

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9699 / January 15, 2015

SECURITIES EXCHANGE ACT OF 1934
Release No. 74065 / January 15, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16339

In the Matter of

**JOHN BRINER, ESQ.,
DIANE DALMY, ESQ.,
DE JOYA GRIFFITH, LLC,
ARTHUR DE JOYA, CPA,
JASON GRIFFITH, CPA,
CHRIS WHETMAN, CPA,
PHILIP ZHANG, CPA,
M&K CPAS, PLLC,
MATT MANIS, CPA,
JON RIDENOUR, CPA, and
BEN ORTEGO, CPA,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933 AND SECTIONS
4C, 15(b)(6), AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, AND RULE
102(e) OF THE COMMISSION'S RULES OF
PRACTICE, AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”) against John Briner (“Briner”); that public cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act against Diane Dalmy (“Dalmy”); and that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act, Sections 4C, and 21C of the Securities Exchange Act, and Rule 102(e) of the Commission’s Rules of Practice against De Joya Griffith, LLC (“De Joya”), Arthur De Joya, Jason Griffith (“Griffith”), Chris Whetman (“Whetman”), Philip Zhang (“Zhang”), M&K CPAS, PLLC (“M&K”), Matt

Manis (“Manis”), Jon Ridenour (“Ridenour”), and Ben Ortego (“Ortego”) (collectively, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

1. This proceeding concerns a scheme to create sham public shell companies by Briner, a Canadian attorney and recidivist, and various legal and accounting professionals who provided opinion letters or audit reports in furtherance of the scheme. This scheme resulted in the filing of Form S-1 registration statements by twenty issuers, with each registration statement containing material misrepresentations and omissions in violation of Section 17(a) of the Securities Act.

2. According to their registration statements, each issuer purported to be an exploration stage mining company that had not begun any mining activity, had no revenue, was solely controlled and governed by a single officer, was capitalized by its officer’s purchase of issuer stock for \$30,000, and had purchased mineral claims from an entity named Jervis Explorations Inc. (“Jervis”).

3. These statements were false. Briner—not the named officers—controlled the issuers. Briner also controlled Jervis, which was not identified as a related party in the Form S-1s. None of the officers provided any funds to purchase issuer stock. And Jervis never transferred any of the allegedly purchased mineral claims to the issuers.

4. In late 2011 and 2012, Dalmy, an attorney, provided opinion letters for eighteen of the twenty issuers at Briner’s request. Each letter stated that Dalmy “investigated” and “examined” the issuer, including reviewing relevant documents. But Dalmy did no investigations. Instead, Dalmy simply supplied electronically signed opinion letters to Briner, who then filed them along with the issuers’ registration statements.

5. In late 2011, Briner also contacted De Joya and M&K, registered public accounting firms, to audit the issuers’ financial statements. The audits that these firms conducted were so deficient that they amounted to no audits at all. The De Joya and M&K partners also ignored red flags with respect to the issuers.

6. For these reasons, Respondents violated Section 17(a) of the Securities Act and respondents De Joya, Arthur De Joya, Griffith, Whetman, Zhang, M&K, Manis, Ridenour, and Ortego engaged in improper professional conduct within the meaning of Rule 102(e) of the Commission’s Rules of Practice.

RESPONDENTS

7. **Briner**, 35, is an attorney and a Canadian citizen who resides in Vancouver, British Columbia. Briner’s law firm was MetroWest Law Corporation (“MetroWest”). Briner also controlled Jervis, a British Columbia corporation. In 2010, to resolve a Commission action against him alleging a pump-and-dump and market manipulation scheme, Briner consented to the entry of a

federal court judgment that enjoined him from violating the antifraud and securities registration provisions of the federal securities laws; barred him for five years from participating in penny stock offerings; and ordered him to disgorge ill-gotten gains of \$52,488.32 plus prejudgment interest and pay a civil penalty of \$25,000. SEC v. Golden Apple Oil and Gas, Inc., et al., 09-Civ-7580 (S.D.N.Y.) (HB). The Commission subsequently suspended Briner from appearing or practicing before it as an attorney, with a right to apply for reinstatement after five years. John Briner, Exchange Act Release No. 63371, 2010 WL 4783445 (Nov. 24, 2010).

8. **Dalmy**, 58, is an attorney who resides in Denver, Colorado and is admitted to practice law in Colorado. Dalmy issued opinion letters for eighteen of the issuers.

9. **De Joya** is a registered public accounting firm based in Henderson, Nevada. De Joya issued audit reports for nine of the issuers.

10. **Arthur De Joya**, 48, of Las Vegas, Nevada, is a CPA licensed in the state of Nevada, a partner at De Joya, and has served as a managing partner of De Joya.

11. **Griffith**, 37, of Las Vegas, Nevada, is a CPA licensed in the state of Nevada, a partner of De Joya, and was a managing partner of De Joya.

12. **Whetman**, 46, of Las Vegas, Nevada, is a CPA licensed in the state of Nevada and a partner at De Joya.

13. **Zhang**, 40, of Las Vegas, Nevada, is a CPA licensed in the state of Nevada and a partner at De Joya.

14. **M&K** is a registered public accounting firm based in Houston, Texas. M&K issued audit reports for eleven of the issuers.

15. **Manis**, 52, of Houston, Texas, is a CPA licensed in the state of Texas and a partner of M&K.

16. **Ridenour**, 36, of Houston, Texas, is a CPA licensed in the state of Texas and a partner of M&K.

17. **Ortego**, 34, of Houston, Texas, is a CPA licensed in the state of Texas and a partner of M&K.

OTHER RELEVANT ENTITIES

Issuers Audited By De Joya

18. **La Paz Mining Corp.** (“La Paz”) is a Nevada corporation organized in November 2011. Its Form S-1 states that it has its principal offices in Peoria, Arizona.

19. **Tuba City Gold Corp.** (“Tuba City”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Dundas, Ontario, Canada.

20. **Braxton Resources Inc.** (“Braxton”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Peoria, Arizona.
21. **Clearpoint Resources Inc.** (“Clearpoint”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Peoria, Arizona.
22. **Gold Camp Explorations Inc.** (“Goldcamp”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in St. Alberta, Alberta, Canada.
23. **Gaspard Mining Inc.** (“Gaspard”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Ocala, Florida.
24. **Coronation Mining Corp.** (“Coronation”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Ocala, Florida.
25. **Jewel Explorations Inc.** (“Jewel”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Winnipeg, Manitoba, Canada.
26. **Canyon Minerals Inc.** (“Canyon”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Salt Lake City, Utah.

Issuers Audited By M&K

27. **Stone Boat Mining Corp.** (“Stone Boat”) is a Nevada corporation organized in September 2011. Its Form S-1 states that it has its principal offices in Chihuahua, Mexico.
28. **Goldstream Mining Inc.** (“Goldstream”) is a Nevada corporation organized in November 2011. Its Form S-1 states that it has its principal offices in Ocala, Florida.
29. **Chum Mining Group Inc.** (“Chum”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Edmonton, Alberta, Canada.
30. **Eclipse Resources Inc.** (“Eclipse”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Winnipeg, Manitoba, Canada.
31. **PRWC Energy Inc.** (“PRWC”) is a Nevada corporation organized in May 2012. Its Form S-1 states that it has its principal offices in Salt Lake City, Utah.
32. **Kingman River Resources** (“Kingman”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Dundas, Ontario, Canada.
33. **Bonanza Resources Corp.** (“Bonanza”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Edmonton, Alberta, Canada.
34. **CBL Resources Inc.** (“CBL”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Panama City, Panama.

35. **Lost Hills Mining Inc.** (“Lost Hills”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Panama City, Panama.

36. **Yuma Resources Inc.** (“Yuma”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in St. Albert, Alberta, Canada.

37. **Seaview Resources Inc.** (“Seaview”) is a Nevada corporation organized in June 2012. Its Form S-1 states that it has its principal offices in Sterrett, Alabama.

38. The issuers identified in paragraphs 18 through 37 (collectively, the “Issuers”) filed Form S-1 registration statements, and in some instances amendments to those registration statements, for intended public offerings on the dates, and in the amounts, listed in the chart under Appendix A. In June and July 2013, after receiving investigative subpoenas, eighteen of the Issuers sought to withdraw their Forms S-1 on the grounds that the Issuer had “determined not to pursue” the proposed initial public offering. The withdrawals were not granted, although the registration statements never became effective. On March 20, 2014, an Administrative Law Judge issued stop orders suspending the effectiveness of these registration statements. La Paz Mining Inc., et al., Init. Dec. Rel. No. 580, 2014 WL 1116694 (Mar. 20, 2014). The stop orders became final on May 2, 2014. La Paz Mining Inc., et al., Sec. Act Rel. 9582, 2014 WL 1802275 (May 2, 2014).

BRINER’S SHELL FACTORY

Briner Acquired Mineral Claims Through Jervis

39. In 2011, Briner became the sole director of a British Columbia shelf company and changed its name from 0827796 BC Ltd. to Jervis. Between September 2011 and May 2013, Jervis acquired 68 mineral claims (which are rights to extract resources from identified land tracts) located in British Columbia. These mineral claims, as with all British Columbia mineral claim transactions, were acquired online through the British Columbia Ministry of Energy and Mines (the “Ministry”).

Briner Recruited Clients and Acquaintances to Serve as Officers

40. Around the time Briner caused Jervis to acquire the mineral claims, he recruited current and former law clients and acquaintances to serve as officers for the Issuers. The individuals recruited had little to no actual mining experience. Briner explained to his recruits that he needed people to serve as officers and directors for companies that he planned to take public. For those who agreed, Briner presented an agreement stating, among other things, that the “term of [the] engagement shall be until the Company receives a trading symbol from FINRA for quotation on the [over the counter bulletin board], at which time the [officer] and the Company shall be free to re-negotiate the terms of the engagement.” Briner explained that when the companies obtained ticker symbols, he planned to bring in new management, and the officer would have the option of staying on as a director.

41. Briner offered to pay the officers an initial “consulting” fee between \$2,000 and \$3,000 for each Issuer with the promise of another \$7,000 to \$8,000 per company when the Issuer

obtained an OTCBB ticker symbol. Briner then sought the officers' signatures on the documents necessary to create the Issuers. These documents included, among other things, forms for incorporating the Issuers, articles of incorporation, bylaws, the officers' engagement agreements, and board minutes.

42. Briner recruited ten individuals to serve as officers. For each Issuer, Briner presented the relevant individual with decisions he had already made on behalf of the Issuer and a pre-packaged set of documents. Briner had already determined, among other things, the mineral claims the Issuer would purchase, the stock that would be purchased, and the accounting and legal professionals the Issuers would hire. The officers simply signed the documents Briner provided and sent them back to Briner. Briner (through a check drawn on a MetroWest bank account or a wire) then paid the officers the promised initial consulting fee.

Briner Created Two Sham Transactions for Each Issuer

43. For each Issuer, Briner fabricated two material transactions—the officer's purchase of Issuer stock and the Issuer's purchase of mineral claims from Jervis.

44. The Stock Purchase Transactions: The terms of the stock purchase transactions described in the Forms S-1 were the same for each Issuer. Each officer allegedly paid \$30,000 in cash for Issuer stock. Briner supplied and the officers executed a stock purchase agreement and a "Treasury and Reservation Order" reflecting the issuance and purchase of the stock.

45. The stock purchase agreements, which are nearly identical for each Issuer, state, among other things, that the officer (identified by name) "is purchasing the Shares as principal for investment purposes only" and that "\$30,000 [is] due and payable upon signing of this subscription . . . and shares shall be issued on a pro rata basis as payment is received."

46. In fact, none of the officers purchased any Issuer stock. None of the officers paid \$30,000—or any funds—to the Issuers for any reason. The officers also did not borrow funds to pay for the stock.

47. The Mineral Claim Purchases: Briner used the Issuers' purported mineral claim purchases to justify the Issuers' business purpose to avoid them being deemed "blank check" companies and, therefore, subject to the requirements of Rule 419 of the Securities Act, 17 C.F.R. § 230.419.

48. Briner caused Jervis and each of the Issuers to enter into an asset purchase agreement. The asset purchase agreements show the Issuers' purchases of British Columbia mineral claims for between \$7,500 and \$8,500 from Jervis, and state that Jervis "delivers to the Purchaser, on execution hereof, all of the Claims unconditionally and free and clear of all liens, charges, or encumbrances."

49. None of the Issuers ever acquired any mineral claims from Jervis or any other entity or individual. According to the Ministry, each of the mineral claims purportedly purchased either continued to remain in Jervis's name or were otherwise forfeited to the state under British Columbia law for failure to make required payments.

Briner Caused the Issuers to Engage Professionals to Support the Filing of the Issuers' Form S-1 Registration Statements

50. Briner caused the Issuers to engage M&K and De Joya to audit the financial statements used in the registration statements. De Joya provided reports for nine of the Issuers (identified in ¶¶ 18-26, above) and M&K provided audit reports for the other eleven (identified in ¶¶ 27-37, above).

51. Briner told De Joya and M&K that the Issuers intended to file Form S-1 registration statements and that the accounting for each of the Issuers had been outsourced to him. Briner also informed De Joya and M&K that he maintained all of the Issuers' purported funds "in trust" in an account he controlled (the "Master Trust Account"). Briner and his assistant were the exclusive contacts between De Joya and M&K and the Issuers. They created the Issuers' financial statements, provided De Joya and M&K with all of the supporting evidence for the audits, and responded to nearly all of De Joya's and M&K's questions about the Issuers.

52. Additionally, Briner caused the Issuers to hire Dalmy to provide opinion letters in support of the Issuers' registration statements. Dalmy provided these opinion letters for eighteen of the twenty Issuers (all except La Paz and Goldstream).

The Issuers Filed Form S-1 Registration Statements Containing Material Misrepresentations and Omissions

53. Between July 19, 2012 and January 31, 2013, the Issuers filed with the Commission nearly identical Form S-1 registration statements for their officers' public sale of stock. The registration statements were publicly available and each indicated that the Issuers were engaged in the exploration for gold and other minerals, but were currently in an exploration stage, were without known reserves, and had not yet begun actual mining. They each stated that the Issuers' mineral claims and business plans were obtained from Jervis. None of the registration statements disclosed any related party transactions or Briner's control over the Issuers.

54. First, the registration statements state that management for each Issuer consists of a single officer who "control[s]" and "solely govern[s]" the Issuer. All of the registration statements also state that other than management agreements between the Issuers and their officers, "there are no, and have not been since inception, any other material agreements or proposed transactions, whether direct or indirect, with . . . any promoters." None of the officers controlled the Issuers—Briner did. Nor do any of the registration statements disclose in any way, directly or indirectly, Briner's role as a promoter and de facto control person of the Issuers.

55. Second, the registration statements state that the Issuers purchased their mineral claims from Jervis and that the Issuers "own[] 100% of the rights to the property." In fact, the mineral claims at issue were never transferred from Jervis to any of the Issuers.

56. Third, the registration statements each state that the Issuer's sole officer capitalized the Issuer via a purchase of Issuer stock for \$30,000 in cash. None of the officers, however, paid the Issuers for stock.

57. Fourth, the opinion letters by Dalmy, filed with the registration statements for

eighteen of the Issuers, each stated that Dalmy “made such investigation and examined such records” of the Issuers to support her opinion that the Issuers’ shares were validly issued. Dalmy, however, conducted no investigations, as detailed below.

58. Fifth,, the registration statements contain an audit report by M&K or De Joya stating that “[w]e conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States)” and that the financial statements present the Issuers’ financial position “in conformity with U.S. generally accepted accounting principles.” As described below, the audits were so deficient that they amounted to no audits at all, and the audit partners of M&K and De Joya ignored red flags.

59. Finally, each of the Issuers states that, as defined in the securities laws, it “[is] not a ‘blank check company,’ as [it] do[es] not intend to participate in a reverse acquisition or merger transaction.” The Issuers were “blank check” companies as Briner intended to cause the Issuers to engage in a business combination, such as a reverse merger.

THE ISSUERS’ FALSE OPINION LETTERS

60. In or about September 2011, Briner contacted Dalmy and engaged her to provide an opinion letter in support of a Form S-1 registration statement he intended to file on behalf of Stone Boat. Dalmy provided the letter for Stone Boat and Briner paid her \$1,500 for her services.

61. In or about late November 2012, Briner again asked Dalmy to provide opinion letters in support of registration statements he intended to file on behalf of PRWC, Eclipse, Kingman, Chum, Bonanza, CBL, Lost Hills, Yuma, Seaview, Tuba City, Braxton, Clearpoint, Goldcamp, Gaspard, Coronation, Jewel, and Canyon.

62. Dalmy provided the letters, each with her electronic signature, to Briner or his assistant.

63. Between December 2012 and January 2013, these Issuers filed registration statements that included the opinion letters signed by Dalmy as attorney for each Issuer.

64. Dalmy’s letters, including the letter in support of the Stone Boat registration statement, each state that Dalmy has “made such investigation and examined such records,” including the registration statement, the company’s articles of incorporation, certain records of corporate proceedings, records with respect to the authorization and issuance of common stock, and other records Dalmy deemed necessary to support her opinion, which was in each case that “the shares of Common Stock held by the Selling Shareholder are validly issued, fully paid and non-assessable.” Dalmy did not conduct the investigations she described in the opinion letters.

THE ISSUERS’ DEFICIENT AUDITS

Violations of PCAOB Standards Common to Both De Joya and M&K

65. In or about November 2011, Briner contacted De Joya and M&K for the purpose of engaging them to conduct audits of the financial statements that were to be included in the Form S-1 registration statements he intended to file for the Issuers. Briner referred La Paz to De Joya, and

referred Stone Boat and, shortly thereafter, Goldstream to M&K.

66. In or about July 2012 and again in August 2012, Briner contacted De Joya and M&K to engage them for additional audits. He referred the following additional eight Issuers to De Joya: Braxton, Coronation, Jewel, Canyon, Clearpoint, Gaspard, Tuba City and Gold Camp (together with La Paz, the “De Joya Issuers”). He referred the following additional nine Issuers to M&K: Kingman, CBL, Yuma, Seaview, Bonanza, Eclipse, PRWC, Chum, and Lost Hills (together with Stone Boat and Goldstream, the “M&K Issuers”).

67. Whetman and Zhang, as engagement partners, and Arthur De Joya and Griffith, as engagement quality review partners (collectively, the “De Joya Partners”), conducted the audits of the De Joya Issuers.

68. Manis, Ridenour, and Ortego (collectively, the “M&K Partners,” and together with the De Joya Partners, the “Audit Partners”), as engagement partners (together with Whetman and Zhang, the “Engagement Partners”) and alternating as engagement quality review partners (together with Arthur De Joya and Griffith, the “Engagement Quality Review Partners”), conducted the audits of the M&K Issuers.

69. Between July 2012 and January 2013, De Joya and M&K issued audit reports containing unqualified opinions for each Issuer. The Audit Partners also consented to the inclusion of their firm’s reports in each of the Issuers’ registration statements. In connection with these reports, De Joya received a total of \$37,500 in fees and M&K received a total of \$49,500 in fees.

70. The staffing for the Issuers’ audits is listed in Appendix A.

De Joya’s and M&K’s Client Acceptance and Continuance Policies and Procedures Failed to Detect Red Flags

71. Under PCAOB standard QC Section 20 (System of Quality Control for a CPA Firm’s Accounting and Auditing Practice) (“QC 20”), “[p]olicies and procedures should be established for deciding whether to accept or continue a client relationship” and “[s]uch policies and procedures should provide the firm with reasonable assurance that the likelihood of association with a client whose management lacks integrity is minimized” (at .14).¹

72. Under PCAOB Auditing Standard No. 12 (Identifying and Assessing Risks of Material Misstatement) (“AS 12”), auditors should “evaluate whether information obtained from the client acceptance and retention evaluation process or audit planning activities is relevant to identifying risks of material misstatement” (§ 41).

73. Additionally, under PCAOB Auditing Standard No. 7 (Engagement Quality Review) (“AS 7”), among other things, engagement quality review partners, should “evaluate the significant judgments made by the engagement team,” (§ 9) including “consideration of the firm’s recent engagement experience with the company and risks identified in connection with the firm’s client acceptance and retention process” (§ 10 a.).

¹ The PCAOB standards referenced herein are the standards that were in effect during the time of relevant conduct.

74. Finally, auditors must meet PCAOB standard AU Section 230 (Due Professional Care in the Performance of Work) (“AU 230”), which requires that auditors “exercise professional skepticism” (at .07), “consider the competency and sufficiency of the evidence” (at .08), and “neither assume[] that management is dishonest nor assume[] unquestioned honesty” (at .09).

75. De Joya’s and M&K’s client acceptance policies and procedures in effect at the time they accepted the Issuers as clients required very little. In substance, each firm required only a background check of the officers of the prospective client. Such check consisted of a simple Internet search.

76. Specifically, De Joya’s policy instructed its staff to “confirm individuals” and, if there was something to report, to “summarize findings, site [sic] sources, and email Partner.” M&K’s policy called for “background checks on all significant owners and chief executives.”

77. De Joya, M&K, and the Audit Partners failed to sufficiently question or otherwise investigate the Issuers’ management, which would have revealed Briner’s undisclosed role as a control person. Neither firm conducted a background check of Briner or Dalmy, which at minimum would have turned up, among other things, the Commission’s complaint alleging fraud and suspension order against Briner, and that Briner had been on the OTC Market’s Prohibited Attorney List since March 15, 2006, and that Dalmy had also been on the list since September 25, 2009.

78. Additionally, De Joya’s and M&K’s client acceptance policies and procedures failed to detect clues that should have raised concerns. Upon referring the Issuers, Briner’s assistant provided De Joya and M&K with the names of the officers, the inception dates, and the year-end dates for each of the Issuers. From this, De Joya was on notice that two of the officers purportedly controlled five of the Issuers. Further, De Joya was on notice that the De Joya Issuers were incorporated the same day or within one day of each other (May 31, 2012 or June 1, 2012).

79. Similarly, M&K was on notice that two of the officers controlled four Issuers. M&K was also on notice that nine of the eleven Issuers were incorporated on the same day or within one day of each other (May 31, 2012 or June 1, 2012).

80. This information should have at least caused De Joya and M&K to question why the same individuals appear to control multiple Issuers and why the Issuers’ dates of incorporation appeared to be coordinated. De Joya and M&K failed to ask any questions with respect to this information.

81. For the above reasons, De Joya’s and M&K’s client acceptance policies and procedures failed to meet QC 20 and, in the course of utilizing these procedures during the engagements at issue, the Engagement Partners failed to meet AS 12 and AU 230 and the Engagement Quality Review Partners failed to meet their obligations under AS 7.

The Audit Partners Failed to Obtain an Understanding of the Issuers

82. Under AS 12, auditors should “obtain an understanding of the company and its environment . . . to understand the events, conditions, and company activities that might reasonably be expected to have a significant effect on the risks of material misstatement,” including “[t]he

nature of the company” (§ 7.b.) and “[t]he company’s objectives and strategies and those related business risks that might reasonably be expected to result in risks of material misstatement” (§ 7.d.). Further, obtaining an understanding of the nature of the company includes understanding “[t]he company’s organizational structure and management personnel; [t]he sources of funding of the company’s operations and investment activities, including the company’s capital structure[, t]he company’s operating characteristics, including its size and complexity” (§ 10), and “an understanding of internal control includes evaluating the design of controls that are relevant to the audit and determining whether the controls have been implemented” (§ 20).

83. Additionally, under AU 230, engagement partners “should be knowledgeable about the client” and are responsible for the “supervision of[] members of the engagement team” (.06).

84. The Audit Partners failed to obtain a sufficient understanding of the Issuers. What little understanding of the Issuers the Audit Partners obtained came almost entirely from draft Form S-1 registration statements provided by Briner. None of the Audit Partners obtained an understanding of the Issuers through communication with the Issuers’ officers.

85. In obtaining an understanding of the Issuers, the Audit Partners did not question the substantial similarities among the Issuers. The Issuers filed twenty nearly identical Form S-1 registration statements. Using almost exactly the same language, each stated the following: (1) the Issuers are not blank check companies; (2) the Issuers’ officers purchased Issuer stock for \$30,000; (2) the Issuers purchased British Columbia mineral claims from Jervis; (3) Jervis supplied the Issuers’ with their business plans; (4) the officers “solely” control the company; (5) the officers planned to devote only 4 to 5 hours each week to the business; and (6) the officers have not inspected the land comprising the mineral claims.

86. For De Joya, within about a four week period, Zhang read eight of these registration statements; Griffith read seven; and Arthur De Joya read two. For M&K, within about a six week period, Manis read ten registration statements; Ridenour read nine; and Ortego read three. Yet none of the Audit Partners raised any concern about the similarities among the registration statements, or performed any enhanced procedures to respond to the level of risk presented.

87. For the above reasons, the Audit Partners failed to meet AS 12 and AU 230.

The Engagement Partners Failed to Audit Issuer Cash

88. Under PCAOB standard AU Section 330 (The Confirmation Process) (“AU 330”), when “information about the respondent’s [i.e., the person or entity from which a confirmation is requested] competence, knowledge, motivation, ability, or willingness to respond, or about the respondent’s objectivity and freedom from bias with respect to the audited entity comes to the auditor’s attention, the auditor should consider the effects of such information on designing the confirmation request and evaluating the results” and, in circumstances where “the respondent is the custodian of a material amount of the audited entity’s assets,” the auditor should exercise “a heightened degree of professional skepticism” and “should consider whether there is sufficient basis for concluding that the confirmation request is being sent to a respondent from whom the auditor can expect the response will provide meaningful and appropriate audit evidence” (at .27).

89. Additionally, under PCAOB Auditing Standard No. 15 (Audit Evidence) (“AS

15”), “[t]he auditor must plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion” (§ 4). To be appropriate, audit evidence must be both relevant and reliable in providing support for the conclusions on which the auditor’s opinion is based. “The reliability of evidence depends on the nature and source of the evidence and the circumstances under which it is obtained” (§ 8). Under PCAOB Auditing Standard No. 13 (The Auditor’s Responses to the Risks of Material Misstatement) (“AS 13”), “[t]he auditor’s responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence” (§ 7).

90. The Engagement Partners exhibited no concern about Briner’s handling of the Issuers’ alleged cash. Each partner knew that Briner held all of the Issuers’ purported funds in the Master Trust Account and that none of the Issuers had their own bank account. The Engagement Partners also knew that Briner was a “consultant” to the Issuers and that MetroWest was a law firm. None of the Engagement Partners sought any appropriate audit evidence about what, if any, limitations governed Briner’s use of the cash in his Master Trust Account. Nor did any of the Engagement Partners ask for a reconciliation between Briner’s Master Trust Account and the schedules Briner provided purportedly showing how much cash in his account was attributable to each Issuer.

91. In addition, the Engagement Partners violated the above standards by failing to apply professional skepticism in gathering and evaluating the evidence obtained, such as Briner’s confirmation of Issuer cash, and consider Briner’s “objectivity and freedom from bias with respect to the audited entity” in relation to the Issuers’ cash confirmation Briner provided.

The Engagement Partners Disregarded Red Flags that Briner’s Services to the Issuers Were Not Given Accounting Recognition

92. Under PCAOB standard AU Section 334 (Related Parties) (“AU 334”), transactions that are indicative of the existence of related parties include, among other things, “transactions [that] are occurring, but are not being given accounting recognition, such as receiving or providing accounting, management or other services at no charge” (at .08(f)). Further, under AS 15, “[i]f audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, 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” (§ 29). Finally, auditors must exercise professional skepticism throughout the course of the engagement consistent with standard AU 230.

93. Except for Whetman, none of the Engagement Partners questioned Briner’s fee arrangement with the Issuers. Instead, they relied on legal confirmation letters from Briner that conflicted on their face with what they knew to be true about the services he provided.

94. These letters each stated that “[a]s of the date of inception and up to the present date, the [Issuers were] not indebted to us for services and expenses (billed or unbilled) of which we are aware.” The Engagement Partners knew Briner provided substantial services to the Issuers, such as, among other things, performing accounting functions (paying expenses and recording transactions), drafting the Issuers’ registration statements, and preparing the Issuers’ financial

statements for their registration statements. The Engagement Partners also knew that the Issuers' financial statements and general ledgers did not reflect payment for Briner's services. Despite this, no Engagement Partner (except Whetman) asked Briner for any invoices, agreements, engagement letters, or any details about his fee arrangements with the Issuers. Nor did they conduct any related party analysis.

95. With respect to Whetman, the La Paz audit team requested details concerning Briner's fee arrangement with La Paz. In a November 29, 2012 email response, Briner indicated that he would charge between \$10,000 and \$25,000 for his services, but was not "comfortable" estimating his bill because he told his "client" he "would work out a fair bill at the end of the project and [his client] would find interim billing in the financials without their prior approval to be offensive." Whetman failed to investigate further and allowed this material liability to remain undisclosed.

96. For the above reasons, the Engagement Partners failed to meet AU 334, AS 15, and AU 230.

Certain Engagement Partners Did Not Investigate the Issuers' Failures to Account For Audit Fees

97. Under AS 15, "[t]he auditor must plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for his or her opinion" (¶ 4). In doing so, the auditor must exercise professional skepticism throughout the course of the engagement consistent with AU 230.

98. Additionally, under PCAOB Auditing Standard No. 14 (Evaluating Audit Results) ("AS 14"), the "auditor should take into account all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements" (¶ 3) and should take into account "[t]ransactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or company policy" (Appendix C, C1.a.(1)).

99. Zhang, Manis and Ortego did not question the Issuers' failures to account for audit fees paid during the audit period, or failures to account for audit fees paid during the subsequent events period.

100. Specifically, M&K and De Joya each requested retainers from Stone Boat, Goldstream, Braxton, Clearpoint, Gaspard, Coronation, Jewel, and Canyon, which were paid via wire transfers from Briner's Master Trust Account. But the retainers M&K and De Joya received from these Issuers were not reflected in the corresponding schedules that Briner prepared from his Master Trust Account and provided to M&K and De Joya.

101. Further, M&K failed to investigate conflicting evidence regarding the audit fees it received for three Issuers: Chum, Eclipse, and PRWC. Even though M&K knew that it received \$9,900 on August 14, 2012 from Briner to cover its audit fees for these Issuers (\$3,300 each), it did not question why Briner accounted only for the payment he made for Chum in the schedules he provided and not the payments he made for Eclipse and PRWC. Ortego was the engagement partner for all three Issuers. Yet he did not investigate this discrepancy.

102. For the above reasons, Zhang, Manis, and Ortego failed to meet AS 14, AS 15, and AU 230.

The Audit Partners Failed to Detect Basic Accounting Errors and Inconsistencies Between the Financial Statements and the Registration Statements

103. Under AU 230, “[a]n auditor should possess ‘the degree of skill commonly possessed’ by other auditors and should exercise it with ‘reasonable care and diligence’ (that is, with due professional care)” (at .05). Further, under AS 7, an engagement quality review partner should “review the financial statements” and “read other information in documents containing the financial statements to be filed with the Securities and Exchange Commission . . . and evaluate whether the engagement team has taken appropriate action with respect to any material inconsistencies with the financial statements or material misstatements of fact of which the engagement quality reviewer is aware” (§ 10 f. and g.).

104. During the audits and engagement quality reviews, the Engagement Partners and Engagement Quality Review Partners (except for Arthur De Joya), respectively, failed to detect basic mistakes in the Issuers’ financial statements and inconsistencies between the financial statements and information contained in other parts of the registration statements (see charts under Appendices B and C).

105. Mistakes in the financial statements include, among other things, balance sheets that do not foot and conflicts between balance sheets and the notes to the financial statements. Inconsistencies between the financial statements and other information in the registration statements include, among other things, the disclosure of a net loss in the registration statement that conflicts with what should be the same disclosure in the Statement of Operations in the financial statements. These errors may constitute material misstatements and reflect the Engagement Partners and Engagement Quality Review Partners (except for Arthur De Joya) apparent lack of due care in conducting their audits and engagement quality reviews, respectively.

106. For the reasons contained in the charts under Appendices B and C, the Engagement Partners failed to meet AU 230 and the Engagement Quality Review Partners (except for Arthur De Joya) failed to meet AS 7.

Additional De Joya Violations of PCAOB Standards

The De Joya Partners Failed to Adequately Respond to Concerns that Briner and Dalmy May Have Been Engaging in Fraud

107. In early November 2012, while Whetman was reviewing La Paz’s interim financial statements and Zhang was conducting the initial audit for the other eight Issuers, a De Joya staff member raised concerns to the De Joya Partners, including Griffith and Arthur De Joya, that Briner and Dalmy may be engaging in fraud with respect to the Issuers.

108. Under QC 20, “policies and procedures should provide the firm with reasonable assurance that the likelihood of association with a client whose management lacks integrity is minimized” (at .14) and that the firm “[a]ppropriately considers the risks associated with providing

professional services in the particular circumstances” (at .15 b.).

109. Under AS 12, “[t]he auditor’s assessment of the risks of material misstatement, including fraud risks, should continue throughout the audit. When the auditor obtains audit evidence during the course of the audit that contradicts the audit evidence on which the auditor originally based his or her risk assessment, the auditor should revise the risk assessment and modify planned audit procedures or perform additional procedures in response to the revised risk assessments” (¶ 74).

110. Further, under AS 13, “[t]he auditor’s responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence [including] . . . modifying the planned audit procedures to obtain more reliable evidence regarding relevant assertions and (b) obtaining sufficient appropriate evidence to corroborate management’s explanations or representations concerning important matters, such as through third-party confirmation, use of a specialist engaged or employed by the auditor, or examination of documentation from independent sources” (¶ 7).

111. Finally, under AS 7, the engagement quality review partner should “evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement,” (¶ 9) including “significant risks identified by the engagement team, including fraud risks” (¶ 10.b.).

112. De Joya and the De Joya Partners failed to (a) properly consider the risks associated with the Issuers’ audits, (b) apply professional skepticism in evaluating audit evidence indicating Briner and Dalmy may be engaging in fraud, (c) re-evaluate their risk assessments for the Issuers’ audits in light of such evidence, and (d) regarding Arthur De Joya’s and Griffith’s roles as engagement quality review partners, appropriately evaluate the engagement teams’ judgments to continue with the audits without appropriately re-assessing and responding to the risk of fraud in violation of QC 20, AS 12, AS 13, and AS 7.

113. On or about November 5, 2012, a De Joya staff member became concerned that Briner might be engaging in fraud in connection with the De Joya Issuers. Her concern stemmed from conversations she had with certain Issuers’ officers in which nearly all her questions about the Issuers were deferred to Briner. These conversations caused her to conduct an internet search on Briner. She found, among other things, the Commission’s complaint against him. Additional searches yielded news articles describing Briner and Dalmy as repeat securities fraud offenders.

114. As a result, the De Joya staff member sent four emails over three days sharing the negative information she found concerning Briner and Dalmy. First, on November 5, 2012, she sent Zhang and Whetman an email containing links to the Commission’s complaint against Briner (SEC v. Golden Apple Oil and Gas, Inc., et al., 09-Civ-7580 (S.D.N.Y.) (HB)) and a Canadian news article stating, among other things, that the British Columbia Securities Commission issued an order (reciprocal to the Commission’s order suspending Briner) banning Briner from trading shares in British Columbia or “acting in a management or consultative capacity in any securities related matter.”² In the email, she asked Zhang and Whetman to “review the links” and stated that

² <http://www.canadianjusticereviewboard.ca/article-securities%20lawyer.htm>

she “will call [Zhang] tonight.”

115. Second, that same day, the De Joya staff member sent another email to Zhang and Whetman with a link to an article posted on Pumpsanddumps.com stating that Briner and Dalmy “together and apart, the pair has been involved in dozens of schemes on the Vancouver market as well as the Pink sheets and OTC Bulletin Board, writing many a dubious legal opinion resulting in millions of dollars lost by thousands of investors.”³

116. Third, on November 7, 2012, the De Joya staff member sent yet another email to Zhang and Whetman attaching an article about a De Joya client, MoneyMinding International Corp., and its counsel, Dalmy, who was described as having “a reputation for helping scoundrel promoters take dubious companies public on the U.S. over-the-counter markets.” The article also specifically mentions De Joya as having “similarly helped many dubious companies go public on the bulletin board.”⁴

117. Finally, the same day, the De Joya staff member forwarded the email and article to Griffith stating, “I thought I should forward this to you as well. I was doing research on Diane Dalmy and John Briner as we are working on some of their jobs and that’s how I can [sic] across this article.” Griffith then forwarded her email with the attached article to Arthur De Joya without comment.

118. In light of the negative background the De Joya staff member found and the officers’ apparent inability to answer questions about the Issuers, the staff member found it suspicious that Briner and Dalmy were working together on eight of the nine De Joya Issuers. The staff member discussed her concerns with Zhang. Whetman and Zhang then discussed the staff member’s concerns and resolved that Zhang would raise them with Griffith and Arthur De Joya, which Zhang did.

119. Zhang opened the links in the emails the De Joya staff member sent, printed the documents, highlighted relevant portions, and brought them to separate face-to-face meetings with Arthur De Joya and Griffith. At these meetings it was collectively decided that De Joya could continue with the engagements because Briner was not appearing before the Commission in violation of his suspension.

120. Zhang and Arthur De Joya each informed the De Joya staff member of this decision and then continued with the audits without adjusting any audit procedures or taking any additional precautions in light of the facts they learned about Briner and Dalmy. Zhang ultimately signed audit reports containing unqualified opinions for the eight Issuers and Arthur De Joya and Griffith signed off on the nine Issuers’ audits as Engagement Quality Review partners without taking any further action.

³ <http://www.pumpsanddumps.com/2011/06/all-that-glitters-is-not-greenwood-gold.html>

⁴ <http://blogs.vancouversun.com/2011/03/17/david-baines-two-victoria-startups-wade-into-bulletin-board-swamp/>

121. For his part, Whetman did not follow-up with Zhang on the matter, nor did he do anything further regarding the La Paz audit, such as considering whether to withdraw the audit reports on La Paz's financial statements that had been filed. Nor did Whetman do anything further with respect to La Paz's interim financial statements, which he was reviewing at the time. Whetman, therefore failed to meet PCAOB standard AU Section 561 (Subsequent Discovery of Facts Existing at the Date of the Auditor's Report) ("AU 561"), which provides that "[w]hen the auditor becomes aware of information which relates to financial statements previously reported on by him, but which was not known to him at the date of his report, and which is of such a nature and from such a source that he would have investigated it had it come to his attention during the course of his audit, he should, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of his report" (at .04).

122. None of the above purported discussions were documented in any workpaper, or otherwise, in violation of PCAOB Auditing Standard No. 3 (Audit Documentation) ("AS 3"), which provides that auditors "must document significant findings or issues, actions taken to address them (including additional evidence obtained), and the basis for the conclusions reached in connection with each engagement" (§ 12).

Whetman Disregarded Red Flags that La Paz's Stock Sale to Its Officer Was a Sham

123. La Paz was the first Issuer audited by De Joya. From about November 2011 through June 2013 (when De Joya resigned from the engagement), Whetman served as the engagement partner in charge of auditing La Paz's financial statements. On or about July 17, 2012, Whetman consented to De Joya's audit report being included in La Paz's Form S-1 registration statement.

124. Under AS 15, "[i]f audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, 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" (§ 29). Under AS 12, the auditor should obtain "an understanding of the nature of the company include[ing]... the sources of funding of the company's operations" (§ 10) and "[w]hen the auditor obtains audit evidence during the course of the audit that contradicts the audit evidence on which the auditor originally based his or her risk assessment, the auditor should revise the risk assessment and modify planned audit procedures or perform additional procedures in response to the revised risk assessments" (§ 74). Further, under AS 14, auditors should consider "[t]he sufficiency and appropriateness of the audit evidence obtained" (§ 4.f.). In meeting these standards, auditors must apply professional skepticism and due care consistent with AU 230.

125. Whetman failed to resolve significant contradictions and inconsistencies in the audit evidence supporting La Paz's stock sale to its officer in violation of these standards.

126. Specifically, Whetman received contradicting accounting support as to who paid \$30,000 for La Paz's stock. On or about May 29, 2012, Briner sent a purported schedule for La Paz (prepared by Briner purportedly reflecting cash attributable to La Paz in the Master Trust Account) that conflicted with the stock purchase agreement for La Paz stock. The schedule

showed that the \$30,000 for the purchase of La Paz stock was paid for by an entity called “Hyperion [Management].” The stock purchase agreement (and La Paz’s registration statement), by contrast, described the stock purchase as a transaction between La Paz and La Paz’s officer. Despite this red flag, Whetman never resolved the issue of who paid for the La Paz stock.

127. In fact, the back-up documentation Briner provided to support the stock purchase further confused the issue. It showed that another entity apparently provided the funds for the stock purchase. On July 4, 2012, in response to De Joya staff requests for support for the stock purchase, Briner sent an email with information reflecting an alleged deposit into the Master Trust Account on December 29, 2011 for \$39,280.60 from an entity referred to as Ft-Green Omega, Inc. In the email, Briner stated that “\$30,000 was earmarked for the project [i.e., La Paz].”

128. The La Paz audit team then requested the corresponding bank statements. In response, on July 11, 2012, Briner sent an email containing what appear to be computer screen shots reflecting transactions in the Master Trust Account. Briner indicated these screen shots were “bank statements.” No actual bank statements were received by De Joya in connection with the La Paz audit. The computer screen shot Briner provided appeared to show a deposit by Ft-Green Omega, Inc. on December 29, 2011 for \$39,280.60. In this same email, Briner also sent a revised schedule for La Paz changing the date of the stock purchase from November 23, 2011 to December 29, 2011, apparently to make it consistent with the computer screen shots. Briner left the name “Hyperion [Management]” in this later version of the La Paz schedule. Despite the contradicting evidence regarding who paid for (and owned) La Paz’s stock, Whetman took no further action with respect to the stock purchase.

129. For these reasons, Whetman failed to meet AS 14, AS 15, AS 12, and AU 230.

Whetman Disregarded Red Flags that La Paz’s Mineral Claim Purchase Was a Sham

130. Like the evidence supporting the stock purchase, the La Paz schedule and the computer screen shots Briner provided to Whetman in support of the mineral claim purchase (the same documents used to support the stock purchase) conflicted with one another. As described below, Whetman failed to resolve these conflicts and therefore violated AS 15, AS 12, and AU 230.

131. First, the La Paz schedule Briner provided to De Joya described the mineral claim purchase as a \$20,000 wire transfer occurring on December 12, 2011. The transaction in the computer screen shots was a \$20,000 debit (not a wire) occurring on December 30, 2011. Further, in the computer screen shot also provided by Briner, this transaction is characterized in the description as “Business Investment Savings.” No mention in the description was made to Jervis or how the cash was transferred. From this, it is impossible to determine whether La Paz actually paid Jervis for the mineral claim. Moreover, if the funds were in fact transferred via a wire, there is no sufficient explanation for the discrepancy between December 12 (the date listed in the La Paz schedule that funds were sent) and December 30 (the date listed in the computer screen shots that funds were sent). Later, in an apparent attempt to cover up the date discrepancies, Briner changed the dates of the mineral claim purchase from December 12 to December 30, 2011 when he sent De Joya a revised schedule for La Paz (like he did for the dates of the alleged stock purchase).

132. Second, on July 17, 2012, Whetman requested additional support for La Paz’s mineral claim purchase. In response, on July 18, 2012, Briner provided a check, numbered 350, that was from MetroWest to Jervis for \$20,000 and was dated December 30, 2011. “La Paz Mining” was written in the memo line. Briner included copies of both the front and back of the check, but the back of the check was obscured such that it was impossible to tell whether the check had been cashed. The \$20,000 transaction listed in the computer screen shots that Briner indicated was for the mineral claim purchase, however, did not reference a check number 350, or any check for \$20,000. The check numbers on the computer screen shots ranged from 1 to 253. Whetman failed to question this discrepancy, despite the fact that the computer screen shots reference approximately thirty other transactions that each appear to identify the check numbers associated with cashed checks.

133. Finally, Briner provided evidence to Whetman indicating that La Paz’s mineral claim purchase may not have been the result of arms-length negotiation because Briner appeared to have been behind the sale. Specifically, the purchase agreement Whetman relied on to support La Paz’s mineral claim purchase contained an invoice for the claim listing Briner’s name (in typeface) as the signatory on behalf of Jervis. Whetman did not do any additional investigation into whether the purchase was a related party transaction.

134. In this regard, Whetman also violated AU 334 (because Briner appeared to control Jervis and Whetman failed to, among other things, “review the extent and nature of business transacted with [Jervis] for indications of previously undisclosed relationships” (.08(e))), and AS 13, which states that “[t]he auditor’s responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence” (¶ 7).

**Whetman Failed to Resolve Discrepancies in the Audit
Evidence Supporting the Officer’s Fee**

135. Whetman accepted evidence that purported to support fees paid to La Paz’s officer that did not in fact provide support. On or about October 28, 2012, a De Joya staff accountant asked for documents reflecting the payment of fees to, among others, La Paz’s officer. The next day, Briner’s assistant sent documents appearing to reflect wire transfers from MetroWest to, among others, Crown Capital Partners for \$6,000. The La Paz schedule indicated that its officer was paid \$2,000 and does not mention Crown Capital Partners. Although Briner’s assistant indicated in an email that the wire to Crown Capital Partners was for La Paz’s officer (for services to three companies), she did not provide any other evidence of this or how the \$6,000 was allocated. And Whetman did not ask La Paz’s officer whether he was paid his fee or how the \$6,000 was allocated among the Issuers he served as the officer. Nonetheless, Whetman accepted these documents as support for La Paz’s officer’s fees.

136. Whetman failed to resolve these conflicts or obtain sufficient appropriate audit evidence to support De Joya’s opinion and therefore violated AS 15, AS 12, and AU 230.

Zhang Disregarded Red Flags that the Issuers' Stock Sales to Their Officers Were Shams

137. From about July 2012 through June 2013 (when De Joya resigned from the engagements), Zhang served as the engagement partner in charge of auditing the financial statements for the following eight Issuers: Braxton, Coronation, Jewel, Canyon, Clearpoint, Gaspard, Tuba City and Gold Camp. Between about December 2012 and January 2013, Zhang consented to the inclusion of De Joya's audit reports in the Form S-1 registration statements for these eight Issuers.

138. Similar to the evidence Briner provided in connection with the La Paz audit, Briner provided De Joya with schedules for each of these other Issuers purportedly listing all transactions (prepared by Briner allegedly reflecting cash attributable to each Issuer from his Master Trust Account). Each appeared to indicate that individuals or entities named "Hyperion" management, "Luke Pretty," or "Dhaliwal" supplied the funds to pay for the officers' stock purchases. As such, these schedules contradicted the Stock Purchase Agreements, which all indicated that the officer purchased the Issuer's stock.

139. For some Issuers, the date listed for the stock purchase was prior to the Issuers' incorporation.

140. For others, the date listed for the stock purchase was after the Issuers purchased their mineral claims, which, if true, raises questions as to how the Issuers were able to finance a mineral claim purchase before having received the funds necessary to make the mineral claim purchase.

141. Despite the contradicting evidence regarding who paid for (and owned) the Issuers' stock, and when the transactions took place, Zhang took no further action with respect to these alleged stock purchases.

142. Although Zhang and De Joya staff questioned Briner about who paid for the stock purchase, they failed to obtain adequate supporting evidence that resolved this issue. In or about October 2012, De Joya staff requested supporting documentation and a breakdown by Issuer identifying who paid for the stock. Briner replied that the officers borrowed the funds, not only for the stock purchase, but also for the Issuers' mineral claim purchase from Jervis as well. As support, Briner sent copies of three checks: (1) \$300,000 from Jagjit Dhaliwal to MetroWest, (2) \$42,500 from MetroWest to Jervis, and (3) \$41,543.75 from an unidentified individual or entity to Jervis. Briner also stated that the \$300,000 was really from an entity called Global Investments (not Dhaliwal), which purportedly loaned the funds to the officers to incorporate and pay for company stock.

143. As Briner's response did not make clear who paid for the stock, the De Joya staff continued to request a breakdown by Issuer of who paid for the stock purchases (and also for the mineral claims). The breakdown Briner provided stated that an individual referred to as Luke Pretty paid \$15,000 for the mineral claims allegedly purchased by Goldcamp and Tuba City. And that Luke Pretty paid \$60,000 for Goldcamp's and Tuba City's officers' purchase of company stock. Global Investments paid the remaining funds to the Issuers.

144. Not satisfied with Briner's response, on November 27, 2012, Zhang emailed Briner asking who paid Jervis for the mineral claims stating "we have received contradicting information for this" and that if it was Global Investments "why [is it] not shown in [the] books." He also asked about Luke Pretty. But Briner did not provide any additional supporting documentation. Nor did Zhang seek clarification from the Issuers' officers.

145. As a result, Zhang failed to resolve these conflicts or obtain sufficient appropriate audit evidence to support De Joya's opinions and therefore violated PCAOB standards AS 15, AS 12, and AU 230.

**Zhang Disregarded Red Flags that the Issuers'
Mineral Claim Purchases Were Shams**

146. Zhang failed to investigate evidence from Briner that should have caused him to question the Issuers' alleged mineral claim purchases from Jervis.

147. During the audits, Zhang sought information about Briner's relationship with Jervis, in part because all of the Issuers purchased their mineral claims from Jervis. On or about October 25, 2012, Zhang participated in a conference call with Briner to discuss the issue. Following the call, Briner provided a letter dated October 26, 2012 stating that he "is only a director of Jervis Explorations Inc. [and a]s such he neither holds any ownership interests in that company nor is he involved in any decision making process of Jervis Explorations Inc." Learning that Briner was a director of Jervis and knowing that Briner played a substantial role in the Issuers' affairs should have caused Zhang to obtain evidence to corroborate Briner's assertions regarding the Issuers' mineral claim purchases from Jervis.

148. Zhang, therefore, violated AU 334 (because Briner appeared to control Jervis and Zhang failed to, among other things, "review the extent and nature of business transacted with [Jervis] for indications of previously undisclosed relationships" (.08(e))) and AS 13, which states that "[t]he auditor's responses to the assessed risks of material misstatement, particularly fraud risks, should involve the application of professional skepticism in gathering and evaluating audit evidence." (¶ 7) Zhang also violated AS 15, AS 12, and AU 230 for failing to resolve the conflict between Briner's role as a director of Jervis and his statement that he is not involved in Jervis's decision making.

**Zhang Failed to Resolve Discrepancies in the Audit
Evidence Supporting the Officers' Fees**

149. Like Whetman, Zhang accepted evidence that purported to support the officers' fees that did not in fact provide support. In some instances the evidence also was inconsistent with the schedules for the Issuers prepared by Briner purportedly reflecting cash attributable to the Issuers in the Master Trust Account.

150. On or about October 28, 2012, a De Joya staff accountant asked for documents reflecting the payment of fees to the officers (in the same communication discussed in ¶ 137, above). The next day, Briner's assistant sent documents reflecting wire transfers from MetroWest to, among others, Crown Capital Partners for \$6,000 and Strategic Air Consultants for \$4,000. Although Briner's assistant indicated that the wire to Crown Capital Partners was for La Paz's

officer (for services to three companies), no other documents made this connection and La Paz's officer was not asked whether he was paid his fee. Briner's assistant did not state which officer was associated with Strategic Air Consultants, and Zhang did not try to find out. Nonetheless, Zhang accepted these documents as support for the officers' fees.

151. Further, the documents reflecting wire transfers from MetroWest to the officers for Canyon and Clearpoint were not consistent with these Issuers' schedules. The wire transfers were as follows: USD \$4,000 to Canyon's officer and C \$4,000 to Jewel's officer. But the schedule Briner provided for Canyon indicates that its officer was paid USD \$3,000, and the schedule for Jewel indicates that its officer was paid USD \$3,000 in U.S. currency. Moreover, the wire transfer documents Briner provided do not indicate when the wire transfers purportedly occurred. The dates of the transactions listed in the schedules, therefore, cannot be compared with the wire transfer documents provided.

152. Zhang failed to resolve these conflicts or obtain sufficient appropriate audit evidence to support De Joya's opinions and therefore violated AS 15, AS 12, and AU 230.

Additional M&K Violations of PCAOB Standards

Manis Accepted Accounting that Violated GAAP

153. From November 2011 through June 2013, Manis served as the engagement partner in charge of auditing Stone Boat's financial statements, the first of the eleven Issuers that M&K would audit. On or about July 27, 2012, Manis consented to the inclusion of M&K's audit report in Stone Boat's Form S-1 registration statement.

154. Manis accepted without question Briner's improper accounting of certain material transactions. Specifically, Briner deleted Stone Boat transactions that purportedly occurred during the audit period on grounds that Stone Boat had purportedly "rescind[ed]" the transactions after the audit period.

155. On June 11, 2012, Briner's assistant sent to M&K, among other things, a schedule purportedly reflecting cash attributable to Stone Boat in the Master Trust Account and financial statements for Stone Boat reflecting all transactions as of May 31, 2012 (Stone Boat's period end). These documents reflected, among other things, (1) a \$250,000 private placement for the sale of Stone Boat stock, (2) payments of \$75,000 and \$67,500 for property, and (3) a \$10,000 legal retainer. Briner's assistant also sent a cash confirmation, dated June 11, 2012, signed by Briner confirming that as of May 31, 2012, Briner held \$106,105 in cash attributable to Stone Boat in the Master Trust Account.

156. On June 27, 2012, approximately one month after the period's end, Briner sent an email to an M&K employee working on the Stone Boat audit stating the following:

There have been some dramatic changes with the company over the past two weeks. The Company was forced to rescind the private placement it received for \$250,000. As such, it has reversed the two property payments it made as well as the legal retainer for \$10,000.

Accordingly, I have reversed all of the transactions required by these changes and am sending you the updated financials and [general ledger].

157. According to Briner’s email, the purported rescission apparently occurred after Briner sent the first set of Stone Boat financial statements on June 11, 2012 and therefore, after the period ending May 31, 2012. These subsequent events, therefore, should be treated as non-recognized subsequent events and should not result in adjustment of the financial statements. See ASC 855-10-25-3 (Evidence about Conditions That Did Not Exist at the Date of the Balance Sheet). Briner’s accounting on behalf of Stone Boat, therefore, violated GAAP. Manis did not question the business rationale or motive behind the rescission or Stone Boat’s ability to back-out of the transactions such as by conducting an “examination of data to assure that proper cutoffs have been made and . . . information to aid the auditor in his evaluation of the assets and liabilities as of the balance-sheet date,” as required under PCAOB standard AU Section 560 (Subsequent Events) (“AU 560”) (.11).

158. Yet Manis, as the engagement partner, and Ridenour, as the engagement quality review partner, accepted this accounting without question. Further, Manis raised no concern with the new documents Briner provided that excluded the above transactions as well as a second cash confirmation dated July 20, 2012 and signed by Briner confirming that, as of May 31, 2012, Briner held \$9,570.00 of cash attributable to Stone Boat in his Master Trust Account. Neither Manis, nor Ridenour, resolved the material difference between the June 11, 2012 cash confirmation of \$106,105 and the July 20, 2012 cash confirmation of \$9,570.

159. In addition to consenting to the filing of his firm’s audit report where the Issuers’ underlying accounting violated GAAP, Manis failed to meet AS 15, AS 12, AS 3, AU 560, and AU 230 for failing to obtain sufficient appropriate evidence, exercise professional skepticism, and document the consideration of Briner’s accounting with respect to the alleged rescission. Manis also failed to meet PCAOB standard AU Section 316 (Consideration of Fraud in a Financial Statement Audit) (“AU 316”) for not gaining “an understanding of the business rationale for [a significant transaction that is outside of the normal course of business for the entity] and whether that rationale (or the lack thereof) suggests that the transactions may have been entered into to engage in fraudulent financial reporting or conceal misappropriation of assets” (at .66).

160. Further, Ridenour violated AS 7, which provides that an engagement quality review partner should “evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement” (§ 9). Manis’s decision not to evaluate the manner in which Briner, on behalf of Stone Boat, accounted for the purported rescission was a significant judgment Ridenour should have, but failed, to evaluate.

Manis Ignored Red Flags Indicating that Briner May Have Engaged in a Related Party Transaction With Stone Boat

161. Under AU 334, transactions that because of their nature may be indicative of the existence of related parties include, among other things, “[b]orrowing or lending on an interest-free basis” and “[m]aking loans with no scheduled terms for when or how the funds will be repaid” (at .03(a) and (d)). Further, under AS 15, “[i]f audit evidence obtained from one source is inconsistent

with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, 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” (§ 29). Finally, auditors must exercise professional skepticism throughout the course of the engagement consistent with AU 230.

162. Manis ignored evidence indicating that Stone Boat may have engaged in a related party transaction with Briner and therefore failed to meet the above standards.

163. On June 13, 2012, Briner’s assistant sent an email with two documents: (1) a related party worksheet listing no related parties for the period ending May 31, 2012 that was signed by Stone Boat’s officer, and (2) a confirmation that as of May 31, 2012, MetroWest issued a \$100,000 “non-interest bearing demand loan” to Stone Boat.

164. Despite the apparent contradiction between the MetroWest loan to Stone Boat and Stone Boat’s officer’s assertion that that there were no related party transactions during the audit period, Manis did not investigate the nature of the alleged noninterest bearing loan from MetroWest, including whether it constituted a related party transaction. Manis therefore violated AU 334, AS 15, and AU 230.

The M&K Partners Disregarded Red Flags that the Issuers’ Stock Sales to Their Officers Were Shams

165. Under PCAOB Auditing Standard No. 10 (Supervision of the Audit Engagement) (“AS 10”), the engagement partner “is responsible for proper supervision of the work of engagement team members and for compliance with PCAOB standards” (§ 3) and should “[d]irect engagement team members to bring significant accounting and auditing issues arising during the audit to the attention of the engagement partner or other engagement team members performing supervisory activities so they can evaluate those issues and determine that appropriate actions are taken in accordance with PCAOB standards” (§ 5 b.).

166. Like the De Joya audits, Briner provided M&K with schedules for each of the Issuers purportedly listing all transactions (prepared by Briner) that were reviewed by an M&K staff member (the same person reviewed the audit evidence for all of the M&K Issuers’ audits).

167. Each of the schedules appeared to indicate that individuals or entities named “Hyperion” management, “Luke Pretty,” or “Dhaliwal” supplied the funds to pay for the officers’ stock purchases and characterized these transactions as “investments.” The Issuers’ registration statements and stock purchase agreements (also reviewed by the same M&K staff member referred to above), by contrast, indicated that the Issuers’ respective officers paid for and purchased the Issuers’ stock.

168. Additionally, these schedules contained the same contradictions as those Briner provided on behalf of the De Joya Issuers, such as dates listed for stock purchases that in some instances (1) occurred before the Issuers were incorporated, or (2) occurred after the Issuers purchased their mineral claims.

169. The M&K Partners disregarded these inconsistencies and contradictions in the audit

evidence in violation of AS 15, AS 12, and AU 230. The M&K Partners also failed to meet AS 10 by failing to direct the M&K staff member reviewing the audit evidence to bring significant accounting and auditing issues to their attention and by otherwise failing to supervise the M&K Issuers' audits.

BRINER VIOLATED SECTION 17(a) OF THE SECURITIES ACT

170. Briner violated Section 17(a) of the Securities Act as the architect and primary proponent of the fraudulent shell-factory scheme that resulted in the filing of the twenty Form S-1 registration statements with the materially false statements and omissions of fact discussed herein. Briner handled, oversaw, directed, and controlled each step of the scheme including:

- arranging the incorporation of the Issuers;
- selecting the officers for the Issuers;
- paying fees to the officers;
- providing the Issuers with a business plan and purpose;
- fabricating mineral claim purchases for the Issuers;
- providing the funds, if any, to purchase Issuer stock;
- holding Issuer funds, if any, in a bank account under his control;
- engaging auditors and counsel for the Issuers;
- creating the Issuers' financial statements;
- performing the Issuers' accounting;
- drafting the Issuers' Form S-1 registration statements; and
- handling and coordinating all administrative tasks for the Issuers, including the filing of Issuers' Form S-1 registration statements.

171. Briner was able to maintain total control over the Issuers by recruiting current and former law clients and acquaintances to serve as officers for the Issuers and paying them a fee as a "consultant." Briner paid the recruits an initial "consulting" fee between \$2,000 and \$3,000 for each company for which they served as an officer with the promise of another \$7,000 to \$8,000 (per company) when the company obtained an OTCBB ticker symbol.

172. The officers then signed all the documents Briner provided and held the Issuer stock in their name with the understanding that Briner truly controlled the stock and, therefore, the Issuers. No information concerning Briner's role in financing the Issuers, the purported mineral claim purchases (i.e., that Briner controlled Jervis, the entity that allegedly sold the mineral claims to the Issuers), or otherwise was disclosed in any public filings.

173. Further, the fact that none of the mineral claims the Issuers supposedly purchased from Jervis were transferred from Jervis to the Issuers shows that the mining businesses were simply created to avoid the “blank check” provisions of Rule 419 of the Securities Act.

174. Briner obtained money or property by means of the scheme, including through the Issuers’ mineral claim purchases from Jervis and through his work on behalf of the Issuers.

175. Accordingly, Briner knew, or was reckless in not knowing, that each of the Issuers was a device, scheme, or artifice to defraud in violation of Section 17(a)(1) of the Securities Act, and that by actually controlling the Issuers he aided and abetted the Issuers’ violations of Sections 17(a)(1), (2), and (3) of the Securities Act. Further, Briner violated Sections 17(a)(2) and (3) of the Securities Act because he engaged in a course of conduct relating to the Issuers that operated as a fraud and a reasonable attorney would have known that his control over the Issuers was required to be publicly disclosed.

DALMY VIOLATED SECTION 17(a) OF THE SECURITIES ACT

176. Dalmy violated Section 17(a) of the Securities Act by preparing and consenting to the filing of eighteen opinion letters that she knew or was reckless in not knowing falsely stated that she had conducted an investigation in support of her opinion. She consented to the inclusion of these letters with the Form S-1 registration statements to be filed with the Commission (and that were filed) and knew that Briner intended to include these letters with the registration statements once filed. Her preparation of the opinion letters that included false statements and her consent to the inclusion of such letters with the Issuers’ registration statements constitutes a failure to conform to the standard of care of a reasonable person in a similar position under like circumstances.

177. In the opinion letters, Dalmy claimed to have “made such investigation and examined such records,” including the registration statement, the company’s articles of incorporation, certain records of corporate proceedings, records with respect to the authorization and issuance of common stock, and other records Dalmy deemed necessary to support her opinion, which was in each case that “the shares of Common Stock held by the Selling Shareholder are validly issued, fully paid and non-assessable.”

178. But the evidence indicates that she did not conduct any investigation. She simply provided the attorney opinion letters for the Issuers to Briner to be filed with the Issuers’ registration statements. Dalmy was paid \$1,500 for at least one of these letters, and expected to be paid for the others.

179. Accordingly, Dalmy knew, or was reckless in not knowing, that by providing her attorney opinion letters she was engaging in a device, scheme, or artifice to defraud in violation of Section 17(a)(1) of the Securities Act. Further, by providing such letters, Dalmy knew or was reckless in not knowing that the use of her letters caused or would be a cause the Issuers’ violations of Sections 17(a)(1) of the Securities Act. Dalmy also acted unreasonably in providing her attorney opinion letters and violated Sections 17(a)(2) and (3) of the Securities Act because a reasonable attorney would have conducted an investigation into the underlying facts represented in such opinions. By acting unreasonably in this manner, Dalmy knew or should have known that her

letters caused or would be a cause of the Issuers' violations of Sections 17(a)(2) and (3).

DE JOYA, M&K, AND THE AUDIT PARTNERS VIOLATED SECTION 17(a) OF THE SECURITIES ACT, RULE 2-02 OF REGULATION S-X, AND ENGAGED IN IMPROPER PROFESSIONAL CONDUCT

180. De Joya and M&K falsely stated in their audit reports filed with each of the Issuers' twenty registration statements that they "conducted [their] audit in accordance with the standards of the Public Company Accounting Oversight Board (United States)" and that the financial statements present the Issuers' financial positions "in conformity with U.S. generally accepted accounting principles." Each of De Joya, M&K and the Audit Partners signed or consented to the filings of these audit reports.

181. Additionally, De Joya, M&K, and the Audit Partners failed to meet the PCAOB standards discussed herein.

182. For these false reports, De Joya and the De Joya Partners collected a total of \$37,500 in fees and M&K and the M&K Partners collected a total of \$49,500 in fees.

183. De Joya, M&K, and the Audit Partners knew, or were reckless in not knowing, that each of the Issuers for which they provided audit reports was a device, scheme, or artifice to defraud in violation of Section 17(a)(1) of the Securities Act. Further, by providing such reports, De Joya, M&K, and the Audit Partners acted unreasonably and caused the Issuers' violations of Sections 17(a)(1), (2), and (3) of the Securities Act. De Joya, M&K, and the Audit Partners also violated Sections 17(a)(2) and (3) of the Securities Act by falsely claiming that their audits complied with PCAOB standards.

184. Additionally, for failing to meet the PCAOB audit standards identified above in auditing the Issuers, De Joya, M&K, and the Audit Partners engaged in improper professional conduct pursuant to the Commission's Rules of Practice Rule 102(e)(1)(ii) by each engaging in at least one instance of highly unreasonable conduct or at least two instances of unreasonable conduct under Rule 102(e)(1)(iv). De Joya, M&K, and the Audit Partners also violated Rule 2-02(b)(1) of Regulation S-X by providing audit reports included in the Issuers' Form S-1 Registration statements that falsely state that the Issuers' audits were made in accordance with PCAOB standards.

185. Further, as described above, De Joya, M&K, and the Audit Partners willfully violated Sections 17(a)(1), (2), and (3) of the Securities Act thereby engaging in conduct subject to the Commission's Rules of Practice Rule 102(e)(1)(iii).

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection

therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Briner should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Securities Act, whether Briner should be ordered to pay civil penalties pursuant to Section 8A(g) of the Securities Act and Section 21B(a) of the Exchange Act, whether Briner should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act and Sections 21B(e) and 21C(e) of the Exchange Act, whether Briner should be prohibited from serving as an officer or director under Section 8A(f) of the Securities Act and Section 21C(f) of the Exchange Act, and whether Briner should be barred from participating in an offering of penny stock under Section 15(b)(6)(A) of the Exchange Act;

C. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Dalmy should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Securities Act, whether Dalmy should be ordered to pay civil penalties pursuant to Section 8A(g) of the Securities Act and Section 21B(a) of the Exchange Act, and whether Dalmy should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act and Sections 21B(e) and 21C(e) of the Exchange Act;

D. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, De Joya, M&K, Arthur De Joya, Griffith, Whetman, Zhang, Manis, Ridenour, and Ortego should be ordered to cease and desist from committing or causing violations and any future violations of Section 17(a) of the Securities Act and Rule 2-02 of Regulation S-X, whether De Joya, M&K, Arthur De Joya, Griffith, Whetman, Zhang, Manis, Ridenour, and Ortego should be ordered to pay civil penalties pursuant to Section 8A(g) of the Securities Act and Section 21B(a) of the Exchange Act, and whether De Joya, M&K, Arthur De Joya, Griffith, Whetman, Zhang, Manis, Ridenour, and Ortego should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act and Sections 21B(e) and 21C(e) of the Exchange Act; and

E. What, if any, remedial action is necessary and appropriate and in the public interest against De Joya, M&K, Arthur De Joya, Griffith, Whetman, Zhang, Manis, Ridenour, and Ortego pursuant to Section 4C of the Exchange Act and Rule 102(e) of the Commission's Rules of Practice.

IV.

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

IT IS FURTHER ORDERED that Respondents shall file Answers to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If any Respondent fails to file the directed answer, or fails to appear at a hearing after being

duly notified, that Respondent may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary

Appendix A

Issuer	Engagement Partner	EQR Partner	Form S-1 Filing Date	Form S-1 Amendment Date	Amount of Intended Public Offering
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De Joya Issuers

La Paz	Whetman	Griffith	7/19/2012	9/25/2012	\$20,000
Tuba City	Zhang	Griffith	1/2/2013	-	\$12,000
Braxton	Zhang	Griffith	1/2/2013	-	\$24,000
Clearpoint	Zhang	Arthur De Joya	1/2/2013	-	\$16,000
Goldcamp	Zhang	Griffith	1/2/2013	-	\$10,000
Gaspard	Zhang	Arthur De Joya	1/25/2013	-	\$20,000
Coronation	Zhang	Griffith	1/25/2013	-	\$30,000
Jewel	Zhang	Griffith	1/25/2013	-	\$20,000
Canyon	Zhang	Griffith	1/25/2013	-	\$24,000

M&K Issuers

Stone Boat	Manis	Ridenour	1/27/2012	9/24/2012 and 10/17/2012	\$20,000
Goldstream	Manis	Ridenour	8/6/2012	9/24/2012 and 10/17/2012	\$15,000
Chum	Ortego	Manis	11/30/2012	-	\$20,000
Eclipse	Ortego	Manis	12/3/2012	-	\$18,000
PRWC	Ortego	Ridenour	12/6/2012	-	\$20,000
Kingman	Ridenour	Manis	1/31/2013	-	\$14,000
Bonanza	Ridenour	Manis	1/31/2013	-	\$18,000
CBL	Ridenour	Manis	1/31/2013	-	\$10,000
Lost Hills	Ridenour	Manis	1/31/2013	-	\$20,000
Yuma	Ridenour	Manis	1/31/2013	-	\$16,000
Seaview	Ridenour	Manis	1/31/2013	-	\$10,000

Appendix B

The De Joya Issuers

Issuer	Engagement Partner	EQR Partner	Audited Financial Statement Errors/ Conflict Between Audited Financial Statements and Other Registration Statement Information
Tuba City	Zhang	Griffith	<p><u>Audited Financial Statement Errors</u></p> <ul style="list-style-type: none"> • The Total Liabilities and Stockholders Equity amount on the Balance Sheet on Page F-3 does not foot. It is reported as \$27,325, but the accurately footed amount is \$19,825. • The amounts for Net Cash Used in Operating Activities of \$(10,175), Net Cash Used in Investing Activities of \$(7,500) and Net Cash Provided by Financing Activities of \$30,000 do not foot to the amount presented as Increase in Cash on the Statement of Cash Flows on Page F-6. The amount presented is \$19,825, but the amount accurately footed is \$12,325. • Note 3, Acquisition of a Mineral Claim, on Page F-11 discloses that “the acquisitions costs have been impaired and expensed during 2012.” The line Mineral property for \$7,500 on the Balance Sheet on Page F-3 and the Statement of Operations on page F-4 reflect an unimpaired amount. • Note 6, Going Concern on page F-11, discloses that the company “has incurred a loss of \$4,008.” This amount does not match the Net loss of \$10,175 presented on the Statement of Operations on Page F-4. • Note 7, Income Tax on Page F-11, discloses that the company “has \$4,008 of net operating losses carried forward.” This amount does not match the Net loss of \$10,175 presented on the Statement of Operations on Page F-4. The SEC staff has not found any audit workpapers related to income taxes. <p><u>Conflicts Between Audited Financial Statements and Other Registration Statement Information</u></p> <ul style="list-style-type: none"> • The Net loss from operations of \$4,008 in the Consolidated Statements of Income under Summary Financial Information on Page 5 does not match the same line item on the Statement of Operations on Page F-4 of \$(10,175). The period for the \$4,008 amount, however, was not specified. • The accounts payable amount of \$1,333 in the Balance Sheet Data under Summary Financial Information on Page 5 does not match the same line item on the Balance Sheet on Page F-3, which is \$0. • The deficit accumulated during exploration period amount of \$(4,008) in the Balance Sheet Data under Summary Financial Information on Page 5 does not match the same line item on the Balance Sheet on Page F-3, which is \$(10,175).

Issuer	Engagement Partner	EQR Partner	Audited Financial Statement Errors/ Conflict Between Audited Financial Statements and Other Registration Statement Information
Canyon	Zhang	Griffith	<u>Audited Financial Statement Error</u> <ul style="list-style-type: none">• The Stockholder's Equity section of the Balance Sheet does not foot. The amount reported is \$25,325, but the accurate footing is \$24,325.

Appendix C

The M&K Issuers

Issuer	Engagement Partner	EQR Partner	Audited Financial Statement Errors/ Conflict Between Audited Financial Statements and Other Registration Statement Information
Stone Boat	Manis	Ridenour	<p><u>Audited Financial Statement Errors</u></p> <ul style="list-style-type: none"> • The amounts for Net Cash Used in Operating Activities of \$(20,430), Net Cash Used in Investing Activities of \$(20,000) and Net Cash Provided by Financing Activities of \$30,000 do not foot to the amount presented as Net Change in Cash of \$9,570 on the Statement of Cash Flows on Page F-6. The accurately footed amount is \$(10,430). • The Net Change in Cash of \$9,570 reported on Page F-6 of the Statements of Cash Flows and the Cash at beginning of period of \$30,000 do not foot to the Cash at End of Period reported as \$9,570. The accurately footed amount is \$19,570. • The Recognition of an Impairment Loss (Mineral Claims) of \$0 in the Statement of Cash Flows on Page F-6 does not match the Recognition of an Impairment Loss (Property Expenses) of \$20,000 on the Statement of Operations on Page F-4. The Statement of Cash Flows is effectively prepared incorrectly. The Net Cash Used in Operating Activities of \$(20,430) is overstated for both periods presented. • The Cash at beginning of period of \$30,000 “For the period ending” May 31, 2012 does not match the amount of \$0 in the column From Inception (September 28, 2011) to May 31, 2012, both amounts appear on the Statement of Cash Flows on Page F-6. The amounts in both columns on page F-6 appear to be the same for both periods presented until the \$30,000 amount at the beginning of period in “For the period ending May 31, 2012” column. There is no balance sheet presented that shows the \$30,000 opening balance for cash. <p><u>Conflict Between Audited Financial Statements and Other Registration Statement Information</u></p> <ul style="list-style-type: none"> • The Weighted average shares outstanding basic of 16,175,342 under Consolidated Statements of Income and Summary Financial Information on Page 5 does not match the amount of 24,000,000 listed on the Statement of Operations on Page F-4.
Kingman	Ridenour	Manis	<p><u>Audited Financial Statement Errors</u></p> <ul style="list-style-type: none"> • The Net Cash Used in Operating Activities of \$0 does not foot to the amount of Net Change in Cash of \$(1,995) on the Statement of Cash Flows for the 3 months ended November 30, 2012 (Page F-16). The Cash at the End of Period of \$14,330 on page F-16 does not match cash of \$16,325 as of November 30, 2012 on the Balance Sheet on page F-14. • The NOL listed in Note 2 as \$13,675 is not consistent with Note 7, which lists the NOL as \$6,175.

Issuer	Engagement Partner	EQR Partner	Audited Financial Statement Errors/ Conflict Between Audited Financial Statements and Other Registration Statement Information
			<p data-bbox="695 317 1300 373"><u>Conflict Between Audited Financial Statements and Other Registration Statement Information</u></p> <ul data-bbox="703 411 1419 562" style="list-style-type: none"> <li data-bbox="703 411 1419 562">• “The Company has incurred a net loss of \$15,670 for the period from inception to August 31, 2012” as disclosed on Page 34 under Liquidity and Capital Resources, does not match the amount in the Statement of Operations for the same period, which is \$(13,675) (Page F-4).
Bonanza	Ridenour	Manis	<p data-bbox="695 596 1052 623"><u>Audited Financial Statement Error</u></p> <ul data-bbox="703 653 1419 709" style="list-style-type: none"> <li data-bbox="703 653 1419 709">• The NOL listed in Note 2 on page F-7 as \$13,675 is not consistent with Note 7 on page F-12, which lists the NOL as \$6,175. <p data-bbox="695 743 1300 800"><u>Conflict Between Audited Financial Statements and Other Registration Statement Information</u></p> <ul data-bbox="703 835 1419 989" style="list-style-type: none"> <li data-bbox="703 835 1419 989">• “The Company has current assets of \$14,330... as of November 30, 2012” as disclosed on Page 30 under Liquidity and Capital Resources does not match the amount of Total current assets as of November 30, 2012 on the Balance Sheet, which is \$16,325 (Page F-14).
CBL	Ridenour	Manis	<p data-bbox="695 1022 1052 1050"><u>Audited Financial Statement Error</u></p> <ul data-bbox="703 1079 1419 1136" style="list-style-type: none"> <li data-bbox="703 1079 1419 1136">• The NOL listed in Note 2 on page F-7 as \$13,675 is not consistent with Note 7 on page F-12, which lists the NOL as \$6,175. <p data-bbox="695 1169 1300 1226"><u>Conflict Between Audited Financial Statements and Other Registration Statement Information</u></p> <ul data-bbox="703 1262 1419 1415" style="list-style-type: none"> <li data-bbox="703 1262 1419 1415">• “The Company has incurred a net loss of \$13,675 for the period from inception to November 30, 2012” as disclosed on Page 32 under Liquidity and Capital Resources does not match the amount in the Statement of Operations for the same period, which is \$(15,670) (Page F-15).
Lost Hills	Ridenour	Manis	<p data-bbox="695 1451 1052 1478"><u>Audited Financial Statement Error</u></p> <ul data-bbox="703 1507 1419 1564" style="list-style-type: none"> <li data-bbox="703 1507 1419 1564">• The NOL listed in Note 2 on page F-7 as \$13,675 is not consistent with Note 7 on page F-12, which lists the NOL as \$6,175.
Yuma	Ridenour	Manis	<p data-bbox="695 1604 1052 1631"><u>Audited Financial Statement Error</u></p> <ul data-bbox="703 1661 1419 1717" style="list-style-type: none"> <li data-bbox="703 1661 1419 1717">• The NOL listed in Note 2 on page F-7 as \$13,675 is not consistent with Note 7 on page F-12, which lists the NOL as \$6,175.
Eclipse	Ortego	Manis	<p data-bbox="695 1757 1052 1785"><u>Audited Financial Statement Error</u></p> <ul data-bbox="703 1814 1419 1871" style="list-style-type: none"> <li data-bbox="703 1814 1419 1871">• The NOL listed in Note 2 on page F-7 as \$11,175 is not consistent with Note 7 on page F-11, which lists the NOL as \$2,675.

Issuer	Engagement Partner	EQR Partner	Audited Financial Statement Errors/ Conflict Between Audited Financial Statements and Other Registration Statement Information
Chum	Ortego	Manis	<u>Audited Financial Statement Error</u> <ul style="list-style-type: none"> • The NOL listed in Note 2 on page F-7 as \$10,175 is not consistent with the table in Note 7 on page F-12, which lists the net loss before taxes as \$2,675.