

United States of America
Before the
Securities and Exchange Commission

Administrative Procedure File 3-21841
In the Matter of the Application of Ahmed Mohiddin and George Weinbaum

For Review of PCAOB Action

George Weinbaum's Comments on PCAOB Budget and PCAOB Credibility

June 4, 2024

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"At the end of the meeting, just before the commissioners voted, Gensler defended the PCAOB's budget against Peirce and Uyeda's criticisms. Doing the calculation himself he said the accounting support fee of \$331 million is around \$7 or \$8 per million of market cap", *A&CA*, 4. Yes, Wharton MBA Gensler. I get \$331 million (flow) / \$64 trillion (stock) or \$5.17 per million of market cap (MC) per year. Close enough. Stocks v. Flows.

"So, if a family was fortunate enough to have \$100,000 in the capital markets, and they were indirectly paying, ... that would be about 70 or 80 cents per that family that has \$100,000 in the equity markets, or that million dollars would be \$7 or \$8', he said", *A&CA*, 4.

"Essential to investors' trust in the reliability of such financial information is an independent audit of issuers' financial statements', said Chair Gensler: 'Congress understood this when they passed the Sarbanes-Oxley Act of 2002 in response to some of the largest accounting frauds and bankruptcies in the history of our country'," *A&CA*, 2. Did it? I think SOX and the PCAOB, at best, mistakes, resulting from Congress' misdiagnosis of the auditing "problem".

As "St. Milton of Chicago" likely said 500 times, "We economists don't know much, but we know do two things: If you want more of something, subsidize it. If you want less of something, penalize it". I wrote on December 30, 2023, 57, "good" and "bad" audits are substitute goods. If you want less of the latter, **raise their cost** relative to the former. The "bad audit" supply curve shifts up, so the quantity supplied decreases at a given price.

The SEC could have "fixed" auditing decades ago. It could review financial restatements as found in say Forms 10-KA. Then have Congress pass a law, that if the restatement discloses a failed audit, the CPA firm is liable for triple its audit fee for the relevant years. Triple taken from anti-trust and civil RICO. The SEC then sues in district court, **within five years**

of the event for damages. Do Big Four (BF) firms respond to incentives? Will the "bad" audit frequency fall? I do not know the "cross-elasticity of demand" for "good" and "bad" audits, but suggest Congress wait five years to see the results. If triple damages didn't produce the desired "bad audit reduction" try quintuple damages. Instead, we get "inspections", Form APs, continuing education (CE) and useless paperwork. Is any PCAOB Commissioner familiar with *Path*, my "uncataloged" July 27, 2023 submission, 20-22. Was it "uncataloged" because the PCAOB **couldn't** answer anything in it? Is PCAOB credibility a triable issue of fact?

Adamant's 2017 MC was 1 / 32 millionth of the total, so a family with \$320,000 in the equity markets had **one penny in Adamant**. Smarthead's 2017 MC was one / ten billionth the total, therefore a family with \$100 million in the equity markets had **one penny in Smartheart**. I assume the families hold diversified portfolios. Did the PCAOB's looking at miniscule entities like Adamant and Smarthead make good use of investors' money? Are PCAOB actions designed to avoid confronting the BF? I think the PCAOB wastes **most** of its money. June 8, 2018 was **10 days** from Adamant's Form 10-KA filing. The PCAOB must monitor Forms 10-KA. At least for **capital market threat (CMT) George Weinbaum** but **not** for the BF! (Sarcasm).

48 years ago, the "Metcalf Commission" released its 1788-page report. Congress did not "fix" audits then nor with SOX. Citing *US v White*, 124 F. 2d 181, 185 (2nd. Cir, 1941, Hand, J.), is Congress full of "knaves or fools ", my May 19, 2023 submission, 26, Item 141?

"Upon reviewing those numbers and percentages, my question is-where is the money going? How is the budget increase being allocated among the PCAOB staff?", *Budget*, 2-3. **PCAOB v. Weinbaum!** On April 14, 2023 the PCAOB had 13 lawyers answer *Doe*, 23. How much is the PCAOB spending on them? Have we a PCAOB "no confidence" vote in its "capable

counsel", *Lacetti v. SEC*, 885 F. 3d., 724, 726 (D.C. Cir., 2018)? Unlike MU, I do not "thank the members and staff of the PCAOB for their work to carry out the PCAOB's important mission in improving audit quality", *Budget*, 3. With a 40% audit deficiency rate (ADR), whatever that means after 20 years. Suppose the PCAOB's "inspection protocol" has 60 items. It "inspects" three small CPA firm audits, looking at 180 (3 x 60) items. It finds one error in each of two audits. Is that a 66.7% (2 / 3) ADR? Or 1.1% (2 / 180)? Would the small CPA firm having 30 defects in one audit be better? Is that a 33.3% (1 / 3) ADR, or 16.7% (30 / 180)?

Why not ask each PCAOB Commissioner if he or she read *Markowitz*, by an Economics Nobel Prize winner. Will even one of them think it has implications for the PCAOB?

What does protecting "small investors" mean? *Forbes* reported Jeff Bezos' (JB) 2017 net worth was \$81.5 billion. If JB bought 10% of Adamant and his buying doubled the stock price, JB's Adamant investment was: \$1.34 million x .1 x 2 = \$268,000. \$268,000 / \$81.5 billion = .000003288. Does this investment make JB a "small" or a "large" investor with an investment in a "small" SEC registrant? What is the PCAOB doing? Why?

On April 9, 2024, the PCAOB released two new CPA firm reporting proposals totaling 344 pages. I read *Release-2*, and ask: hasn't the PCAOB anything better to do? The BF will audit 97% of SEC registrant MC, new or old reports. I only see small firms' costs increasing relative to the BF. Feature or bug? The PCAOB rejected using a MC measure to select firms for the new proposed reports. The SEC should veto *Release-2*. If not, use the PCAOB's "200" as follows: $1 / 200 = .005$. As the BF audit 97% of SEC registrant MC, that leaves 3%, so at most **six other firms** ($.03 / .005 = 6$) report. The PCAOB spends investors' money on this! The new reports "benefit" the PCAOB. It can create say 20 new positions to review them. Then its DEI

can bring enforcement actions (EAs) against CPA firms for report defects. PCAOB staffers can leave, forming consulting firms to teach CPA firms how to prepare the reports. Here's an SEC reading suggestion, *Hamilton*. 1957? "Regulatory capture" is old news.

Will these reports induce Microsoft to replace Deloitte & Touche (D&T) with a non-BF firm? Yes! I also believe not six, but 60 "impossible things before breakfast". I remember 1988-89's "expectations gap" auditing standards. Which did? Nothing. The "classical agency" problem remains. And will remain. New reports or old.

"Firm-level reporting would be required of every firm that audits at least one 'accelerated filer' or 'large accelerated filer'", *Release-2*, 5. Therefore a CPA firm which audits even \$75 million in MC might report. Now \$75 million / \$64 trillion is .000001172 or 1 / 853,000 of total SEC registrant MC. This is our PCAOB protecting investors! (Sarcasm notice).

"We believe the latter term [firm and engagement metrics] **avoids the impression that any set of metrics can comprehensively measure audit quality**", my emphasis, *Release-2*, 6. If so, why bother with this?

"The Board also asserted that increased transparency should also promote increased accountability in the audit process", *Release-2*, 11. For the PCAOB too? I suggest it disclose which SEC registrants' audits were inspected. Also disclosing which were **not!**

"Restatements of financial statements and management reports on ICFR that were audited by the firm over the past five years", *Release-2*, 26. Can't SEC reports derive this? How would the PCAOB use this, since it ignores 95+% of BF client restatements for possible EAs? "Academic literature suggests that restatements provide the cleanest empirical measure of audit failure", *Release-2*, 101. Yes. So use them.

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"A commenter on the proposed quality control standard suggested that, because compensation incentivizes behavior", *Release-2*, 87. For the BF too? St. Milton of Chicago would agree. Now PCAOB, act on this.

"We estimate that the proposed firm-level reporting requirements would apply to approximately 210 firms", *Release-2*, 108. Applying them to eight firms would cover 98.5% of MC. Is having about 202 firms reporting to cover .5% (99% - 98.5%) of MC cost-justified? Yes, if your intent is to generate "foot-fault" EAs over miniscule SEC registrants. "We are proposing not to allow firms to request confidential treatment for the proposed metrics. Permitting confidential treatment requests would not advance a fundamental purpose of the rulemaking-public disclosure. ... Moreover, we believe public disclosure is consistent with Sarbanes-Oxley", *Release-2*, 114. *Brandeis*, "sunlight is said to be the best of disinfectants", really PCAOB?

"Licensing requirements for continuing education for public accountants to obtain and retain certification speak to the relationship between quality and appropriate training and education", *Release-2*, 117. I see **no** relationship between CE requirements and audit quality. "However, we are concerned ... that disclosing a training metric could have unintended consequences, such as encouraging a purely quantitative, 'check the box' approach to training", *Release-2*, 118. This is old news. The "proposed metrics cannot directly measure audit quality. And they are not intended to do so", *Release-2*, 136. Then **what** is their intent?

"The proposed metrics are expected to provide direct benefits to the PCAOB's internal operating effectiveness. ... The proposed metrics would expand the basis on which selections are made", *Release-2*, 143. Why? The PCAOB uses "risk-based" selection models. I say only **select audits for inspection at random**. The PCAOB "inspects" 800 audits yearly, 210

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of which are by BF firms so 590 are not. The BF audit 97% of SEC registrants by MC. So $.97 / 210 = .004619$; $.03 / 590 = .0000508$; $.004619 / .0000508 = 91$. Are non-BF audits 91X the CMT per MC dollar as BF audits? Can PCAOB lawyers conceive of this ratio?

"A reduction in the cost of capital reflects a welfare gain because it implies investors perceive less risk in the capital markets", *Release-2*, 147. Is it? Is this a "stock-flow" issue? While the "stock", i.e, current market price may go up, if investors' total cash flows over time, **do not change**, they may get no "welfare gains".

"In some cases, these auditors may exit the public audit market for accelerated filers (AF) and LAF audits", *Release-2*, 171. Is this *Release-2's* intent, *see Allen v US*, my April 17, 2023 submission, 18, Item 134?

"We study the effects of index funds on asset prices and the choices and welfare of investors. In our model, investors choose among bonds, individual stocks, and an index Fund that holds the market portfolio. ... In a wide range of settings, we show that the net effect is that availability of the Fund decreases investor welfare", *Welfare*, abstract. "Shifting invested wealth ... from bonds to the Fund tends to **increase asset prices and decrease expected returns, and hence to reduce investor welfare**", my emphasis, *Welfare*, 1. It's possible, but may violate a finance principle: an asset's value is independent of its ownership, fund v. individual. "Our paper shows that it is not appropriate to simply assume that indexing benefit [sic] investors in equilibrium", *Welfare*, 2. "We build a model with a focus on aggregate qualitative predictions. To that end, we oversimplify in a number of dimensions", *Welfare*, 3. "Stocks and the Fund have the same expected return, but the Fund is less risky; if investors are risk adverse, they will use the Fund to diversify their holding--shift their entire stock investment into the

Fund; because investors are risk adverse, this diversification will tend to increase investor welfare. ... In each case, we find that the presence of the Fund decreases welfare for all investors", my emphasis, *Welfare*, 9. I found *Welfare* an interesting gedanken experiment.

"Due to the size of the U.S. capital markets, even a single basis point reduction in the cost of capital implies substantial welfare gains", *Release-2*, 147. "For example, recent data on the size of the U.S. equity and debt capital markets, a single basis point reduction in the weighted average cost of capital [WACC] would imply at least \$91.6 billion in welfare gains", *Release-2*, 149-150. I checked footnote 281's arithmetic: $\$62.6 + \$10.6 = \$73.2$; $\$73.2 \times .08$ WACC = $\$5.856$, free cash flow (FCF); $.08 - .0001 = .0799$; $\$5.856 / .0799 = \73.2916 ; $\$73.2916 - \$73.2 = \$0.0916$ trillion. The arithmetic works. Now will investor welfare increase absent a FCF increase? *Welfare*, indicates no. I agree with *Welfare's* Schmalz, not *Release-2's*.

Release-2 contains economic thinking. It uses WACC. I never saw WACC before in any PCAOB document. *Release-2* reminded me of some "old friends": *The Market for Lemons*, 22, *Efficient Capital Markets*, 145, *Principles of Corporate Finance*, 147 and *The Market Pricing of Accruals Quality*, 147. *Release-2*, 177, noted an average year has 252 trading days. I used trading days in my December 30, 2023 submission, 19. Are trading days important?

"To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face'," *Ashcroft*, 1949. "Accordingly, an answer containing an affirmative defense must plead 'sufficient factual matter to state a defense that is "plausible on its face"',," *Diesel*, 998. The PCAOB should state when my statute of limitations (SOL) defense was "plausible on its face".

With apologies to Mark Antony, Julius Caesar, 3:2:82-83, "Fellow CPAs, Americans, Investors, I come to bury the PCAOB, not to praise it". I read *Release-3*. How many hours did its' 21 "contributors", 2, spend on it? "The release ... includes an economic analysis of our proposed approach", *Release-3*, 6. "We are proposing to define such firms as those who [sic] had more than 200 reports issued for issuer audit clients and had more than 1,000 personnel during the relevant reporting period", *Release-3*, 25. I think the PCAOB should ignore firms and look at audits. It should not consider "quality control" or other **unquantifiables** and focus on audits. How do I see CPA firm "quality control"? By looking audits. Use Occam's Razor.

"The market does not provide audit firms with sufficient incentives to develop an efficient and effective system of standardized voluntary disclosure regarding firm operating characteristics. If market forces do not provide sufficient incentives, then economic theory suggests regulation may be necessary to generate changes in behavior", *Release-3*, 55. Or the information is **not** worth the cost. At least *Release-3* mentions externalities.

"The failure of a large firm could be broadly consequential if it leads to market disruptions that threaten audit quality", *Release-3*, 67. Or might scare the remaining BF firms to improve. "For example, research finds an association between increases in concentration and audit fees after Arthur Anderson's [sic] exit from the market", *Release-3*, 67. So call on your "inner Teddy Roosevelt": **bust 'em up!** "Overall, estimates of the social and economic benefits of more effective regulatory oversight and additional academic research would be too imprecise to quantify", *Release-3*, 68. So do nothing.

"In addition, disaggregation of fees would help assess whether the firm may be reliant on revenue in a manner that could influence the firm's independence or decision-

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making", *Release-3*, 72. So why did PCAOB 105-2024-014 not disclose this? "[I]ncentive alignment in company governance is a powerful mechanism to ensure agents act in the best interests of principals", *Release-3*, 73, footnote 191. Now apply this principle to *Lacetti* and the PCAOB's case against *Lacetti*. See what you get.

"If compliance costs have a greater impact on ... smaller firms, those firms may be less inclined to pass on the incremental costs in order to stay competitive with larger firms", *Release-3*, 82. That's it, drive some of them out of SEC registrant auditing if possible.

Schellenbach creates **no third class of law**. It stands for: "injury *sine damno*". A mail fraud, 18 USC 1341 conviction, can be upheld sans a victim. Suppose a would-be fraudster prepares a phony financial statement, mails it to an **intended** victim and misaddresses the envelope. It is returned to him. 18 USC 1341 has no "harm element". We only have **civil and criminal law**. *Halberstam* **defeats the PCAOB's civil case** against me no matter what it claims.

On May 5, 2024 I found *Reinhart*. The PCAOB website lists 27 adjudicated cases, **excluding Reinhart!** *List*, 2 mentions 105-2012-003, I downloaded and attach it. It is *Waggoner*. Did the PCAOB hide a losing case? Unlike *Lacetti*, I agree with most of the SEC's May 29, 2019 *Reinhart* holding. I note Jerome Sisul represented the PCAOB in *Reinhart*. Further, the PCAOB did **not** name either E&Y nor KPMG in *Lacetti* and *Reinhart* respectively.

These comments refer to *Reinhart*. The PCAOB did **not** name: KPMG or the other four KPMG partners. The OTTI issue is a "red herring". The SEC's OCA should end OTTI accounting. Accounting should use observables. A company's intent to hold an asset to recovery is metaphysical. As it is written: "But the Lord said to Samuel, ... The Lord does not look at the things people look at. People look at the outward appearance, but the Lord looks at the

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heart'," *Samuel*. KPMG's 2007 opinion date was February 27, 2008. Reinhart filed her appeal December 29, 2016, almost nine years later. Hogan Lovells did **not** then raise the SOL, so was it an SEC and PCAOB matter of "first impression"? The PCAOB's assertion going concern and OTTI analyses are "distinct processes, governed by substantially different auditing standards", *Reinhart*, 19, apparently fails *Blockburger* analysis. The "margin call" issue, *Reinhart*, 25, is another "red herring". Thornburg's **format** is irrelevant.

"DERA's terrific team of more than 170 economists, statisticians, data scientists, engineers, attorneys, accountants, and other staff are at the heart of everything we do at the SEC", *Gensler*, 1. Then unleash say 20 "terrifics" on the PCAOB. What will they find? "Setting rules that determine what data is provided to the public is one of the most consequential things we do at the SEC", *Gensler*, 3. Including PCAOB data? "I think of the ... SEC's role providing to the public economic research as well as aggregate statistics", *Gensler*, 3, including PCAOB aggregates? "Congress understood this when they gave the SEC authority over setting accounting standards for public companies", *Gensler*, 6. Then end UTTI. "There is something about that sunshine", *Gensler*, 7. Shine sun on the PCAOB! "DERA provides impartial economic analyses that consider the costs and benefits of our rules as well as their effects on efficiency, competition, and capital formation", *Gensler*, 8. Then why let the PCAOB **limit** competition?

"Little did I realize how their work, such as **Markowitz's modern portfolio theory**, would help shape my views on issues that I face in my current role as Commissioner", my emphasis, *Analytical*, 1-2. "My remarks will describe a regulatory philosophy as applied to the financial markets. It is driven by the obligation to act in accordance with the U.S. Constitution which lays out the separation of legislative, executive and judicial powers", *Analytical*, 2. Are

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PCAOB hearing officers (HOs) under Article 2 or 3? "In other words, the Commission should be scientific in its approach to the maximum extent possible, But what does that mean and what does it entail?", *Analytical*, 4. Should it apply to the PCAOB too? "Are there limitations on what can be learned about financial markets through the scientific method?", *Analytical*, 5. Yes. "This approach focuses on steady, evidence-based gradualism that recognizes the limits of regulator knowledge ... and embraces economic analysis as a key tool for navigating this complex terrain", *Analytical*, 5. Now MU, it's story time.

To the best of my recollection, in August or September 1976, I concluded the most that could be done to improve audits was "a little trimming around the edges". Erica Williams (EW) says a 40% ADR is unacceptable. I don't care what she says. And neither should you.

You cite Hume, Smith, Russell and Popper. Now it's story time. Again. In 1976 I read *Wealth* and in 1993 *Moral*. *Moral* made me curious about Smith. As best as I could determine he was a Presbyterian minister. Then it hit me: who has an "invisible hand"? HE does. In 17 years from 1976 and 1993 I didn't realize the "invisible hand" was Smith's metaphor for saying the market is HIS way to organize things. Ouch! I've had no PCAOB "Ouch" moments.

"That is Popper's point, which is the potential for falsification lies at the heart of good science and appropriate methodology", *Analytical*, 8. Now an Albert Einstein (AE) story. AE was asked by a reporter if the fact that thousands of scientists all over the world were trying to prove him wrong bothered him. AE replies, "I have no interest in being right. I have every interest in knowing if I am right".

"Other challenges include that the financial system is fraught with positive and negative feedback loops that render many non-linear responses and may result in non-normal

probability distributions", *Analytical*, 14. Excepting Schmalz, does any PCAOB employee know what a probability distribution is? Did Goldman Sachs encounter a 25-sigma event in 2007?

"It is imperative that the agency's economists conduct their analyses in an objective manner and that the Division's cost-benefit analysis is not simply a *post hoc* exercise to justify a predetermined policy outcome", *Analytical*, 19. For the PCAOB too? The PCAOB could see this in Lacetti's Taro audit conduct. "In particular, we need economists to employ their analytic and evidence-based skills in tracing and measuring the impact of shifting conflicts of interest", *Analytical*, 19. Have PCAOB lawyers conflicts of interest? "Second, economists with their various models, can bring to bear insight and hypotheses that may be different than those from lawyers and accountants", *Analytical*, 19. Mohidin and I have said for decades, lawyers are not qualified to regulate auditing. "Third, economists not only need to do quality cost-benefit analysis prior to the adoption of a rule, but they need to regularly conduct ex post cost-benefit analysis as well", *Analytical*, 20. Even PCAOB economists?

"To the greatest extent possible, financial regulators such as the Commission should engage in evidence-based policymaking. ... Exercising that judgment is the responsibility of the five Commissioners and **they need to be provided with the full range of arguments supported by the most reliable and indicative evidence**", my emphasis, *Analytical*, 20. Including things not in the PCAOB-Controlled record? Is the PCAOB record a post hoc rationalization for innumerate, economically ignorant, cowardly sinecurists, i.e, PCAOB lawyers to stay employed? Send me another scandalous and impertinent notice. Also see my April 5, 2022, submission, 7, Item 127 on **what MBD would have said** had I written Mohidin to stop being a nuisance. **After-the-fact**, MBD can say anything.

"In college, when economics rocked my world, it was not macro-economics, but micro-economics. I was fascinated to see the push and pull of incentives on individuals' decisions about how to spend their time and money ... [M]acro-economics, with its focus on the aggregate and abstract theories, did not help me understand the world in which I lived", *Lane*, 1. Having read 25-30 of Peirce's statements and speeches I noticed I agreed with about 98% of what I read. Now it's story time. My first economics class was "Samuelson". We encountered the "balanced budget multiplier". Remember it? I asked the professor how did a dollar know if it was a tax cut or spending cut dollar? He looked at me peculiarly and said "Keynes said". My response: I don't care what Keynes said. Who is he to me? This strikes me as nonsense. About 1976 I found Henry Hazlitt (HH) 1894-1993. HH wrote four books demolishing Keynes.

"Well-functioning capital markets reflect the broader society. As Ludwig von Mises explained", *Lane*, 3. Wow! I read 17 of von Mises books, making him one of my "professors". Others are: Basil Hart, 13; HH, 11; Richard Posner, 9; Friedrich Hayek, 8; and Murray Rothbard, 8. Peirce, if you want to understand banking, read Rothbard's *The Mystery of Banking*, 1983.

Even if a private actor, the PCAOB would fall under a five-year period of "repose", *Merck*, 1790. "But Congress' inclusion in the statute of an unqualified bar on actions instituted '5 years after such violation, ... giving defendants total repose after five years", *Merck*, 1797.

"After 20 years of PCAOB inspections and enforcement, it is clear that many of our current standards and rules need to be enhanced", *Win*, 2. Why? What will new standards do the AICPA's "expectation gap" standards didn't? "After 20 years of experience inspecting against the standards covered under this proposal, it is clear that improvements could facilitate better investor protection", *Win*, 4. Why not bring EAs against the BF in say 10% of identifiable

"restatement cases"? "The new standard will help auditors detect fraud and better protect investors now and into the future", *Win*, 5-6. How? "I know the profession can do better", *Win*, 6. How? "The remediation process incentivizes firms to figure out where that first corner went wrong and provides an opportunity to get it right", *Win*, 7. PCAOB inspection reports should show firms what **should have been done** not just complain about what wasn't. "Finally, the PCAOB will not hesitate to take action to hold those who **put investors at risk accountable**", my emphasis, *Win*, 7. Then why am I here? "We are expanding how we identify cases. And we are expanding the types of cases we are pursuing", *Win*, 8. Why, when ignoring 95+% of potential cases against the BF? "So, choose vigilance over complacency as you stand guard against negligence, recklessness, and fraud", *Win*, 9. "Words, words, words", Hamlet, 2:2:210.

"Of course, we also continue strengthening enforcement, so bad actors know there will be consequences for anyone **who puts investors at risk**. ... Let this be a clear warning to those who break the rules--**if you put investors at risk**, there will be consequences", my emphasis, *Remarks*, 3. Also at *Baruch*, 5. "By their fruits you will know them", *Matthew*.

"Ultimately, petitioners' interest in a final determination by the Commission must be balanced against the Commission's statutory responsibility to protect investors by ensuring that 'the highest ethical standards prevail' in the securities markets", *Marian*, 2-3. Then why am I here? "Petitioners' assertion ... that the Commission is refusing to decide pending administrative appeals to avoid judicial scrutiny of its administrative proceedings makes no sense", *Marian*, 18-19. It made sense to the *WSJ*, my December 21, 2023 submission, 57. "Petitioners' administrative proceeding was commenced within the five-year limitations period of 28 USC 2462", *Marian*, 19. So? Do SEC lawyers **believe** SEC proceedings are under Article 3?

"While mandamus relief in such circumstances ... is unusual because as the SEC appears to begrudgingly acknowledge, binding Fifth Circuit precedent effectively precludes SEC from imposing any sanctions on Petitioners or collecting any penalties it might impose", *Reply*, 5-6. I cited three cases in *Reply*. "It is irrelevant whether SEC commenced its administrative prosecution of Petitioners within five years of their alleged violations. To collect any penalties SEC might impose at this point, the agency would need to timely file a new proceeding in a federal district court to enforce those penalties. ... That five-year deadline expired many years ago", *Reply*, 6, footnote 3. I agree. My SOL expired 11 months ago. Well?

Congress enacted the Sarbanes-Oxley Act in the wake of the Enron scandal to 'prevent and punish corporate and criminal fraud, protect the victims of such fraud, preserve evidence of such fraud and hold wrongdoers accountable for their actions'. ... This incorporated burden-shifting framework provides that the whistleblower bears the burden to prove that his protected activity 'was a contributing factor in the unfavorable personnel action alleged in the complaint. ... If the whistleblower makes that showing, the burden shifts to employer to show 'by clear and convincing evidence' that it 'would have taken the same unfavorable personnel action in the absence of the protected activity', *Murray*, 449.

"In *Babb v. Wilkie* ... this Court explained that the 'normal definition' of 'discrimination' is 'differential treatment.' ... In *Bostock*, the Court likewise observed that 'discriminate' typically means simply 'to make a difference in treatment or favor (of one as compared with others)'," *Murray*, 453. I ask again: is running a cartel permissible? "Burden-shifting frameworks have long provided a mechanism for getting at intent in employment discrimination cases", *Murray*, 454. Why not apply it here? "Because discriminatory intent is difficult to prove, and employers 'control most of the cards' ... burden shifting plays the necessary role of 'forcing the defendant to come forward with some response' to the employee's circumstantial evidence", *Murray*, 454. Do PCAOB lawyers understand circumstantial and direct evidence are

equals? Are they "as pure as Caesar's wife" and "above suspicion"? See *Kabani*, 31, *infra*. Why did the PCAOB "uncatalog" my July 27, 2023 submission? Is that act circumstantial evidence?

"Today, however, I want to focus on a different problem--the dwindling of genuine Commission and staff engagement with the public", *Crickets*, 3. "People routinely approach the staff with questions about how the law applies to their unique facts and circumstances", *Crickets*, 4. "When it comes to interpretive guidance, 'the Commission is closed for business'. ... Other people have told me that they desperately want to have substantive discussions with the staff but worry that the inevitable result of such a meeting would be a call from enforcement, not a concerted effort to work through complex regulatory issues", *Crickets*, 6. Mohidin and I last called the SEC's OCA for GAAP guidance on an unusual accounting issue about 12 or 13 years ago. Having called 6 or 7 times before, and been told by OCA, "you identified the rule. Now apply it", we concluded calling OCA just wasted time and invited an EA. Now MBD rules I should have asked the PCAOB for guidance, my April, 2, 2022 submission, 5-7, Item 127. Who is MBD kidding? Not me. Maybe you.

"The investment banker in question is a guy called David Viniar who held a big job--as the Chief Financial Officer of Goldman Sachs--during the global financial crisis of 2008-09", *Standard*, 1. Benoit "Mandelbroit, who is sadly no longer with us, debunked the idea that the normal distribution/standard deviation model works in stock markets ... **six decades ago**", original emphasis, *Standard*, 2. I knew that. Or IQ distributions as Louis Terman (LT) found in the 1920s. Why? Assortative mating, i.e, Stanford and Berkeley grads mating. LT worked in California. Assortative mating produces the NBA. *Standard* gives the likelihood of a 20-sigma event. Now does the PCAOB treat BF and non-BF firms alike? Read the Upton Sinclair quote,

Standard, 9. In 1934, when running for California governor, Upton Sinclair said, "It is difficult to get a man to understand something, when his salary depends upon his not understanding", *Difficult*, page 2. Is this **res ipsa loquitor**? Does it apply to MBD?

Standard deviation (SD) models don't work for short humans either. For example: Tom Thumb (1838-1883) was 27 inches tall. The average Union soldier was 67 inches tall, with a SD of 2.5 inches. So $67-27 = 40$; $40 / 2.5 = 16$ SD. What is the likelihood of a 16-sigma event? According to *Normal*, the likelihood of an **8-sigma event** is: 1 in 1.512 quadrillion! Supposedly there have been 110 billion humans on earth during the last 200,000 years.

Here's another problem for the PCAOB. Did it realize it? Accountants are getting dumber. "But when I ran across an ETS-curated data set of average IQs by college major, I couldn't avoid putting this visualization together. Below I plotted several college major's estimated student IQs over the gender of that major", *IQ*, 1. The average IQ of accounting majors in the chart was 109. Now this is from memory, and is to an extent an "apples to oranges" comparison, about 45 years ago, the average IQ of CPAs was 128. Now I estimate, drumroll please, 85-90% of CPAs **cannot understand expected value**. It's that bad. So?

"On June 30, 2015, the U.S. [SEC] Office of the Inspector General (OIG), Office of Investigations, initiated an investigation ... concerning alleged potential issues of fairness and bias on the SEC administrative proceedings", *OIG*, 1. "The allegations of bias or improper influence investigated concentrated upon instructions, directives, or orders on how to rule on motions, decide questions of facts or law, or make other dispositions of any particular administrative proceeding. ... The **OIG did not develop any evidence** to support the allegations of improper influence", my emphasis, *OIG*, 1. "Conversely, several individuals interviewed during

this investigation indicated that Murray emphasized fairness and independence of the Office", *OIG*, 1. I'm sure she did, What did Fribance say in *Ganttt*, which the jury disbelieved, my April 17, 2023 submission, 21-22, Item 134 ? "Murray criticized McEwen and questioned her loyalty to the SEC; and **ALJ personnel were pressured to shift the burden of proof to respondents**", my emphasis, *OIG*, 5. I see no *Green* reference here. "In addition, the May 2015 *WSJ* article reported that 1) an analysis of decisions showed that the SEC enjoyed a 'home-court advantage' when it sent cases to it own judges", *OIG*, 8. Why else would the SEC send them there? *OIG* only had interviews, it lacked statistical analysis unlike *SFFA*, my December 30, 2023 submission, 14-15. It did not explain the difference in SEC ALJ versus Federal District Court case win rates. I found *OIG* an evasion. Shakesphere described it, "It is a tale Told by an idiot, full of sound and fury, Signifying nothing", *Macbeth*, 5:5:29-31.

I debunk *OIG* this way: a croupier spins a Las Vegas roulette wheel (LVRW) 24 times getting 10 12 times. Is this reasonable? A LVRW has 38 numbers. If a "fair wheel", the probability of any number coming up is .026315789 or 1 / 38. The probability is: 2.2 E -13. Now ask the croupier if he spun the wheel fairly. He says yes. I am unpersuaded. I say the wheel is "rigged". Our result is a 4.54 trillion to one shot. Thinking more about *OIG*, I "ran numbers" on *Binomial*. I start with 122 wins as that is the "expected value" (200 x .61). Here's a table using a 200 item sample size and a 61% win probability, the SEC's District Court case win rate:

Wins	Ratio	Odds
122	.53098	1 in 1.8833
130	.13821	1 in 7.2353
140	.00503	1 in 198.81
150	.000020644	1 in 48,440
160	.0000000065428	1 in 152.8 million
170	.00000000000028	1 in 3.57 trillion
174	.00000000000018	1 in 5.56 trillion

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I stopped at 174 or 87%, because of gigacalculator's precision limit. I give the SEC "the burden of production" and discredit *OIG*. Is the SEC encouraged to bring weak cases by its ALJs's bias? What say you Commissioners? Could this also apply to the PCAOB? Are PCAOB HOs and SEC ALJs antithetical to Americanism? Thomas Jefferson said, "He has made Judges dependent on his Will alone for the tenure of their offices, and the amount and payment of their salaries", *Declaration*, 3.

What would I have done as the SEC's 2015 Inspector General? Given *Binomial* to each SEC ALJ. Then asked each ALJ to explain it and said, "You have one week". Living in a probabilistic world, I believe no SEC ALJ would have offered any explanation. What do criminal investigators do with blood stains at a crime scene and DNA?

Will the SEC object to my putting the PCAOB "on trial"? Why? The PCAOB, a party to this action, put me on trial, why shouldn't I return the favor? Who protects investors, me or the PCAOB? I repeat: the PCAOB is a 21-year failure at best, a fraud at worst. By the way, did any SEC Commissioner consider if federal Rule 9(b) has any implications for the PCAOB? If you wish I will explain them to you.

As Admant's MC was 1 / 32,000,000 of total SEC registrant MC, the SEC could have say 20 "terrifics" compute the correlation coefficient between total market return (TMR) and TMR less Admant for say 2012 to 2017. I'm sure SEC "terrifics" can access the relevant data bases. I'll bet the r exceeds .999999. .999 was adequate to defeat the SEC in *Grayscale*. Who or what is the PCAOB protecting? From what? Will the SEC accept "his innumeracy's", i.e, Brett Collings (Collings) next argument: the law of this case is 71 is less than 60. Ask Collings if he agrees. (Sarcasm).

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Here's a thought for the SEC: SOX was designed to prevent "big" accounting frauds. I defined big by Enron and Worldcom. Consider: Adamant's MC was \$1.34 million at the relevant time. Therefore "big" means \$1.33 million. Well? SEC, take a shot. One can never be cynical enough in dealing with Uncle Sam.

For the first time, investors would have an independent audit watchdog putting their interests first. The PCAOB would set clear standards to uphold the integrity of public audits, inspect for compliance with those standards, and enforce them to help restore trust in our capital markets. ... But one thing remains constant, and that is our mission--to protect investors and further the public interest in the preparation of informative, accurate and independent audit reports, *Kansas*, 4.

The numbers convince me, **beyond a reasonable doubt**, EW either doesn't know what she is talking about, or is lying. Doesn't the SEC discipline miscreant CPAs? Didn't it from 1934 to 1976? Why was the 1976 Metcalf Commission created? "To keep investors protected in an era of rapid change, our standards must keep up", *Kansas*, 5. With what? "Unfortunately, we have seen too many instances of firms promoting their PCAOB registration in a way that could mislead clients, investors and others. PCAOB registration is not a 'seal of approval' or 'mark of excellence,' as some firms have advertised on their websites. The PCAOB does not sponsor, recommend, or endorse firms", *Kansas*, 7. But will bar them. Why shouldn't a PCAOB registered firm state, "We are not bared from PCAOB practice"? If it's a fact, it's a fact. Is EW saying lack of PCAOB EAs and ADRs convey no information?

"The metrics are grounded in countless hours of research by our professional staff. They include information about firms' overall audit practice", *Kansas*, 8. MU, why not ask EW how many hours are "countless"? Is the PCAOB shuffling the Titanic's deck chairs as it sinks? "Our evidence-based approach starts with understanding the current environment", *Kansas*, 9.

What is EW talking about? I use an "evidence-based" approach and deluge the PCAOB with statistics. The PCAOB has an attorney who thinks five is less than two. Wow! Are CPA firm incentives part of the environment?

"And we expanded the tools available on our website to make it easier to find and compare deficiency rates across audit firms. We believe when firms compete on quality, quality improves", *Kansas*, 11. EW, why do this if CPA firm ADRs are misleading?

"But because firms' systems of quality control lay the foundation for how they perform audits, quality control improvements can signal a first step toward improving overall deficiency rates", *Kansas*, 12. I disagree. Having been in accounting for 50 years, yes I got my first accounting job in May 1974, send me an anniversary cake, EW doesn't know what she is talking about. If the University of Virginia Law School doesn't require reading *Path*, my July 27, 2023 submission, 20-22, it should. "Has our audit engagement been inspected by the PCAOB", *Kansas*, 12. I say again: disclose audits inspected. No audit committee should ask this.

"We have recently launched a culture review initiative as part of our annual inspections. We now have a dedicated team that is performing specific procedures that have the potential of identifying and assessing unique aspects of the culture at each of the six U.S. affiliates of the global network firms and the impact these aspects may have on the firm's ability to consistently perform high-quality audits", *Kansas*, 13. More obfuscation. "Let this be a clear warning to those who break the rules--if **you put investors at risk**, there will be consequences", my emphasis, *Kansas*, 15. Well EW, why am I here? Answer: because I did **not** put investors at risk. That'll learn me. And any other CPA who would otherwise have insisted a client restate its financials. Just think, for this "farrago" of words, EW gets paid \$670,000 per year.

The totality of EW's comments I've cited in various submissions gave me an idea for the SEC. Buy EW the book which contains the best known passage in all economics. It starts with, "It is not from the benevolence". Recognize it?

"Relying primarily on Justice O'Connor's concurrence in *Price Waterhouse*, a number of courts have held that direct evidence is required to establish liability under § 2000e-2(m)", *Costa*, 95. "Specifically, we must decide whether a plaintiff must present direct evidence of discrimination in order to obtain a mixed-motive instruction under 42 US § 2000e-2(m)", *Costa*, 98. "On its face, the statute does not mention, much less require, that a plaintiff make a heightened showing through direct evidence", *Costa*, 98-99.

For instance, ... we recognized that evidence that a defendant's explanation for an employment practice is 'unworthy of credence' is 'one form of circumstantial evidence that is probative of intentional discrimination,' ... The reason for treating circumstantial and direct evidence alike is both clear and deep rooted: 'Circumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence'. .. We have never questioned the sufficiency of circumstantial evidence in support of a criminal conviction, even though proof beyond a reasonable doubt is required, *Costa*, 100.

I previously cited *Falstaff*, my April 17, 2023 submission, 18-20, item 134. The PCAOB's claims are **not worthy of belief**.

"Jamie Dimon recently indicated that he might retire as CEO of JPMorgan sooner than expected. JPMorgan's stock dropped by 4.5%, or about \$25 billion", *Jamie*. How much will the market rise when the SEC announces it banned me from CPA practice for life? Ask Schmalz for his calculation **done months ago**. If he has none, he and say 20 "terrifics" can make one, give or take two basis points at a 95% confidence interval. If 30 basis points, using the 8.00% WACC, 10 *supra*, I get .0770 (.0800 - .0030); \$5.856 / .0770 = \$76.0519; \$76.0519 -

\$73.2 = \$2.8519 trillion! See the **Mt. Everest of dollars** on the table for the PCAOB and SEC to grab! How? UCLA economics professor Jack Hirshleifer (1925-2005), told us. Take your position, then reveal to the world your new information and watch prices adjust. It might take 90 seconds. MU, you'll love this: the SEC buys out of the money S&P 500 calls, selling them once prices adjust. The SEC will make Uncle Sam billions! Janet Yellen (JY) will kiss each SEC Commissioner on both cheeks! President Biden will pass out Presidential Medals of Freedom at the SEC like Halloween candy! What more can you want? Wait, there's more. The SEC now buys S&P 500 puts, announces the previous announcement was a mistake, the market falls, the SEC makes billions more and JY moves into the SEC's offices awaiting its next move. Which is? Make similar announcements for Mohidin! The SEC trading desk will be recognized as the best since Hillary turned \$1,000 into \$100,000 in a year trading cattle futures. If the SEC can do this often enough, it can balance the budget! We can close the Fed. Whaddayasay?

"In truth, the quality of an audit is unobservable. An audit conducted by a small and relatively unknown accounting firm, therefore, may not be worth much", *Demise*, 2. Even if PCAOB inspected with no ADR? "Following [Enron] Andersen-related firms appear to be discounted by about 6 percent relative to non-Andersen-audited firms, and clients are leaving Andersen in droves", *Demise*, 2-3. "It appears that an Andersen signature (relative to a 'Final Four' signature) costs a company 6 percent of its market capitalization", *Demise*, 4. As a "first order approximation", George Weinbaum's audits must be at least as large a "market drag" as Andersen's were after it was indicted. How else to explain the PCAOB pursuing this case instead of multiple cases against the BF? $\$73.2 \times .94 = \68.808 trillion; $\$5.856 / \$68.808 = .0851!$ My 30 basis point estimate was low. My auditing SEC registrants **must** cost the market at least

\$4.392 (\$73.2 - \$68.808) trillion! Once the "right" parties read this, will I have a fatal car accident? Will the SEC arrange it? Have we precedent? Yes! General George Patton died after a 1945 car accident. Epstein was "Epsteined" for less than \$4 trillion. Will my "Epsteining" facilitate capital formation? Isn't that part of the SEC's job? Or is this just my conceit? I realize there is nothing personal here, but \$4 trillion!

Before he was hanged, Nathan Hale (NH) (1755-1776), said, "I only regret, that I have but one life to lose for my country". I similarly have but one professional career to lose for the PCAOB-SEC. Like NH, I go to my fate, with "calm, [bearing] gentle dignity, in the consciousness of rectitude and high intentions", citing British Captain John Montresor's, observations at NH's hanging.

"As this article was going to press, the SEC dismissed all forty-two of its open administrative cases on the Commission's appellate docket from the ALJ proceedings. ... Instead of facing those challenges, the SEC decided it was done playing and wanted to take its ball and go home. These dismissals are an obvious and cynical ploy to preempt that hard-won right to judicial review that had been percolating through the federal circuits for over a decade", *Bleak*, 600. Margaret Little agrees with the *WSJ*.

"Academic researchers, journalists, investor protection advocates, and government watchdogs who wish to study these changes by looking at the activities of its regulator, the PCAOB, have been limited to scrutinizing only what the PCAOB is willing to disclose", *State*, 2. "More specifically, our paper is the first to provide the comprehensive economic analysis of the PCAOB's organizational effectiveness. ... The extant literature has dedicated little attention to analyzing the drivers of the PCAOB's actions", *State*, 3. "To prosper, all lawful and unlawful or-

ganizations face a common economic challenge--how to channel their workers; self-interest to further their goals", *State*, 6. Even PCAOB lawyers? "The SEC's tripartate mission-- ... and facilitating capital formation--seeks to balance investors' interests against interests of other parties it regulates. ... The PCAOB's mission is exclusively focused on investor protection", *State*, 13. "Another JOBS Act provision forces cost-benefit analysis [CBA] on the PCAOB", *State*, 15. I never saw PCAOB CBA. "The firms claimed partner names were not useful to investors or the markets because the global audit firms stand behind partners' work", *State*, 17. Then why didn't the PCAOB name KMPG, 11 *supra*? "One former PCAOB inspection specialist who now consults with firms trying to improve their PCAOB performance thinks the regulator doesn't do enough to help firms fix chronic problems and may be causing them to persist", *State*, 28 footnote 30. I go further: the PCAOB **can't** recognize substantive problems, so fixates on trivial paperwork. Most PCAOB inspectors do not understand direction of test or how audit steps fit together. Really. Justice Gorsuch got it! Audit firms "thought the deficiency percentage results did not reflect overall firm audit quality because of the PCAOB's approach of inspecting the riskiest clients. Relatedly, critics argued that the format by which the information was presented by the PCAOB, where the deficiency rates were broken down by firms with implied comparisons between audit firms, pitted the audit firms against one another", *State*, 28-29. EW should read this. "The focus on deficiency rates might also have created a mindset within the PCAOB and its inspection staff that their ultimate goal is to uncover deficiencies", *State*, 29. Or create them. "PCAOB inspectors may have perceived that they are evaluated by how many deficiencies they have found", *State*, 30. I have suspected this for many years.

"PCAOB Director Helen Munter ... described the candidates she preferred to hire without ever emphasizing criteria such as an independent mindset, an ability to stand in the investor's shoes regarding audit quality expectations, or the ability to demonstrate professional skepticism. ... Munter openly suggested that PCAOB work experience as an inspector is a valuable addition to a resume, particularly if the PCAOB is a stepping stone along a career path ... creating a revolving door problem', *State*, 32. I add only between the PCAOB and the BF. Small CPA firms cannot create sinecures for PCAOB employees. "Hendricks, et. al. (2022) find evidence that the intensity of hiring of former PCAOB employees by audit firms is positively associated with audit firms' prior inspection deficiency levels. However, the authors demonstrate that improvements were limited to PCAOB inspections, and were **not present in overall audit quality as measured by other variables** (e.g., restatement rates)", my emphasis, *State*, 33-34. "Organizations are vulnerable to pillar misalignment when substantial conflicts of interests are incentive incompatibilities develop within their midst. What is unique about the PCAOB is that **organizational misalignments were built into its foundation**", my emphasis, *State*, 37. Make lots of noise but never put a BF firm out of business. The "firms valued highly [PCAOB inspectors] knowledge and experience given their perception that **the inspection program was arbitrary**", my emphasis, *State*, 40.

In part I am following Hitler's propaganda minister, Joseph Goebbels (JG) (1897-1945). JG supposedly said, "The most important weapon of war is propaganda. Why? Because any idiot can be trained to carry a rifle. But it is the proper administration of propaganda that determines the direction in which he points it". SEC, point your "weapons of war", including "terrifics" at the PCAOB, not me.

Serendipity! On May 31, 2024, the SEC filed a case against Robert Scott Murray, et. al. alleging the defendants engaged in a scheme like that I outlined at 26-27, *supra*. "In early April 2023, Murray purchased Getty call options for the first time in his accounts", *Trillium*, p 39. *Trillium*, p 43 describes out-of-the-money calls. Uncle Sam already has a bond market manipulator, the Fed. I see an SEC market opportunity. Murray might effect the scheme for you and put his cooperation in his presentence report to reduce his prison sentence. But, Murray may reject the scheme believing my practice bar will **not** increase the S&P 500 even one thousandth of a percent. What do you SEC Commissioners think?

This submission has an unusual feature: I did **not** serve it on the PCAOB. I want the SEC to substantiate my *Reinhart* and *Waggoner* claims, **lest the PCAOB change its website before** the SEC can check it. Would the PCAOB would do this? Why not? Will any PCAOB employee suffer an adverse employment consequence for doing so? I will serve this submission on the PCAOB **in 30 days**, to give the SEC time to substantiate my claims. Fair enough?

I insisted Adamant restate. Didn't I? Who or what did I put at risk? I now put **PCAOB lawyers at risk**. MU, why should the PCAOB keep them? They brought only five cases against the US BF arms in 21 years. Who needs them? Not investors. The PCAOB claims I am a threat to something, yet faulted none of the nine audits it looked at. I say it's more than time the SEC acted on 1976's Metcalf Report which noted differential treatment of large and small firms CPAs, my April 2, 2022 submission, 10, item 127. Alternatively, **the BF are doing what the SEC really wants**.

Here's my conclusion: the PCAOB pursued this case was in the belief I **would settle on any terms it dictated**. The PCAOB bet wrong. What will the SEC do about this? Tell me my

belief "is scandalous and impertinent"? It is grounded in facts, not raw assertion. No "finding" of MBD's is any more than an indictment. MBD is no "fact finder". I deal in **substance, not form**, unlike PCAOB lawyers who cower behind their own rules.

In a **real court**, after **not** finding "Reinhart-Waggoner", I would ask for a "falsus in uno, falsus in omnibus" instruction. Well? "The PCAOB found that Applicants violated PCAOB rules by engaging in a 'wide-spread and resource-intensive effort' to conceal documentation deficiencies in three issuer audit files from PCAOB inspectors", *Kabani*, 2. How many more "Reinhart-Waggoners" are there I haven't found? Yet! The SEC lifted the stay against Kabani in 2017, *Kabani*, footnote 2.

"Under Section 107(c)(2) of [SOX], we will sustain the Board's decision if we find that the record shows that Applicants engaged in the conduct that the Board found Applicants' to have engaged in, that Applicants' conduct **violated PCAOB rules**, and that those rules are, and were applied in a manner, **consistent with the purposes of [SOX]**", my emphasis, *Kabani*, 8. If D&T's Christopher Anderson (CA) didn't violate his bar, Mohidin didn't. What then did I "aid and abet"? If D&T's LOC creating a position for CA, did not violate any PCAOB rules, why am I here? What are "the purposes" of SOX anyway? To create jobs for mediocre lawyers and CPAs, or protect investors? Well?

"Yet Applicants admit to much of their conduct, and the Board may 'draw inferences of subjective intent from evidence of objective acts, and from circumstantial evidence'," *Kabani*, 16. Will the SEC do this **with respect to the PCAOB**? "It is well established that 'intent may be proved through circumstantial evidence and inferences drawn from surrounding circumstances'," *Kabani*, footnote 34. Agree! See *Falstaff*, my April 17, 2023 submission, 18-20,

Item 134, and *Murray*, 18-19, *supra*. "It is well established that 'the existence of a violation raises an inference that it will be repeated", *Kabani*, 18. How many more "Reinhart-Waggoners" are there for me to find? "There considerations demonstrate that Applicants each pose a continuing danger to the investing public, and that the revocation and bars are in the public interest", *Kabani*, 18. Similarly the PCAOB's **thousands of refusals** to act against the BF! Well? Compared to the PCAOB I am **purser** than Caesar's wife, a veritable angel.

The PCAOB supposedly protects investors from miscreant CPAs. Look at Broadcom, my December 30, 2023 submission, 16-18 and 64, reproduced in part, below.

On 1/19/07 Broadcom Corporation released restated 2003, 2004 and 2005 financial statements, *Broadcom*, page F-1. It had 524,321,000 restated shares outstanding (RSO) at 12/31/05, *Broadcom*, page F-2. I did not find Broadcom's 2/9/06 share price, so used its average share price for the quarter ending 3/31/06, *Broadcom*, page 40, $\$50.00 + \$30.96 = \$80.96$; $\$80.96 / 2 = \40.48 ; $\$40.48 \times 524,321,000 = \$21,224,514,000$ market capitalization (MC). Divide by Adamant's \$1.34 million MC $\$21,225 / \$1.34 = 15,839$. Since no E&Y partner was penalized for Broadcom's "errors" in financials, why am I here? E&Y was **not** penalized either. Why was MJF? Feel free to check my arithmetic.

The 2003, 2004 and 2005 restatements were (000): \$461,901; \$781,748 and \$768,381, *Broadcom*, page F-10, or \$2,012,030 which is 1,118X Adamant's \$1.8 million. E&Y's initial report was dated 2/9/06, the restatement was 11 months later. Not 24 days!

"Lead Plaintiff New Mexico State Investment Council, individually and on behalf of all others similarly situated, ('Plaintiffs'), appeals the district courts' grant of Defendant ... ('EY')

Motion to Dismiss", *New Mexico*, page 1091. "This case finds its roots in a large accounting fraud related to stock option backdating", *New Mexico*, page 1092.

The lengthy Complaint includes nearly thirty-five pages of allegations that EY, as Broadcom's auditor, was complicit in a stock option backdating scheme involving options to purchase over 239 million shares of Broadcom stock between 1996 and 2005. ... However, when a company chooses to issue such 'in the money' options ... accounting principles require the company to record an expense for the 'profit' treated as compensation to the option recipient over the vesting period. If the company does not properly record the back-dated options, then the company's reported net income is overstated for the years the options vest, potentially deceiving the market and investors. Broadcom, engaged in an improper stock option backdating scheme that required the company to restate its financial statements in January 2007 for fiscal years 1998 to 2005 (the 'Restatement'). The Restatement acknowledged that Broadcom had improperly accounted for \$2.2 billion in income, largely due to improper option backdating, *New Mexico*, page 1093. Eight years of restatements!

Will Mr. Collings say "The PCAOB has discretion"? I say tell Congress, specifically Senators Elizabeth Warren and Sherrod Brown, the PCAOB **knowingly and wilfully ignores fraud or can't figure out: \$2.2 billion is more than \$1.8 million or that eight years is more than 24 days.** Was E&Y "unjustly enriched" for eight years?

The SEC sanctioned an individual for backdating stock options, barring him from appearing before the SEC, *Pattison*, page 23. Did the PCAOB know this?

"Thus, a court reviewing scienter allegations under the Private Securities Litigation Reform Act of 1995 ('PSLRA') must 'consider the complaint in its entirety. ... The court must determine whether 'all of the facts alleged, taken collectively, give rise to a strong inference of scienter, not whether any individual allegation, scrutinized in isolation meets that standard'," *New Mexico*, page 1095. Sounds like Learned Hand's, "cumulation of instances". "The choice of the May date for the option grant was suspect because, on that day, not only was the price

of Broadcom's stock at its lowest point for the entire month of May, but also the lowest closing price since October 1999 and, as it turns out, until October 2000", *New Mexico*, page 1096.

"The plaintiff must prove that the accounting practices were so deficient that the audit amounted to no audit at all, or an egregious refusal to see the obvious, or to investigate the doubtful, or that the accounting judgments which were made such that no reasonable accountant would have made the same decisions if confronted with the same facts'," *New Mexico*, page 1098. "While EY argues there was nothing technically incorrect at the time each of the questionable grants was audited individually, EY fails to explain how it could innocently overlook the number and magnitude of the aggregate amount of undocumented grants, particularly in light of GAAS and its knowledge of the 2003 corrective actions", *New Mexico*, page 1102. What say you SEC? Did I do anything like this?

Broadcom paid the SEC \$12 million in *Litigation*. Had *Litigation* no PCAOB significance for E&Y? But the PCAOB looked at Admant's \$1.8 million restatement. The PCAOB's idea of "investor protection" and mine differ. Does the PCAOB read SEC *Litigation* releases?

If the PCAOB will not discipline the BF, who needs it? Only the sinecurists who work there.

Very truly yours,

A black rectangular redaction box covering the signature of George Weinbaum.

George Weinbaum

CERTIFICATE OF SERVICE

I, George Weinbaum certify that today, June 4, 2024, I mailed you three copies of my June 4, 2024 brief in Admin Proc. File 3-21841. I also filed the brief by e-mail to <https://www.sec.gov/eFAP>. I will file the brief with the PCAOB by e-mail and on paper in 30 days for the reason on page 30 of the brief. I treat the PCAOB as an **adverse party to be impeached**, no court of initial jurisdiction.

The brief is 34 pages long including an index to authorities and other items cited. My word processor generated a word count including the front tables and identifiers of 1,035, which I concluded was absurd. It gave me an 843 line count. My April 18, 2024 brief, had an 8,665 word count and 743 line count. So my best faith estimate word count is $843 / 743 \times 8,665 = 9,831$. This brief is 10 pages **shorter** than the 44 pages the PCAOB submitted May 20, 2024.

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George Weinbaum