the President of Logistics Solutions, who then called the President of ASD to reiterate the importance of urgently getting the letter from the U.S. Army. The General Counsel of ASD then sent the Army Contracting Officer an e-mail – drafted by Pruitt – requesting the Army Contracting Officer’s acknowledgment that ASD could issue invoices to the U.S. Army. The e-mail reads as follows:

We appreciate the opportunity to address our contract status with you today. We would like to confirm our understanding of the process going forward. L3 intends to present each contract request with supporting documentation and invoice to the USG Contracting Office for review prior to submitting into WAWF for system processing. We agree this is the most efficient manner to resolve pass [sp.] due invoice actions and we intend to follow the same format presented to you today for Option Year 3. We would appreciate your understanding and acknowledgment of this process.

34. The Army Contracting Officer responded the same day with the following message:

I acknowledge that this is the process we agreed to earlier. *It would be an exercise in futility to submit invoices for these requested contract funding adjustments at this point, as they would be rejected by the DCMA Administrative Contracting Officer.* If we are able to reach resolution on these issues (which is the ultimate goal), my office will do one of two things: 1) Prepare a modification to the contract, adding additional funding if required; 2) Communicate our acknowledgment/acceptance of the proposed invoices to the DCMA ACO. (emphasis added)

35. The General Counsel of ASD then forwarded the Army Contracting Officer’s reply to Pruitt and the President of ASD. Pruitt asked the General Counsel of ASD to delete the sentence stating that “[i]t would be an exercise in futility to submit invoices . . .” and forward the doctored e-mail to L3 Corporate. The General Counsel of ASD told Pruitt he was “out of [his] freaking mind.” Pruitt and the President of ASD then asked the General Counsel of ASD to go back to the Army Contracting Officer to ask the Army Contracting Officer to remove that sentence. Initially, the General Counsel of ASD adamantly opposed going back to the Army Contracting Officer, and even threatened to quit, but eventually agreed to do so. The Army Contracting Officer then sent a new e-mail to the General Counsel of ASD removing the “exercise in futility” sentence, which was satisfactory to Pruitt and the President of ASD. The e-mail was later forwarded to L3 Corporate. L3’s auditor claims that based in part on the e-mail exchange between ASD and the U.S. Army, it believed that the Army Contracting Officer was aware of the revenue recovery invoices, but that the invoices were being reviewed by the U.S. Army before they were submitted into WAWF.

36. The modified e-mail that Pruitt and the President of ASD procured from the Army Contracting Officer is deceptive, however, because it gave L3 Corporate and L3's auditor the impression that ASD had permission to invoice the U.S. Army for unresolved claims, when that was not actually the case. Pruitt knew, based on his prior conversations with the General Counsel of ASD, as well as the Army Contracting Officer's original e-mail, that the U.S. Army was not prepared to accept invoices.

J. PRUITT'S ADDITIONAL MISSTATEMENTS TO L3's AUDITOR

37. In April 2014, L3's auditor requested information from L3 to explain why the accounts receivable balance at ASD had grown by \$18.5 million from Q1 2013 to Q1 2014. Pruitt drafted the below explanation, which was communicated to L3's auditor:

The Army C-12 Program has experienced a \$18.5M growth in Accounts Receivable (AR) bills created in SAP for the period ending 3-28-14 compared to the previous year's Q1 ending AR balance. Of this variance, \$17.9M is directly associated with L3 and the USG regarding contract technical review. The USG has requested extensive documentation beyond the normal requirements to complete their review. These invoices cross multiple contract years and involve technical over and above requirements that also cross over functional government oversight boundaries. Although we expected a reasonable response time from the USG, we understand their requirement to conduct due diligence.

38. The statement is misleading because it suggested that invoices had already been delivered to the U.S. Army. Also the sentence that "[t]he USG has requested extensive documentation beyond the normal requirements to complete their review" was not accurate because there was no expectation for the government to respond and perform due diligence on claims that had not yet been submitted.

K. L3's INVESTIGATION AND DISCOVERY OF IMPROPER ACCOUNTING

39. In June 2014 – approximately six months after the invoice allegations were first raised – L3 investigators discovered a billing supervisor at L3 had kept the hard copy revenue invoices on a shelf in her office. The invoices had not been delivered to the U.S. Army, in violation of a specific internal control of L3 that required delivery of invoices.

40. Accounting Standards Codification 605-10-25-1 provides that revenue can be recognized when it is realized or realizable and earned. Consistent with the authoritative literature, paragraph (A)(1) of the Codification of Staff Accounting Bulletins, Topic 13: Revenue Recognition (which provides guidance on the C-12 Contract) states ("Topic 13(A)(1)") that collectability be reasonably assured and that the amount of revenue be fixed or determinable as conditions to recognizing revenue. By failing to deliver the invoices, ASD's recognition of the \$17.9 million in revenue violated these standards and therefore did not comply with U.S. GAAP.

41. L3 filed its Form 10-K for the fiscal year ending December 31, 2013 on February 25 and its Form 10-Q for the quarter ending March 31, 2014 on May 1, 2014. These filings were inaccurate.

L. L3's REVISED FINANCIAL STATEMENTS

42. On October 10, 2014, L3 filed a Form 10-K/A for the fiscal year ended December 31, 2013, and a Form 10-Q/A the first quarter of 2014. Among other items, the amended filings disclosed that with respect to its Aerospace Systems segment, L3 identified and recorded pre-tax charges of \$60 million for 2013; \$25 million for 2012; \$5 million for 2011; \$4 million for periods prior to 2011; \$20 million for 1Q:14; and \$55 million for 2Q:14, for a total of \$169 million in the segment. Of the adjustments, \$69 million were attributable to the C-12 Contract due to "cost overruns inappropriately deferred, sales invoices inappropriately prepared, and the failure to timely and accurately perform contract estimates at completion and valuation assessments of inventories and receivables," at the Army Sustainment Division. Of the \$69 million, \$15.4 million in pre-tax income was related to the creation of invoices related to unresolved claims.

M. VIOLATIONS

43. As a result of the conduct described above, Pruitt caused L3's violations of Section 13(b)(2)(A) of the Exchange Act, which requires an issuer to make and keep books, records, and accounts, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

44. As a result of the conduct described above, Pruitt willfully violated Section 13(b)(5) of the Exchange Act, which prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying any book, record, or account of an issuer.

45. As a result of the conduct described above, Pruitt willfully violated Rule 13b2-1 of the Exchange Act, which prohibits any person from, directly or indirectly, falsifying or causing to be falsified, any book, record, or account that the Exchange Act requires an issuer to maintain.

**III.**

In view of the allegations made by the Division of Enforcement, 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. Whether, pursuant to Section 21C of the Exchange Act, Respondent should be ordered to cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A) of the Exchange Act, and Rule 13b2-1 thereunder; Respondent should be ordered to cease and desist from committing or causing any violations and any future violations of Section 13(b)(5) of the Exchange Act; and whether Respondent should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act.

C. Whether, pursuant to Section 4C of the Exchange Act, and Rule 102(e) of the Commission's Rules of Practice, Respondent should be censured or denied, temporarily or permanently, the privilege of appearing or practicing before the Commission as an accountant.

#### IV.

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

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

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

**TEXAS SECRETARY of STATE**  
**ROLANDO B. PABLOS**

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**BUSINESS ORGANIZATIONS INQUIRY - VIEW ENTITY**

<b>Filing Number:</b>	802092706	<b>Entity Type:</b>	Domestic For-Profit Corporation
<b>Original Date of Filing:</b>	October 30, 2014	<b>Entity Status:</b>	In existence
<b>Formation Date:</b>	N/A		
<b>Tax ID:</b>	32055561545	<b>FEIN:</b>	
<b>Duration:</b>	Perpetual		
<b>Name:</b>	48ER PROPERTIES, INC.		
<b>Address:</b>	1900 HI LINE DRIVE 234 DALLAS, TX 75207 USA		

<a href="#">REGISTERED AGENT</a>	<a href="#">FILING HISTORY</a>	<a href="#">NAMES</a>	<a href="#">MANAGEMENT</a>	<a href="#">ASSUMED NAMES</a>	<a href="#">ASSOCIATED ENTITIES</a>
<b>Last Update</b>	<b>Name</b>	<b>Title</b>	<b>Address</b>		
February 9, 2017	TIMOTHY J KEENAN	VICE PRESIDENT	1900 HI LINE DRIVE 234 DALLAS, TX 75207 USA		
February 9, 2017	TIMOTHY J KEENAN	DIRECTOR	1900 HI LINE DRIVE 234 DALLAS, TX 75207 USA		
February 9, 2017	KIRA M KEENAN	PRESIDENT	1900 HI LINE DRIVE 234 DALLAS, TX 75207 USA		
February 9, 2017	KIRA M KEENAN	DIRECTOR	1900 HI LINE DRIVE 234 DALLAS, TX 75207 USA		

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September 22, 2017

### VIA OVERNIGHT COURIER

Timothy Keenan  
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Dallas, Texas 75207

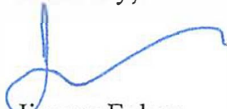
*Re: In the Matter of David Pruitt, CPA; Admin. Proc. File No. 3-17950*

Dear Mr. Keenan:

We are counsel to Lieutenant Colonel David Pruitt (Ret.), the respondent in the above-referenced Administrative Proceeding commenced by the U.S. Securities and Exchange Commission ("SEC"). On August 28, 2017, you were served at the above address with a subpoena ordering you to produce documents (the "Subpoena"). Our records indicate the Subpoena was received and signed for on August 29, 2017. A response to the Subpoena was due on September 18, 2017.

As of the date of this letter, you are in default as you have not responded to the Subpoena on or before September 18, 2017. In order to prevent the initiation of proceedings to compel your compliance with the Subpoena, we ask that you comply by September 26, 2017. We reserve the right to seek appropriate relief from the Court to compel your compliance should you continue to be in default. A courtesy copy of the Subpoena and Attachments are enclosed herein for your convenience. Please contact the undersigned if you have any questions or require additional information.

Sincerely,



Jimmy Fokas  
Partner

Enclosures