

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 83391 / June 6, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3942 / June 6, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18533

In the Matter of

MICHAEL J. MONA, JR.

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO RULE 102(e) OF THE
COMMISSION’S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

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 Michael J. Mona, Jr. (“Respondent” or “Mona”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

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

¹ 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.

herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.B.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Public 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. Mona, age 63, of Las Vegas, Nevada, is CannaVEST's CEO and a member of its board of directors. Mona became CannaVEST's CEO in November 2012, and a board member in January 2013.

2. On June 15, 2017, the Commission filed a complaint against Mona in SEC v. CannaVEST Corp., et al. (Case No. CV-17-01681-APG-PAL) in the United States District Court for the District of Nevada. On June 1, 2018, the court entered an order permanently enjoining Mona, by consent, from future violations of Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act") and Rules 10b-5, 13a-14, 13b2-1 and 13b2-2 thereunder, and from controlling any person who violates Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder. Mona was also ordered to pay a \$40,000 civil money penalty and to reimburse CannaVEST \$10,000 pursuant to Section 304(a) of the Sarbanes-Oxley Act of 2002.

3. The Commission's complaint alleged, among other things, that Mona made material misrepresentations and/or misleading omissions on CannaVEST's quarterly reports filed with the SEC for CannaVEST's first three quarters of 2013. The complaint alleged that the overstatements related to CannaVEST's acquisition of another company, PhytoSphere Systems, LLC in the first quarter of 2013. The complaint further alleged that CannaVEST agreed to the purported \$35 million purchase price only because CannaVEST could pay it primarily with CannaVEST shares that had little or no trading volume at the time, and which Mona believed had little value, and a small amount of cash. The complaint further alleged that Mona knew that CannaVEST was paying substantially less than \$35 million to acquire the PhytoSphere business, that PhytoSphere was not worth \$35 million, and that CannaVEST would have never agreed to the purported purchase price if CannaVEST were required to pay cash for PhytoSphere. The complaint further alleged that Mona had CannaVEST record \$35 million worth of assets related to the PhytoSphere acquisition on CannaVEST's balance sheet in its Form 10-Q for the first quarter of 2013 and that, as a result, CannaVEST materially overstated its assets on its balance sheet for the first quarter of 2013. The complaint further alleged that, in its Form 10-Q for the second quarter of 2013, CannaVEST continued to report falsely the value of its assets related to the PhytoSphere acquisition. The complaint further alleged that, in its Form 10-Q for the third quarter of 2013, CannaVEST and Mona wrote down the value of the assets related to the PhytoSphere acquisition to \$8 million after obtaining a valuation of PhytoSphere's assets, but failed to disclose that CannaVEST had never paid \$35 million for those assets, that the assets were

never worth \$35 million, and that the balance sheets for the first and second quarters of 2013 were materially overstated.

IV.

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

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Mona is suspended from appearing or practicing before the Commission as an accountant.

B. After five years from the date of this order, Mona may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as an accountant.

By the Commission.

Brent J. Fields
Secretary