

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

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

**In the Matter of**

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

**Respondents.**

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**THE DIVISION OF ENFORCEMENT'S PRE-HEARING BRIEF**

Alyssa A. Qualls  
Daniel J. Hayes  
Ariella O. Guardi  
U.S. Securities and Exchange Commission  
175 West Jackson Boulevard, Suite 1450  
Chicago, Illinois 60604  
Telephone: (312) 353-7390  
Email: quallsa@sec.gov

Donald Searles  
Jennifer Calabrese  
Los Angeles Regional Office  
U.S. Securities and Exchange Commission  
444 South Flower Street, Suite 900  
Los Angeles, CA 90071  
Telephone: (323) 965-4573  
Email: searlesd@sec.gov

Leslie Kazon  
New York Regional Office  
U.S. Securities and Exchange Commission  
200 Vesey Street, Suite 400  
New York, NY 10281  
Telephone: (212) 336-0107  
Email: kazonL@sec.gov

*Attorneys for the Division of Enforcement*

## I. PRELIMINARY STATEMENT

“Push it through so we can get paid. [C]an’t win them all.”

This was an instruction from Respondent Greg Wahl about a quarterly review that his firm, Anton & Chia, LLP (“A&C”) performed for Accelera Innovations, Inc. (“Accelera”). But it could have related to any of the engagements at issue in this administrative proceeding. Instead of doing the work and following the rules, the Respondents provided rubber-stamp audits and reviews of misstated financial statements, in what amounted to a veritable audit opinion mill. And they didn’t do it once, they did it over and over again – over the course of three years, twelve engagements, and three different issuer clients.

This matter involves serial violations of the federal securities laws and improper professional conduct by a former public accounting firm, A&C; its managing partner, Greg Wahl; its co-owner, Georgia Chung; and a former audit partner, Michael Deutchman. The conduct relates to the audit and/or interim review engagements for three separate microcap company clients: Accelera, Premier Holding Corporation (“Premier”), and CannaVEST Corp. (“CannaVEST”). For all three clients, the Respondents consistently and egregiously deviated from standards of the Public Company Accounting Oversight Board (“PCAOB”).<sup>1</sup> For at least Accelera and Premier, Wahl and Deutchman’s audit conduct was also violated multiple provisions of the federal securities laws.

The Division of Enforcement will present evidence establishing that Wahl willfully violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5; that Wahl and Deutchman willfully aided and abetted and were causes of violations of Sections 10(b) and 13(a) of the Exchange Act, Rules 10b-5, 13a-1, and/or 13a-13 thereunder, and Rule 2-02(b) of Regulation S-X, and willfully violated and/or aided and abetted violations of the federal securities

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<sup>1</sup> Those auditing standards are sometimes referred to hereafter as “GAAS.”)

laws or the rules and regulations thereunder for the purposes of Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice; and that Wahl, Deutchman, and Chung engaged in improper professional conduct within the meaning of Section 4C(a)(2) of the Exchange Act and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

## II. FACTS

### A. Anton & Chia Background

A&C was a PCAOB-registered auditing firm based out of Newport Beach, California. (OIP ¶ 9.) It started in 2009 and grew at a reckless pace. (*Id.*) In 2015, just six years after it was founded, the firm had 8 audit partners, 33 staff, and 149 audit clients.<sup>2</sup> One year after that, the firm was under at least three SEC investigations and began missing payments to employees. Two years after that, in 2018, the firm filed for bankruptcy.

In his blind ambition to grow the firm and in service of his "push it through so we can get paid," business philosophy, Wahl recklessly churned through both staff and audit engagements. The firm had high staff turnover. Auditors, including Wahl himself, were consistently overworked. (OIP ¶¶ 30, 84.) This inevitably resulted in egregiously deficient work, as exemplified by his work on the Accelera, Premier, and CannaVEST engagements.

### B. Accelera Engagements

#### 1. *Background*

A&C performed audits of Accelera's year-end financial statements for 2013 and 2014 and quarterly reviews of Accelera's financial statements throughout 2014 and 2015.<sup>3</sup> Wahl was

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<sup>2</sup> According to a PCAOB inspection report dated September 29, 2016.

<sup>3</sup> A&C also performed the 2015 audit of Accelera. However, the only Respondent involved in the 2015 audit engagement was A&C itself. As A&C (through its bankruptcy trustee) is in the process of settling the Division's claims, this brief will not address the 2015 audit conduct. If the settlement with A&C is not approved, the Division reserves the right to amend this brief to include the 2015 audit conduct as well.

the engagement partner for both audits and for five of the quarterly reviews. Deutchman was the engagement quality review partner (“EQR”) for the 2014 audit and the 2015 quarterly reviews, and the engagement partner for the third quarter 2014 quarterly review.

## 2. *Accelera’s Improper Consolidation of BHCA*

Beginning with the year-end financial statements for 2013, Accelera began consolidating into its publicly-filed financial statements the financials of a purported subsidiary, Behavioral Health Care Associates, Ltd. (“BHCA”). (OIP ¶ 33.) The vast majority (90%) of Accelera’s reported revenue came from BHCA. (*Id.* ¶ 37.) However, Accelera never actually owned or controlled BHCA. (OIP ¶ 39.)

Accelera entered into a stock purchase agreement (the “SPA”) whereby it agreed to purchase BHCA for \$4.55 million. (OIP ¶ 40.) The SPA, as well as other documents memorializing the transaction, made it clear that any ownership interest in BHCA would pass *only after* Accelera made the initial \$1 million payment. (*Id.* ¶ 41.) The SPA stated – on the first page – that the stock in BHCA would change hands only “[u]pon payment of the purchase price set forth in Section 1.1.1.1.” (*i.e.*, the initial \$1 million payment). (*Id.*) Similarly, the promissory note and bill of sale associated with the transaction both indicated that they were only “effective upon the payment of the purchase price set forth in Section 1.1.1.1.” (*Id.*)

Accelera never paid a single dollar for BHCA. (OIP ¶ 43.) Accelera never acquired any shares of BHCA. (OIP ¶ 47.) Accelera never controlled or operated BHCA in any way. (*Id.* ¶ 49.) Consolidating Accelera’s financials with BHCA’s financials – even though Accelera did not own or control BHCA – was a clear violation of generally accepted accounting principles (“GAAP”). (*Id.* ¶ 52; *see* FASB 810-10-15-8 (“the usual condition for a controlling financial interest is ownership of a majority voting interest, directly or indirectly, of more than 50 percent

of the outstanding voting shares”).)

### **3. *Red Flags Indicating that BHCA Was Improperly Consolidated***

A&C, Wahl and Deutchman had copies of all of the agreements referenced above. (OIP ¶ 42.) They knew that ownership would not transfer until Accelerera paid, and they knew that Accelerera never paid. (*Id.* ¶¶ 42, 57-58.) Therefore, they knew or recklessly disregarded that BHCA should not have been consolidated into Accelerera’s financial statements.

There were other reasons that Wahl and Deutchman should have questioned Accelerera’s accounting treatment of BHCA. Among other things: (a) Accelerera’s CFO repeatedly questioned the propriety of consolidation, including telling Deutchman that he “thought these entities were inappropriately consolidated” (*id.* ¶ 59); (b) each time A&C staff conducted field work at BHCA, BHCA’s owner informed them that Accelerera did not own or control BHCA (OIP ¶ 56); (c) Accelerera elected *not* to consolidate three other acquisition targets, even though the agreements with those targets contained substantially the same terms as the SPA (*id.* ¶ 62); (d) although amendments to the SPA extended due date for Accelerera’s payment, Accelerera fell into default on multiple occasions (*id.* ¶ 63); and (e) Accelerera never filed an acquisition 8-K containing BHCA’s financial statements, which it would have been required to file if it had ever actually acquired BHCA (OIP ¶ 61). Wahl and Deutchman failed to identify, analyze, or document these red flags.

### **4. *False Audit Reports Issued by Anton & Chia***

Although the SPA clearly conditioned Accelerera’s acquisition of BHCA upon Accelerera’s payment of the purchase price, and despite all the red flags described above, A&C issued clean audit reports on Accelerera’s misstated financial statements. Those publicly-filed audit reports, which were signed by Wahl, declared that A&C had conducted its audits in accordance with PCAOB standards and that, based on that audit, it was A&C’s opinion that the consolidated

financial statements presented the company’s financial position and results fairly, in conformity with GAAP. (OIP ¶ 26.) Both statements were false, as Wahl and Deutchman knew or recklessly disregarded.

#### 5. *Inadequate Procedures Regarding the Consolidation of BHCA*

In conducting the audits and reviews of Accelera’s financial statements, Respondents’ procedures were consistently extremely deficient. If Respondents had performed the procedures required under GAAS, they would have easily discovered that Accelera did not own or control BHCA.

Throughout all eight engagements at issue, only *one* work paper squarely addressed the issue of consolidation. (OIP ¶¶ 68, 74-75.) That work paper – a memo included in the work papers for the 2013 audit – contains an obviously incorrect, incomplete, and contradictory analysis, and it does not support the conclusion that Accelera had control over BHCA in 2013. (*Id.* ¶¶ 68-73.) After that, for seven more engagements, no additional work was done to address the consolidation of BHCA. (OIP ¶¶ 74-77.) Respondents “just assumed” the prior analysis was correct. (*Id.* ¶ 77.) Red flag after red flag was ignored, and Respondents continued to rubber-stamp Accelera’s financial statements. (*Id.*) These failures constitute violations of myriad auditing standards, including:

- PCAOB Standard AU § 230, *Due Professional Care in the Performance of Work*, which required Respondents to exercise due professional care throughout the audit, including by “exercise of professional skepticism.” Under this standard, “[p]rofessional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence.” (AU § 230.07).
- PCAOB Standard AS No. 15, *Audit Evidence*, which required Respondents to “plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion.”
- PCAOB Standard AU § 722, *Interim Financial Information*, which required Respondents to perform, in connection with the interim reviews, “procedures to

obtain a basis for communicating whether he or she is aware of any material modifications that should be made to the interim financial information for it to conform with generally accepted accounting principles.”

- PCAOB Standard AU § 333, *Management Representations*, which states that “[i]f a representation made by management is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation made. Based on the circumstances, the auditor should consider whether his or her reliance on management’s representations relating to other aspects of the financial statements is appropriate and justified.”
- AS No. 7, *Engagement Quality Review*, which required Deutchman, as EQR, to evaluate whether appropriate consultations took place on any “difficult or contentious matters.” (AS No. 7.10(h), 7.15(f).)
- AS No. 3, *Audit Documentation*, which required Wahl and Deutchman to document the procedures it performed, evidence it obtained and conclusions it reached, including “the results of procedures that indicate financial statements could be materially misstated, as well as the actions taken to address those findings.”

#### **6. *Wahl’s and Deutchman’s Inadequate Procedures for Staffing and Supervising Engagements***

Respondents also violated standards involving the staffing and supervision of the Accelera engagements. The 2013 audit was thinly staffed, and the assigned staff was inexperienced and inadequately supervised. (OIP ¶ 84.) In one particularly egregious manifestation of the firm’s high-volume, low-quality business strategy, the staff accountant who drafted the memo on consolidation – the *only* documented analysis of Accelera’s accounting treatment of BHCA – was a new hire with no audit experience. (*Id.* ¶ 85.) Wahl testified he did not even know that this was the accountant’s first audit engagement. Accordingly, Wahl violated:

- PCAOB Standard AU § 210, *Training and Proficiency of the Independent Auditor*, which required A&C staff to have “adequate technical training and proficiency as an auditor.” (AU § 210.01).
- PCAOB Standard AU § 230, which required A&C staff to “possess ‘the degree of skill commonly possessed’ by other auditors.” (AU § 230.05).

- PCAOB Standard AS No. 10, *Supervision of the Audit Engagement*, which states that, as the engagement partner, Wahl was “responsible for proper supervision of the work of engagement team members and for compliance with PCAOB standards.” To determine the extent of supervision necessary, he was required to have taken into account, among other things, “[t]he risks of material misstatement” and “[t]he knowledge, skill, and ability of each engagement team member.” (AS No. 10.6).

In addition, Deutchman played an inappropriate role in the 2014 audit engagement.

Although he was supposed to be the EQR, he was given responsibilities far exceeding those appropriately assigned to an EQR. (OIP ¶ 87.) Given the volume of work that Wahl (the ostensible engagement partner on the engagement) had at the time, this may have been a result of the firm’s taking in more work than it could reasonably perform, in service of collecting fees and growing irresponsibly fast. Because Deutchman fulfilled many of the roles that should have been filled by Wahl as the engagement partner, Deutchman and Wahl violated AS No. 7, which requires an EQR to be independent and objective and to not “assume any of the responsibilities of the engagement team.” (AS No 7.6 & 7.7.)

### **C. Premier Engagement**

#### **1. *Background***

A&C performed the audit of Premier’s year-end financial statements for 2013. Wahl was the engagement partner for the audit.

#### **2. *The Grossly Inflated Valuation of the Note in Premier’s Financial Statements***

In January 2013, Premier sold certain assets held by its subsidiary WePower Ecolutions, Inc. (“WePower Ecolutions”) to a newly-formed, unrelated, and unaffiliated company, WePower Eco Corp. (“New Eco”).<sup>4</sup> A number of the assets were originally purchased by Premier in

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<sup>4</sup> There are three unaffiliated WePower entities: WePower LLC, one of the companies that sold green energy assets to Premier; WePower Ecolutions, the Premier subsidiary formed to conduct Premier’s green

December 2011 from WePower LLC and Green Central Holdings, Inc. (“Green Central”) and they contributed to a \$756,912 net operating loss from discontinued operations that Premier recognized in its 2012 financial statements. In exchange for the assets, WePower Ecolutions received from New Eco a promissory note payable for \$5,000,000 (the “Note”). (OIP ¶¶ 113-116.)

The terms of the Note were extremely generous to New Eco. Among other things, the Note was unsecured and secondary to all of other debt New Eco had or might incur, the 2% interest rate was below market, and repayment was scheduled over 20 years, with no principal payments due for five years and no interest due for eleven months. New Eco’s first required payment would be its initial semi-annual interest payment, totaling \$50,000, due on December 7, 2013. Under the terms of the Note, New Eco would be in default 15 days after failing to make a required payment. (OIP ¶ 117.)

In order to prepare its financial statements, Premier needed to assign a value to the Note as of the acquisition date. As it had done for its acquisition of assets from WePower LLC and Green Central and other acquisitions, Premier engaged Doty Scott Enterprises, Inc. (“Doty Scott” or the “firm”) to determine the fair value of the Note in accordance with GAAP. Doty Scott planned to determine the fair value of the Note by discounting the expected cash flows on the Note at New Eco’s estimated weighted average cost of capital. In addition, Doty Scott had to value New Eco itself, because the fair value of the Note could not exceed the fair value of New Eco. (OIP ¶¶ 118-119.)

To prepare a valuation, Doty Scott needed financial information about the borrower, New Eco, including New Eco’s revenue projections and support for such projections. Doty Scott

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energy business, and “WePower Eco Corp” (“New Eco), the company that acquired the green energy assets in exchange for the Note.

repeatedly requested up-to-date financial information and projections for New Eco. (OIP ¶ 119.) In the end, the firm never received such information. In the meantime, Doty Scott prepared a template of the valuation model that it would use to value New Eco and the Note once it received the necessary information. Because Doty Scott never received New Eco's financial projections, the firm used 2011 financial projections for WePower Ecolutions (which the firm had obtained in early 2012 in connection with its engagement to value the assets acquired from WePower and Green Central) as a placeholder in the valuation model template. (OIP ¶ 119.)

In March 2013, Doty Scott sent Premier an Excel workbook that the firm referred to as its "initial valuation tables." The Excel workbook, which A&C later received from Doty Scott, reflected the application of Doty Scott's valuation model to the revenue projections for WePower Ecolutions that Doty Scott had obtained a year earlier and assumed increased realization rates. The "initial valuation tables," which contained the word "Draft" in the filename, were merely demonstrations of the operation of Doty Scott's valuation model. Thus, not only were the tables based on outdated and unsupported projections, but they did not resemble the multi-page reports that Premier had ultimately received for other Doty Scott valuations, some of which had been provided to A&C. (OIP ¶¶ 119, 136.)

Based on the out-of-date financial projections for WePower Ecolutions, Doty Scott's model generated three potential valuation figures: one figure for the fair value of the Note (\$698,377), and two other figures for the fair value of New Eco (\$869,000 and \$861,000). Even though Doty Scott had clearly advised Premier that the figures in its "initial valuation tables" were not to be quoted, Premier used the \$869,000 figure as the value of the Note in the Subsequent Events note to its 2012 financial statements filed on its 2012 Form 10-K. (OIP ¶¶ 119-120.)

In December 2013, New Eco failed to make the first required payment – an interest payment of \$50,000 – to Premier. Therefore, by December 22, 2013, the Note was in default. Premier did nothing to collect on the Note, however, treating it as if had no value and was not worth trying to collect on. (OIP ¶¶ 122-123.)

In March 2014, Premier entered into an agreement to, among other things, assign the Note to WePower LLC, one of the two companies that had sold green-energy assets to Premier in December 2011. The agreement, which was part of a larger agreement that settled five different disputes between multiple parties, required Premier to transfer the Note to WePower LLC in exchange for 2.5 million shares of Premier common stock. (OIP ¶ 123.)

Thereafter, in March 2014, A&C learned that Doty Scott had only produced Excel spreadsheets and had never issued a report valuing the Note. Then, in early April, A&C asked Doty Scott whether it would prepare a written report valuing the Note. In response, A&C learned that the Doty Scott Excel spreadsheets from 2013 were merely a draft analysis and that Doty Scott needed more information to complete the valuation.

On April 9, 2014, a week before Premier filed its 2013 financial statements, Doty Scott sent a report to Premier that valued the Note at \$0 (*i.e.*, it was worthless), and valued New Eco at less than \$10,000. (OIP ¶ 119 n.10.) Nevertheless, Premier continued to represent to the public that the Note had a value of \$869,000. In its quarterly financial statements for 2013, Premier included the Note as an asset with a value of \$869,000. On April 15, 2014, Premier filed its 2013 financial statements and stated that the Note was valued at \$869,000. (OIP ¶ 122.)

### **3. *The Grossly Inflated Goodwill in Premier's Financial Statements Arising Out of the TPC Acquisition***

In February 2013, Premier acquired an 80% interest in The Power Company (“TPC”), a deregulated power broker, in exchange for 30 million shares of Premier stock (the “TPC

acquisition”). (OIP ¶ 125.) In its quarterly and fiscal year 2013 financial statements, Premier attributed no value to TPC receivables and contracts or other identifiable assets. Instead, Premier stated that an independent valuation of TPC’s identifiable assets and liabilities had not yet been completed. As a result, Premier explained, it was reporting the entire \$4.5 million purchase price – the purported value of the 30 million shares Premier issued as consideration for the acquisition – as goodwill. (OIP ¶ 126.)

The acquisition of TPC, and Premier’s decision to recognize the full purchase price from that acquisition as goodwill, was the primary reason that Premier’s reported goodwill increased from \$138,000 as of December 31, 2012 to \$4,555,750 as of December 31, 2013. Goodwill thus became the largest piece of Premier’s total reported assets of \$6,879,145. (OIP ¶ 128.)

In its 2013 Form 10-K, Premier stated that it assessed goodwill and certain intangible assets annually. Premier further reported that it determined whether goodwill was impaired using a two-step quantitative process and went on to briefly describe the two steps. Premier did not report any impairment of goodwill in its 2013 financial statements. As a result, Premier’s disclosures suggested that the company assessed its goodwill for impairment at least annually and concluded that its goodwill of \$4,555,750 was not impaired as of December 31, 2013. (OIP ¶¶ 127-128.)

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Taken together, the Note (\$869,000) and the goodwill from the TPC acquisition (\$4,500,000) represented \$5,369,000 (*i.e.*, approximately 78%) of the \$6,879,145 Premier’s reported assets as of December 31, 2013. As discussed above, in its 2013 financial statements, Premier reported an inflated value for its “Notes receivable” by including an inflated and unsupported value for the Note. As a result, Premier also inflated its income from discontinued

operations during 2013. Separately, in its 2013 financial statements, Premier included an unsupported value for goodwill associated with its acquisition of TPC. (OIP ¶¶ 3, 120, 128.)

#### **4. *False Audit Report Issued By Anton & Chia***

Despite the \$0 valuation report, which A&C would have discovered if it had followed up with Doty Scott or Premier, and the numerous red flags discussed above and at Paragraphs 143-144 and 148-151 of the OIP, that suggested that Premier had grossly overvalued the Note and the amount of goodwill attributable to the TPC acquisition, A&C issued a clean audit report on Premier's misstated financial statements. That publicly-filed audit report, which was authorized by Wahl, declared that: A&C had conducted its audits in accordance with PCAOB standards and, based on that audit, A&C believed that the consolidated financial statements conformed with GAAP. (OIP ¶ 154.) These statements were materially false and misleading.

#### **5. *Wahl's Audit Failures***

In conducting the audit of Premier's financial statements, Wahl's procedures were egregiously deficient. If Wahl had performed the procedures required by PCAOB standards, he would have easily discovered that Premier had grossly inflated the value of the Note and the goodwill attributable to the TPC acquisition. These failures constitute violations of myriad accounting standards, including:

- PCAOB Standards AU § 230, *Due Professional Care in the Performance of Work*; AS No. 15, *Audit Evidence*; AS No. 3 *Audit Documentation*, see *supra* at 5-6.
- PCAOB Standard AS No. 14, *Evaluating Audit Results*, which required Wahl to "evaluate the results of the audit to determine whether the audit evidence obtained is sufficient and appropriate to support the opinion to be expressed in the auditor's report."
- PCAOB Standard AU 336, *Using the Work of a Specialist*, required Wahl to (a) "obtain an understanding if the methods and assumptions used by the specialist," here Doty Scott; (b) "make appropriate tests of data provided to the specialist, taking into account the auditor's assessment of control risk"; and (c) "evaluate

whether the specialist’s findings support the related assertions in the financial statements.” (AU § 336.12.)

- PCAOB Standard AU § 316, *Consideration of Fraud in a Financial Statement Audit*, which required Wahl to assess whether fraud risk factors existed and to modify its audit procedures if fraud risk factors were present.

Specifically, among other things, Wahl’s procedures were deficient in the following respects:

- Wahl failed to follow professional standards in testing the value of the Note by reviewing only a workpaper that incorporated the Doty Scott Excel files wholesale, without recognizing it was a draft analysis of a different company, and merely added a few sentences; and apparently failing to notice that the only other relevant workpaper was a one-page memorandum that describes the transaction and contains little to no analysis;
- Wahl failed to identify various red flags, including New Eco’s lack of a financial track record and default on the Note;
- Wahl failed to consider the circular and unusual nature of the transaction, which is an indicia of fraud; and
- Wahl failed to ensure review of the allocation of 100% of the TPC purchase price to goodwill, or ensure that that goodwill was adequately tested for impairment.

#### **D. CannaVEST Engagements**

##### **1. *Background***

A&C performed the first through third quarter of 2013 interim reviews for CannaVEST. (OIP ¶ 165.) Wahl was the engagement partner on all three quarterly reviews, and Chung was the EQR on the first quarterly review. (OIP ¶¶ 166-167.)

##### **2. *CannaVEST’s Materially Overstated Balance Sheet***

CannaVEST’s assets were materially overstated on its 2013 first and second quarter balance sheets filed in its Forms 10-Q. (OIP ¶ 161.) The overstatements related to CannaVEST’s acquisition of PhytoSphere Systems, LLC (“PhytoSphere”) on January 29, 2013 from Medical Marijuana, Inc. (“MJNA”) for a purported purchase price of \$35 million, payable

in cash and/or stock at the buyer's discretion. (*Id.*) CannaVEST knew it was paying substantially less than \$35 million to acquire PhytoSphere because it was mainly paying MJNA with CannaVEST stock that was thinly traded and had little value. (*Id.*) The agreement further provided that if CannaVEST paid in stock, the price per share would be no greater than \$6 per share or less than \$4.50 per share (the "collar price"). CannaVEST's CEO had no basis for assigning a value of \$4.50 to \$6.00 per share and only came up with the collar in order to cap the number of shares paid to MJNA for PhytoSphere. CannaVEST, however, recorded \$35 million in assets on its balance sheet related to the acquisition. (OIP ¶ 162.) The PhytoSphere acquisition transformed CannaVEST from a shell company that had only \$431 in assets at December 31, 2012, into a business with allegedly over \$35 million in assets and operations in the hemp business. (OIP ¶ 159.)

In the third quarter of 2013, CannaVEST obtained a third-party valuation report that valued PhytoSphere at only \$8 million as of January 29, 2013. (OIP ¶ 163.) As a result of the valuation report, CannaVEST wrote down the value of the assets related to the PhytoSphere acquisition to \$8 million. (*Id.*) CannaVEST, however, did not disclose that the assets related to the PhytoSphere acquisition were never worth \$35 million, and that the first and second quarter balance sheets were materially overstated. (*Id.*) In April 2014, under the guidance of new auditors, CannaVEST restated all three quarters to reflect \$8 million in assets related to the PhytoSphere acquisition on CannaVEST's balance sheet. (OIP ¶ 164.)

### **3. *Wahl's Interim Review Failures***

An interim review consists principally of making inquiries of management and performing analytical procedures. (AU §§ 722.07, 722.15). (OIP ¶ 169.) Wahl failed miserably at doing these very basic procedures when conducting CannaVEST's interim reviews. (OIP

¶¶ 170, 174.) As a result, Wahl engaged in improper professional conduct by failing to adhere to PCAOB standards and ignoring numerous red flags that indicated that CannaVEST's financial information contained material misstatements. (OIP ¶ 5.)

During the first quarter interim review, Wahl relied on the PhytoSphere purchase agreement as the sole support for the \$35 million in assets recorded on CannaVEST's balance sheet. (OIP ¶¶ 172.) Wahl failed to make adequate inquiries of management regarding the PhytoSphere acquisition and as a result, failed to identify the overstatement of assets on CannaVEST's first quarter balance sheet. (OIP ¶¶ 170-173.) For example, Wahl failed to make inquiries of management regarding the fair value of the consideration, *i.e.*, the fair value of CannaVEST's shares as of January 29, 2013, that CannaVEST would use to pay MJNA for PhytoSphere. (OIP ¶ 171.) CannaVEST's CEO had agreed to the \$35 million purported purchase price because he knew CannaVEST would mainly pay with CannaVEST shares that were not worth much and that had been assigned an arbitrary collar price under the agreement. (OIP ¶ 161.) Wahl knew that CannaVEST intended to mainly pay with CannaVEST shares, but failed to inquire of management how much the shares were worth as of January 29, 2013. (OIP ¶ 171.)

Wahl also failed to make inquiries of management regarding the collar price of \$4.50 to \$6.00 per CannaVEST share that was included in the PhytoSphere purchase agreement. (OIP ¶ 173.) CannaVEST's CEO had no basis for assigning a value of \$4.50 to \$6.00 per share and only came up with the collar in order to cap the number of shares paid to MJNA for PhytoSphere. (OIP ¶ 172.) In addition, Wahl failed to make inquiries of management regarding the trading activity of CannaVEST shares on the OTC market around the time of the acquisition. (OIP ¶¶ 172-173.) CannaVEST's CEO knew that CannaVEST's shares were either not trading

or had very little trading on the OTC market, and he believed that CannaVEST's shares had little value. (*Id.*)

During the second quarter interim review, Wahl again failed to make adequate inquiries of management, and also failed to perform appropriate analytical procedures on CannaVEST's balance sheet. (OIP ¶ 174.) As a result, Wahl again failed to identify the overstatement of assets on CannaVEST's second quarter balance sheet. (OIP ¶ 174.) During the third quarter interim review, Wahl failed to consider whether a restatement of CannaVEST's first and second quarter balance sheets was necessary. (OIP ¶ 178.) Moreover, Wahl failed to identify that the third quarter financial statements did not disclose that the PhytoSphere assets were never worth \$35 million and that the first and second quarter balance sheets were materially overstated. (OIP ¶ 163.)

Wahl's interim review failures constitute myriad violations of PCAOB standards AU § 230, *Due Professional Care in the Performance of Work*; AU § 722, *Interim Financial Information*; and AS No. 3, *Audit Documentation*.

#### **4. Chung's Interim Review Failures**

An EQR in an interim review evaluates the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the interim review. (OIP ¶ 196.) The EQR may provide a concurring approval of issuance only if, after performing her review with due professional care, she is not aware of a significant engagement deficiency. (OIP ¶ 198.) Chung failed to conduct an adequate engagement quality review for the first quarter of 2013 because she failed to identify significant engagement deficiencies in the interim review. (OIP ¶ 199.) Specifically, Chung failed to identify that the engagement team did not make adequate inquiries of management, did not properly plan the

engagement, and did not prepare adequate documentation for the engagement. (*Id.*) As a result, Chung should not have provided a concurring approval of issuance for the first quarter interim review. (*Id.*)

Furthermore, as the evidence will show, Chung was not qualified to act an EQR on the first quarter interim review. Chung did not have the appropriate audit experience, background, or knowledge of the accounting standards to act as the EQR. Chung was simply following her husband, Wahl's, direction when she provided her concurring approval of issuance on the CannaVEST engagement.

Chung's interim review failures constitute myriad violations of PCAOB standards AU § 230, *Due Professional Care in the Performance of Work*; and AS No. 7, *Engagement Quality Review*.

### **III. LEGAL ANALYSIS**

The Division will show, by a preponderance of the evidence, that Wahl, Chung, and Deutchman engaged in improper professional conduct. The Division will also show that Wahl and Deutchman also willfully violated, willfully aided and abetted and/or caused violations of, the federal securities laws by egregiously failing to conduct the audit and review engagements for Accelera and Premier in accordance with PCAOB standards, and by falsely claiming that they had done so.

#### **A. Wahl, Chung, and Deutchman Engaged In Improper Professional Conduct.**

As discussed above, Wahl, Chung, and Deutchman violated multiple PCAOB standards during their audits and/or interim reviews of Accelera, Premier, and CannaVEST. Such violations constitute improper professional conduct under Rule 102(e) when they involve any of the following: (1) intentional or knowing conduct, including reckless conduct (Rule

102(e)(1)(iv)(A)); (2) a single instance of highly unreasonable conduct in circumstances in which heightened scrutiny is warranted (Rule 102(e)(1)(iv)(B)(1)); or (3) repeated instances of unreasonable conduct that indicate a lack of competence to practice before the Commission (Rule 102(e)(1)(iv)(B)(2)).

Respondents' multiple violations constitute improper professional conduct under any of these three criteria. Wahl, Chung, and Deutchman acted recklessly. *See infra* §§ III(B)-(E). At the very least, these recurring, pervasive violations across multiple years and multiple engagements certainly constitute "repeated instances of unreasonable conduct" that indicate Respondents are not competent to practice before the Commission.

**B. Wahl Willfully Violated Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder.**

Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder prohibit any person, in connection with the purchase or sale of a security, directly or indirectly, from making any untrue statement of a material fact. Section 10(b) of the Exchange Act and Rule 10b-5(b) require a showing of scienter. *Aaron v. SEC*, 446 U.S. 680, 701-02 (1980). In the Ninth Circuit and the D.C. Circuit, scienter may be established by a showing of recklessness. *Gebhart v. SEC*, 595 F.3d 1034, 1040 (9th Cir. 2010); *Dolphin & Bradbury, Inc. v. SEC*, 512 F.3d 634, 639 (D.C. Cir. 2008) (holding that "extreme recklessness" satisfies the scienter standard and defining extreme recklessness as an "extreme departure from the standards of ordinary care . . . which presents a danger of misleading buyers or sellers of securities that is either known to the defendant or is so obvious that the actor must have been aware of it.") (*internal citations omitted*).

Wahl violated Section 10(b) and Rule 10b-5(b) when he issued an audit report on Premier's 2013 financial statements which falsely and misleadingly claimed that A&C had

conducted its audit in accordance with PCAOB standards and based on its audit was of the opinion that the financial statements were fairly presented in conformity with GAAP. These misstatements were material, because “a reasonable shareholder would consider it important” whether Premier’s financial statements had undergone a PCAOB-compliant audit. *See Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988).

In addition, Wahl acted with scienter. His statement that A&C had conducted its audit in accordance with PCAOB standards was extremely reckless, if not intentionally false, in light of the numerous failures to act in accordance with PCAOB standards as explained above, and his awareness, or reckless disregard, of numerous red flags.

And Wahl’s statement that, based on its auditing standards-compliant audit, A&C was of the opinion that Premier’s financial statements were fairly presented in conformity with GAAP was materially misleading in light of the false representation about the quality of the audit. Wahl’s acceptance of Premier’s \$869,000 value of the worthless note amounts to an “egregious refusal to see the obvious, or to investigate the doubtful.” *New Mexico State Investment Counsel v. Ernst & Young LLP*, 641 F.3d 1089, 1097-98 (9th Cir. 2011) (quoting *In re Software Toolworks Inc.*, 50 F.3d 615, 628 (9th Cir. 1994)). His acceptance of that \$869,000 value, and his acceptance of Premier’s allocation of 100% of its stake in TPC to goodwill and lack of impairment, both without any appropriate vetting or analysis, are “accounting judgement[s]” that “no reasonable accountant would have made . . . if confronted with the same facts.” *Id.*

**C. Wahl and Deutchman Willfully Aided and Abetted Anton & Chia’s Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder.**

For similar reasons, Wahl and Deutchman aided and abetted A&C’s securities fraud. To establish liability for aiding and abetting, the Division must show that: (1) a principal committed

a primary violation; (2) the aider and abettor provided substantial assistance to the primary violator; and (3) the aider and abettor had the necessary ‘scienter.’” *Graham v. SEC*, 222 F.3d 994, 1000 (D.C. Cir. 2000).

Here, A&C committed the primary violation of Section 10(b) and Rule 10b-5 fraud in connection with the Premier engagement as well as the Accelera engagements.<sup>5</sup> As to Premier, Wahl’s scienter, described above, can be imputed to A&C. *See, e.g., SEC v. Platforms Wireless Int’l Corp*, 617 F. 3d 1072, 1096 (9th Cir. 2010). As to Accelera, A&C violated Section 10(b) and Rule 10b-5 thereunder in connection with the Accelera engagements. A&C’s decision to sign off on financial statements that consolidated an unaffiliated entity, in the face of the issuer’s own CFO’s warning that the “entities were inappropriately consolidated,” and all the red flags described herein, constitutes securities fraud. *See New Mexico State Investment Counsel*, 641 F.3d at 1097-98. Deutchman’s scienter can be imputed to A&C. *See, e.g., In re Omnicare, Inc. Sec. Litig.*, 769 F.3d 455, 476 (6th Cir. 2014).

Deutchman and Wahl each provided substantial assistance for those violations. Deutchman, as the EQR, provided concurring approval for A&C’s 2014 audit of Accelera, and, as described above, he performed duties that are typically associated with the engagement partner. Wahl, as the engagement partner, authorized the inclusion of A&C’s reports on 2013 Premier’s financial statements. Without Wahl’s signoff (for Premier) and Deutchman’s concurring EQR review (for Accelera), A&C would not, under its policies and procedures and the applicable PCAOB standards, have been able to issue the audit reports.

Wahl and Deutchman also acted with the requisite scienter. Courts can find that a

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<sup>5</sup> The OIP included allegations that A&C violated Section 10(b) of the Exchange Act and Rule 10b-5 (OIP ¶ 206) and Rule 2-02(b) of Regulation S-X (OIP ¶ 211), discussed *infra*. A&C is in the process of settling these claims without admitting or denying the Commission’s expected findings.

respondent acted with the “extreme recklessness” required to show aiding and abetting liability when the alleged aider and abettor encountered “red flags,” or “suspicious events creating reasons for doubt” that should have alerted him to the improper conduct of the primary violator or if there was “a danger . . . so obvious that the actor must have been aware of” the danger. *Howard v. SEC*, 376 F.3d 1136, 1143 (D.C. Cir. 2004) (internal citations omitted); *see also Ponce v. SEC*, 345 F.3d 722, 737 (9th Cir. 2003) (“Ponce certainly had knowledge, or at least was reckless in not recognizing, the misleading nature of the statements.”). Wahl and Deutchman knew, or were extremely reckless in not knowing, that A&C’s statements in its audit reports that it had conducted its audit in accordance with applicable standards was false and that the opinions it expressed that the financial statements conformed to GAAP were materially misleading.

As discussed above, A&C’s audit procedures were grossly inadequate, and both Wahl and Deutchman failed to exercise their own duties of due professional care, facts that the audit reports omitted. In addition, Wahl, and Deutchman knew they had failed to properly investigate, or even document, a number of serious red flags. Accordingly, Wahl and Deutchman aided and abetted A&C’s violations.

**D. Wahl and Deutchman Willfully Aided and Abetted and Were Causes of Violations of Section 13(a) of the Exchange Act.**

Under Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder, issuers of securities are required to file annual and quarterly reports. Courts have held that implicit in these provisions is the requirement that that information be true, correct, and complete. *See, e.g., Howard v. Everex Systems, Inc.*, 228 F.3d 1057, 1061-62 (9th Cir. 2000); *SEC v. Savoy Industries, Inc.*, 587 F.2d 1149, 1165 (D.C. Cir. 1978). No showing of scienter is required to prove a violation of these provisions. *SEC v. McNulty*, 137 F.3d 732, 740-41 (2d Cir. 1998).

Accelera violated Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 when it filed Forms 10-K and 10-Q that falsely represented it owned BHCA and deceptively consolidated BHCA's financial statements with its own. Premier violated Section 13(a) and Rule 13a-1 thereunder when it filed a Form 10-K which falsely valued the Note at \$869,000 and had not properly assessed the goodwill associated with the TPC acquisition. Wahl and Deutchman substantially assisted and were causes of those violations, because they authorized the inclusion of audit reports containing unqualified opinions in Accelera's and Premier's Forms 10-K, and they signed off on the reviews of Accelera's financial statements in its quarterly reports. Based on all of the information available to them, including all of the red flags discussed herein, Wahl and Deutchman had to have known that their conduct would contribute to Accelera's and Premier's filing of false and misleading Forms 10-K and 10-Q.

**E. Wahl and Deutchman Willfully Aided and Abetted and Were Causes of A&C's Violations of Rule 2-02(b) of Regulation S-X.**

Regulation S-X requires that the financial statements included in the registrant's annual report be certified by an independent accountant and include a report from such accountant that complies with the requirements of Rule 2-02. Rule 2-02(b) of Regulation S-X requires the accountant's report to state, *inter alia*, "whether the audit was made in accordance with generally accepted auditing standards." Implicit in these provisions is the requirement that the information reported be true, correct and complete.

Wahl and Deutchman willfully aided and abetted and caused A&C's violations of Rule 2-02(b) by authorizing A&C to issue audit reports for inclusion in Forms 10-K stating that A&C's audits at issue complied with PCAOB standards when they knew or recklessly disregarded that the audits departed from PCAOB standards, and that the relevant financial statements were presented in conformity with GAAP when they knew or recklessly disregarded that they were

not so presented. *See Sean Henaghan*, Exchange Act Rel. No. 75859 (Sept. 9, 2015) (settled order), *Andrew Sims*, Exchange Act Rel. No. 59584 (Mar. 17, 2009) (settled order); *KMJ Corbin*, Exchange Act Rel. No. 62899 (Sept. 13, 2010) (settled order).

To paraphrase Wahl, they pushed those audits and reviews through so they could get paid, whether they had done their jobs or not (“[C]an’t win them all.”)

#### **V. RESPONDENTS HAVE OFFERED NO VIABLE DEFENSES.**

Neither Wahl, Chung, nor Deutchman have offered any viable defenses to the above violations. Several of their putative defenses are common to each component of the case. Other arguments, specific to each issuer, are addressed below.

Respondents have suggested that Premier, CannaVEST, and Accelera were not “real” companies and no “real” investor would have invested in them anyway, and so any misrepresentations in their financial statements were just not material. This is wrong. The errors in these issuers’ financial statements were objectively material.<sup>6</sup> However, this purported defense reveals something important about the Respondents. It explains Respondents’ “push it through so we can get paid” approach to auditing. They did not think their work mattered. They chose these microcap clients, as opposed to “real” issuers, because they thought no one “real” was reading the financials anyway. Respondents thought in seeking out this type of client, they could phone in the work, collect their fees, and avoid regulatory scrutiny.

In addition, Respondents have argued, with respect to each issuer, that no investors were

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<sup>6</sup> As to Accelera, the Division will show that BHCA made up 90% of that company’s reported revenue in 2013 and 2014. (OIP ¶ 37.) Moreover, the consolidation transformed Accelera from a shell company to a company with reported operations and assets. (*Id.* ¶ 36.) As to Premier, the note constituted at least 12% of the company’s total assets (*id.* ¶ 121), and the goodwill from the TPC transaction comprised 65% of Premier’s total assets in its 2013 year-end financials (*id.* ¶ 128). As to CannaVEST, the PhytoSphere acquisition transformed the company from a shell into a company with business operations that purportedly had \$35 million in asset on its balance sheet. (*Id.* ¶ 159.)

harmful by their misconduct. *See, e.g.,* Mot. to Dismiss Reply at 2. Even if they could substantiate this claim, this argument is irrelevant, because investor harm is not an element of any of the SEC's claims.

Finally, Respondents contend that because A&C's audit reports and the issuers' financial statements contained going concern qualifications, inflation of the value of the company's assets was not material. This argument proves too much because it would eliminate the obligation of any company disclosing its precarious financial condition to report its financial condition and results in accordance with GAAP.

**A. Wahl and Deutchman Have No Viable Defenses Regarding the Accelera Engagements.**

Wahl and/or Deutchman have grasped at straws to try to find some evidence that Accelera did, in fact, own or control BHCA. The problem is that the SPA itself was abundantly clear that ownership would not pass before payment was made (the stock is transferred "[u]pon payment of the purchase price"). Another problem is that Accelera has admitted, in District Court filings and its 2016 10-K, that *it never owned* BHCA. So, any arguments that Accelera actually did own BHCA are, necessarily, tortured and illogical.

For instance, Respondents claim that another section of the SPA indicates that BHCA stock passed to Accelera, that BHCA's owner was employed by Accelera, or that BHCA had an operative operating agreement with Accelera. Respondents are factually incorrect in each instance.

The deeper problem with each of these arguments, though, is that the very best that Deutchman or Wahl could ever do is to identify some ambiguity or conflict between different items of audit evidence. But ambiguity or conflict does not vindicate the Respondents. In fact, the opposite is true. Under GAAS, Wahl and Deutchman were required to document and resolve

any ambiguity or conflict prior to signing off on the engagements. (See AS No. 15.29 (“[i]f audit evidence obtained from one source is inconsistent with that obtained from another ... the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit.”).) They did not do so. They didn’t even try. So every time they argue that some secondary piece of audit evidence contradicted the SPA and supported consolidation, they are really conceding liability for their audit failures. In addition, these post-hoc explanations ring hollow, because there is no evidence that Wahl or Deutchman actually considered them at the time of the Accelera engagements.

**B. Wahl Has No Viable Defenses Regarding the Premier Engagement.**

Wahl similarly struggles to provide any justification to support his acceptance of Premier’s inflated valuation of the Note and the unimpaired allocation of goodwill from the TPC’s acquisition. His arguments are not supported by the record or the law.

As to the valuation of the Note, Wahl has offered three main arguments. First, Wahl cites to the fact that, before it filed the 2013 Form 10-K, Premier had entered into a settlement agreement providing that Premier sold, or “settled” the Note, receiving 7.5 million shares of stock, purportedly worth more than the reported \$869,000 value of the Note, in exchange. But Wahl gets his numbers wrong. As clearly stated in the settlement agreement and repeated in the Subsequent Events note to the 2013 financial statements Premier only got 2.5 million shares in exchange for the Note. At the then-current share price of \$0.13 the shares exchanged for the Note were worth only \$325,000, not \$869,000 or more. In any event, this analysis is not reflected anywhere in the workpapers. Moreover, Wahl failed to view this transaction for what it was: a related-party transaction and the third leg of a round-trip transaction in which green energy assets or the Note were swapped for stock and no cash changed hands. Collectively or

individually, the three transactions displayed the indicia of fraud, which Wahl either failed to notice or failed to pursue.

Second, Wahl has argued that because the notes to the financial statements and other portions of the Form 10-K generally characterized the \$869,000 valuation of the Note as “preliminary,” investors would not have attached importance to the figure. Disclosure in notes to the financial statements cannot cure a failure to comply with GAAP. *See* Rule 4-01(a)(1) of Regulation X (“Financial statements filed with the Commission which are not prepared in accordance with [GAAP] will be presumed to be misleading or inaccurate, *despite footnote or other disclosures*, unless the Commission has otherwise provided.”).

Lastly, Wahl argues that the \$869,000 Note value was supported by the Doty Scott Excel spreadsheets. But, again, Wahl does not address that the spreadsheets (a) were merely a draft valuation *model*, (b) were based on out-of-date financial projections of an entirely separate, unrelated company, and (c) the \$869,000 figure was not even a preliminary, unsubstantiated, value *of the Note*.

**C. Wahl and Chung Have No Viable Defenses Regarding the CannaVEST Engagements.**

Wahl is so desperate to create a defense on the CannaVEST engagement that he committed a fraud on his expert, the Commission, and this court by doctoring an email from November 8, 2013 that he provided to his expert on July 15, 2019 to enable his expert to perform his analysis.<sup>7</sup> In the November 8 email, Wahl added the language, “Below is what we had for original projections, etc.” Below this language, Wahl added a forecasted income statement for CannaVEST, showing CannaVEST’s actual first quarter 2013 results and its forecasted results

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<sup>7</sup> The Division has moved *in limine* to exclude Wahls’ expert, John Misuraca from offering opinions relating to the CannaVEST engagement.

for the subsequent three quarters in 2013, and annual results for 2014, 2015, 2016, 2017, and thereafter. Wahl added this forecast to the November 8 email because he claims that during the first, second, and third quarter interim reviews, he looked at whether CannaVEST's actual revenues were meeting its forecasted revenues to determine whether CannaVEST should impair goodwill (an asset) from the PhytoSphere acquisition. Wahl claims that there was no goodwill impairment in the first and second quarters because CannaVEST was meeting its forecasted revenues. Wahl further claims that he proposed that CannaVEST recognize a \$27 million goodwill impairment in the third quarter because CannaVEST was not meeting its forecasted revenues that quarter.

Wahl's argument, however, is belied by the documentary evidence, including A&C's workpapers. Financial forecasts for CannaVEST and PhytoSphere did not exist during the first and second quarter interim reviews. Moreover, during the third quarter interim review, Wahl did not propose the goodwill impairment based on CannaVEST not meeting its forecasted revenues. As evidenced by the third quarter workpapers and contemporaneous emails, including the original, non-doctored November 8, 2013 email, Wahl proposed the goodwill impairment based on an October 2013 third-party valuation report that valued PhytoSphere at \$8 million as of January 29, 2013 (the acquisition closing date). By taking the \$27 million impairment, this decreased the \$35 million in assets from the PhytoSphere acquisition to \$8 million in assets (\$35 million less \$27 million = \$8 million).

Wahl's testimony regarding the October 2013 valuation report has changed over time. In Wahl's October 27, 2015 and January 21, 2016 investigative testimonies, Wahl testified that he used the October 2013 valuation report as a basis to propose the \$27 million goodwill impairment. As part of Wahl's defense in this administrative proceeding, he has now changed

his story and stated in his July 2, 2019 deposition that he did not rely on the valuation report. Wahl's story has changed because he recognizes that if he says that he relied on the valuation report, which valued PhytoSphere as of January 29, 2013, then the report should have prompted him during the third quarter interim review to consider and analyze whether a restatement of CannaVEST's first and second quarter financial information was necessary, which he failed to do during the interim review.

Furthermore, Wahl also added the forecasted income statement to the November 8 email because he is attempting to falsely show that he had some financial information in the first quarter of 2013 that related to the purported \$35 million purchase price for PhytoSphere. In reality, PhytoSphere never had any financial statements, CannaVEST and PhytoSphere did not have any financial forecasts in the first or second quarters of 2013, no valuation of PhytoSphere was done in the first and second quarters of 2013, and no due diligence procedures were performed on PhytoSphere before CannaVEST purchased it. Wahl is again grasping at straws to manufacture some support for the \$35 million purported purchase price.

In addition, Wahl argues that CannaVEST's then-CEO, Michael Mona, lied to him about the PhytoSphere acquisition. In Wahl's July 2, 2019 deposition, however, he could not identify any actual lies Mona may have told him. That is not surprising, as Wahl failed to make basic inquiries of Mona regarding the PhytoSphere acquisition, and such inquiries should have raised red flags and ultimately led Wahl to conclude that material modifications needed to be made to CannaVEST's quarterly financial information.

Chung also lacks an adequate defense regarding the CannaVEST engagement. Chung's defense is that as the EQR on the first quarter interim review, her role was to follow her husband, Wahl's, direction. Chung, however, was supposed to evaluate Wahl (the engagement partner)

and the other engagement team members' work on the interim review, not take direction from Wahl. As the EQR, she was supposed to act as the back-stop on the engagement teams' interim review, identifying any significant engagement deficiencies. She failed in her duties, rubber-stamped her concurring approval, and assisted Wahl's egregious conduct.

### III. SANCTIONS

The public interest would be served by sanctioning Wahl, Deutchman, and Chung. In determining whether sanctions should be imposed in the public interest, courts and the Commission may consider: (a) the egregiousness of the actions; (b) the isolated or recurrent nature of the infractions; (c) the degree of scienter involved; (d) the sincerity of the respondent's assurances against future violations; (e) a respondent's recognition of the wrongful nature of his or her conduct; and (f) the likelihood that a respondent's occupation will present opportunities for future violations. *See Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979). In addition to these factors, the Commission also may consider the extent to which a sanction will have a deterrent effect. *See In the Matter of Schield Management Co., et al.*, Exchange Act Re. No. 53201 (Jan. 31, 2006).

Wahl's and Deutchman's conduct was egregious, recurring, and extremely reckless. They rubber-stamped misstated financial statements, when even minimal audit inquiries would have uncovered the issuers' misrepresentations. They ignored glaring red flags, including Accelera's own CFO's statement that BHCA was "inappropriately consolidated." These violations spanned over multiple years and, for Wahl, multiple different issuer clients. In addition, Deutchman is a recidivist; this would be his *third* time being sanctioned for audit-related misconduct. *See* Exchange Act Rel. No. 58240 (July 29, 2008); Final Decision, *Kabani & Co.*, No. 105-2012-002, slip op. at 19 (PCAOB Jan. 22, 2015), *affirmed by* 2017 SEC LEXIS

758, Exchange Act Rel. No. 80201 (Mar. 10, 2017). In addition, Chung rubber-stamped financial information at the direction of her husband, and assisted his egregious behavior.

Neither Wahl, Deutchman, nor Chung have evinced any remorse or offered any assurances against future misconduct. In fact, they have consistently shown contempt for these proceedings, the Commission, and the rules that it enforces, describing the Division's charges as "bullsh-t," the PCAOB standards are "a joke," the Division itself as "un-American," and this proceeding as a "kangaroo court." Wahl and Chung are relatively young and would have ample opportunities to commit future violations.

**A. Cease-and-Desist Orders Are Appropriate Against Wahl and Deutchman.**

Under Exchange Act Section 21C(a), the Commission may enter a cease-and-desist order against any person who, like Wahl and Deutchman, has violated any provision of the Exchange Act, or been a cause of such a violation. Wahl and Deutchman's repeated violations, dismissive behavior throughout these proceedings, and (for Wahl) opportunity to commit future violations all weigh in favor of awarding a cease-and-desist order." *See In the Matter of KPMG Peat Marwick LLP*, Exchange Act Rel. No. 43862 (Jan. 19, 2001) (holding that "absent evidence to the contrary," a single past violation may raise" a sufficient risk of future violation"); *Maria T. Giesige*, Initial Decision Rel. No. 359 (Oct. 7, 2008) (holding that factors weighing in favor of awarding a cease-and-desist order include the "recurrent nature of the violation," and "the respondent's opportunity to commit future violations").

**B. Disgorgement and Prejudgment Interest Are Appropriate For Wahl.**

To determine the appropriate amount of disgorgement, the Division need only show that the amount is a reasonable approximation of the profits from the violative conduct. *See SEC v. First City Fin. Corp.*, 890 F.2d 1215, 1231 (D.C. Cir. 1989). The Division respectfully requests

that the Court order Wahl to disgorge that portion of his 2014, 2015, and 2016 earnings which approximates the profits he earned from his violations of the securities laws, plus prejudgment interest.

Wahl owned 90% of A&C. A&C took substantial fees for the patently deficient audits and reviews that it performed for Premier and Accelera. Based on the firm's invoices and internal accounting records, these fees amount to over \$300,000. Throughout the time period at issue, Wahl took at least \$2.5 million of the firm's fees as owners' distributions. In the event Wahl is found liable, these amounts may serve as the basis for calculating his disgorgement award.

**C. Civil Penalties Are Appropriate For Wahl and Deutchman.**

The public interest would be served by requiring Wahl and Deutchman to pay significant civil penalties for their misconduct. *See* Section 21B of the Exchange Act. Wahl and Deutchman's multiple violations; the use of fraud, deceit, and/or deliberate recklessness of the regulatory requirements; and (for Deutchman) the prior findings against him by the Commission and the PCAOB, all weigh in favor of substantial penalties. *Id.*

In addition, substantial civil penalties here would provide important deterrence to other auditors from committing similar acts and omissions. Auditors are crucial gatekeepers who help ensure that public companies provide accurate information to investors. When, as here, auditors shirk their responsibilities and simply rubber-stamp an issuer's financial statements, not only do they bypass an opportunity to provide that essential gatekeeping function, but they also provide a false comfort to innocent investors. Accordingly, deterrence here is critical to the public interest.

**D. Rule 102(e) Suspensions Are Appropriate for Wahl, Chung, and Deutchman.**

Under Section 4C of the Exchange Act and Section 102(e) of the Commission's Rules of Practice, Wahl, Chung, and Deutchman should be denied the privilege of appearing or practicing before the Commission as accountants. For the reasons discussed herein, including the egregiousness and repeated nature of their misconduct, Wahl and Deutchman's bars should be permanent. *See, e.g., In the Matter of EFP Rottenberg, LLP, et al.*, Exchange Act Rel. No. 78393 (July 22, 2016); *In the Matter of John Briner, Esq., et al.*, Securities Act Rel. No. 9918 (Sept. 18, 2015); *In the Matter of Peter Messineo, CPA, et al.*, Exchange Act Rel. No. 76607 (Dec. 10, 2015). Chung's multiple violations of the PCAOB standards should warrant a suspension. *See, e.g., In the Matter of Richard J. Koch, CPA*, Exchange Act Rel. No. 82207 (Dec. 4, 2017).

#### IV. CONCLUSION

The Division of Enforcement respectfully requests that the Court accept the documentary and testimonial evidence the Division presents at the hearing, find that Respondents Wahl, Deutchman, and Chung engaged in the violations described in the Division's Order Instituting Proceedings, and impose appropriate sanctions.

Dated: September 16, 2019

Respectfully submitted,

/s/ Alyssa A. Qualls   
Alyssa A. Qualls  
Daniel J. Hayes  
Ariella O. Guardi  
U.S. Securities and Exchange Commission  
175 West Jackson Boulevard, Suite 1450  
Chicago, Illinois 60604  
(312) 353-7390  
quallsa@sec.gov

Donald Searles  
Jennifer Calabrese  
Los Angeles Regional Office  
U.S. Securities and Exchange Commission  
444 South Flower Street, Suite 900  
Los Angeles, CA 90071  
(323) 965-4573  
searlesd@sec.gov

Leslie Kazon  
New York Regional Office  
U.S. Securities and Exchange Commission  
200 Vesey Street, Suite 400  
New York, NY 10281  
(212) 336-0107  
kazonL@sec.gov

*Attorneys for the Division of Enforcement*

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

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

*In the Matter of*

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

**Respondents.**

**CERTIFICATE OF SERVICE**

In accordance with Rule 150 of the Commission's Rules of Practice, Alyssa A. Qualls, an attorney, hereby certifies that on August 16, 2019, she caused true and correct copies of the Division of Enforcement's Pre-Hearing Brief to be served on the following via email:

Honorable Carol Fox Foelak  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-2557  
ALJ@sec.gov

Respondent Anton & Chia, LLP  
c/o Jeffrey I. Golden Trustee  
Weiland Golden Goodrich LLP  
650 Town Center Drive, Suite 600  
Costa Mesa, CA 92626  
jgolden@wgflp.com

Respondent Georgia Chung  
c/o Barry E. Cohen  
10866 Wilshire Blvd., Suite 890  
Los Angeles, Ca. 90024  
barry@bcohenlaw.com

Respondent Gregory Wahl  
c/o Barry E. Cohen  
10866 Wilshire Blvd., Suite 890  
Los Angeles, Ca. 90024  
barry@bcohenlaw.com

Respondent Michael Deutchman  
c/o John R. Armstrong  
Horwitz & Armstrong  
14 Orchard, Suite 200  
Lake Forest, CA 92630  
jarmstrong@horwitzarmstrong.com

Dated: August 16, 2019

/s/ Alyssa A. Qualls   
Alyssa A. Qualls  
Division of Enforcement