

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 71770 / March 21, 2014

ACCOUNTING AND AUDITING ENFORCEMENT

Release No. 3544 / March 21, 2014

ADMINISTRATIVE PROCEEDING

File No. 3-12105

In the Matter of	:	ORDER GRANTING APPLICATION FOR
	:	REINSTATEMENT TO APPEAR AND PRACTICE
	:	BEFORE THE COMMISSION AS AN ACCOUNTANT
Brendon P. McDonald,	:	RESPONSIBLE FOR THE PREPARATION OR
CPA	:	REVIEW OF FINANCIAL STATEMENTS REQUIRED
	:	TO BE FILED WITH THE COMMISSION

On November 18, 2005, Brendon P. McDonald, CPA (“McDonald”) was suspended from appearing or practicing before the Commission as an accountant as a result of settled public administrative proceedings instituted by the Commission against McDonald pursuant to Rule 102(e)(3)(i) of the Commission's Rules of Practice.¹ This order is issued in response to McDonald’s application for reinstatement to appear and practice before the Commission as an accountant responsible for the preparation or review of financial statements required to be filed with the Commission.

In a civil action entitled Securities and Exchange Commission v. Fred Gold, et al., a final judgment was entered against McDonald permanently enjoining him from future violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, and from aiding and abetting violations of Section 15(d) of the Exchange Act and Rules 12b-20 and 15d-1 thereunder. The Commission’s complaint alleged that American Tissue, Inc. (“American Tissue”) materially overstated its assets, shareholders’ equity, revenue and net income in periodic reports filed with the Commission during 2000 and 2001 by capitalizing previously recorded expenses as inventory and overvaluing finished goods inventory. The complaint further alleged that Arthur Andersen LLP (“Andersen”) issued an unqualified audit report on American Tissue’s financial statements for its fiscal year ended September 30, 2000

¹ See Accounting and Auditing Enforcement Release No. 2346 dated November 18, 2005. McDonald was permitted, pursuant to the order, to apply for reinstatement after five years upon making certain showings.

though its audit was not conducted in accordance with generally accepted auditing standards and American Tissue's financial statements were not fairly presented in conformity with generally accepted accounting principles. According to the complaint, McDonald, an experienced senior at Andersen, was one of the auditors responsible for the audit failure. In addition, the Complaint alleged that, subsequent to the completion of the audit, McDonald altered audit workpapers in preparation for a peer review by another audit firm and he instructed members of the audit engagement team to gather all American Tissue related documents for shredding, other than the "official" work paper file.

In his capacity as a preparer or reviewer, or as a person responsible for the preparation or review of financial statements of a public company to be filed with the Commission, McDonald attests that he will undertake to have his work reviewed by the independent audit committee of any company for which he works, or in some other manner acceptable to the Commission, while practicing before the Commission in this capacity. McDonald is not, at this time, seeking to appear or practice before the Commission as an independent accountant. If he should wish to appear and practice before the Commission as an independent accountant, he will be required to submit an application to the Commission showing that he has complied and will comply with the terms of the original suspension order in this regard. Therefore, McDonald's suspension from practice before the Commission as an independent accountant continues in effect until the Commission determines that a sufficient showing has been made in this regard in accordance with the terms of the original suspension order.

Rule 102(e)(5) of the Commission's Rules of Practice governs applications for reinstatement and provides that the Commission may reinstate the privilege to appear and practice before the Commission "for good cause shown."² This "good cause" determination is necessarily highly fact specific.

On the basis of information supplied, representations made, and undertakings agreed to by McDonald, it appears that he has complied with the terms of the November 18, 2005 order suspending him from appearing or practicing before the Commission as an accountant, that no information has come to the attention of the Commission relating to his character, integrity, professional conduct or qualifications to practice before the Commission that would be a basis for adverse action against him pursuant to Rule 102(e) of the Commission's Rules of Practice, and that McDonald, by undertaking to have his work reviewed by the independent audit committee of any company for which he works, or in some other manner acceptable to the Commission, in his practice before the Commission as a preparer or reviewer of financial statements required to be filed with the Commission, has shown good cause for reinstatement. Therefore, it is accordingly,

² Rule 102(e)(5)(i) provides:

"An application for reinstatement of a person permanently suspended or disqualified under paragraph (e)(1) or (e)(3) of this section may be made at any time, and the applicant may, in the Commission's discretion, be afforded a hearing; however, the suspension or disqualification shall continue unless and until the applicant has been reinstated by the Commission for good cause shown." 17 C.F.R. § 201.102(e)(5)(i).

ORDERED pursuant to Rule 102(e)(5)(i) of the Commission's Rules of Practice that
Brendon P. McDonald, CPA is hereby reinstated to appear and practice before the Commission
as an accountant responsible for the preparation or review of financial statements required to be
filed with the Commission.

By the Commission.

Jill M. Peterson
Assistant Secretary