

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 76250 / October 23, 2015**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3715 / October 23, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16919**

---

<b>In the Matter of</b>	:	
	:	
	:	
	:	<b>ORDER INSTITUTING</b>
	:	<b>ADMINISTRATIVE PROCEEDINGS</b>
	:	<b>PURSUANT TO RULE 102(e) OF THE</b>
<b>ARTHUR F. KNAPP, Jr., CPA</b>	:	<b>COMMISSION’S RULES OF</b>
	:	<b>PRACTICE, MAKING FINDINGS, AND</b>
	:	<b>IMPOSING REMEDIAL SANCTIONS</b>
<b>Respondent.</b>	:	
	:	
	:	
	:	

---

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Arthur F. Knapp, Jr. (“Respondent” or “Knapp”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.<sup>1</sup>

---

<sup>1</sup> Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

## II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

## III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Knapp, age 66, was licensed to practice as a Certified Public Accountant in Pennsylvania starting in 1973, until he allowed that license to lapse in approximately 1980. He joined OCZ Technology Group, Inc. (“OCZ”) in November 2005 and served as the Chief Financial Officer (“CFO”) until March 2009 and from October 2010 through March 2013. From March 2009 until October 2010 he was OCZ’s Vice President of Finance.

2. OCZ was, at all relevant times, a Delaware corporation with its principal place of business in San Jose, California. OCZ sold computer memory storage and power supply devices primarily to distributors, e-tailers, and original equipment manufacturers. The common stock of OCZ had been registered under Section 12(g) of the Securities Exchange Act of 1934 (“Exchange Act”) since November 29, 2009. As of April 2010, OCZ’s common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and listed on the NASDAQ Capital Market. OCZ’s stock was delisted from NASDAQ as of March 6, 2014, causing OCZ’s Section 12(b) registration to be terminated and its Section 12(g) registration to be revived. On April 16, 2015, the Commission issued an Order Instituting Proceedings, Making Findings and Revoking Registration of Securities Pursuant to Section 12(j) of the Securities Exchange Act of 1934.

3. On October 13, 2015, a final judgment was entered by consent against Knapp, permanently enjoining him from future violations of Sections 17(a)(2) and (3) of the Securities Act of 1933 (“Securities Act”), Section 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13a-14 thereunder, and permanently enjoining him from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder, in the civil action entitled Securities and Exchange Commission v. Knapp, Civil Action Number 5:15-cv-04598, in the United States District Court for the Northern District of California. Knapp was also ordered to pay \$92,107 in disgorgement of profits gained resulting from his conduct plus \$7,893 in prejudgment interest, and a \$30,000 civil money penalty.

4. The Commission’s complaint alleges, among other things, that Knapp, as CFO, had responsibility for OCZ’s internal accounting controls and that he instituted or maintained several

policies and practices that caused OCZ to record transactions in a manner that was not in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and caused OCZ to report materially inflated revenues and/or gross profits. These policies included (1) reclassifying costs of goods sold as research and development expenses, without sufficient basis to do so; (2) failing to capitalize labor and overhead costs in OCZ’s inventory costs; (3) recognizing revenues upon product shipment, rather than upon delivery of the product to OCZ’s customers; and (4) understating OCZ’s accruals for product returns. Knapp also failed to implement sufficient internal accounting controls to prevent OCZ from misclassifying sales discounts as marketing expenses, among other things. Knapp signed and certified OCZ’s annual reports on Form 10-K and quarterly reports on Form 10-Q relating to the periods from the second quarter of fiscal 2011 ending August 31, 2010 through the first quarter of fiscal 2013 ending May 31, 2012, which contained materially misstated financial results. Knapp also signed current reports on Form 8-K and registration statements that included or incorporated materially misstated financial results.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Knapp’s Offer.

Accordingly, it is hereby ORDERED, effective immediately, that, Knapp is suspended from appearing or practicing before the Commission as an accountant.

By the Commission.

Brent J. Fields  
Secretary