UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84562 / November 9, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3993 / November 9, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18891

In the Matter of **Pyxus International, Inc.** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Pyxus International, Inc., which was previously known as Alliance One International, Inc. ("Alliance One" or "Respondent").

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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

SUMMARY

1. This matter concerns violations of the reporting, books and records, and internal accounting control provisions of the Exchange Act by Alliance One, a tobacco processing company, from at least 2011 to 2015. Throughout the period, the processes and control activities designed to support the amounts of inventory, deferred crop costs, and the revenue transactions at Alliance One's subsidiary in Kenya, Alliance One Tobacco (Kenya) Ltd. ("Alliance One Kenya"), were not sufficient at a local or regional level. Additionally, Alliance One Kenya's management overrode existing controls and failed to report accounting errors to Alliance One. As a result, Alliance One filed with the Commission materially misstated financial statements in annual and quarterly reports from at least 2011 through the second quarter of 2015.

2. In May 2016, Alliance One filed restated financial statements to correct the accounting errors of Alliance One Kenya, determined that its internal control over financial reporting had not been designed or operating effectively, and reported the existence of material weaknesses in its internal control over financial reporting, which had been remediated. The correction of these errors decreased the reported amount of inventory by approximately $32 million, decreased accounts receivable by approximately $7 million, and decreased retained earnings by approximately $39 million.

RESPONDENT

3. Alliance One, a Virginia corporation based in Morrisville, North Carolina, purchases, processes, and sells tobacco leaf. Alliance One's stock is registered under Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange (NYSE: AOI). Alliance One has a wholly-owned Kenyan subsidiary, Alliance One Kenya. The subsidiary's operations were downsized and certain operations were largely terminated in 2015. Alliance One maintains regional operating and financial management in Africa ("Alliance One Africa"), which oversaw Alliance One Kenya's operations. Alliance One Kenya's financial statements were consolidated into Alliance One's financial statements. Other than inter-company sales, Alliance One Kenya had one main customer during the relevant time frame ("the Customer").

FACTS

4. Alliance One publicly announced that it was restructuring Alliance One Kenya in June 2015 and terminated the majority of Alliance One Kenya's management in September 2015. In October 2015, Alliance One Africa's regional management identified discrepancies in Alliance One Kenya's physical inventory and learned that Alliance One Kenya's Customer disputed the

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

outstanding accounts receivable balance. Alliance One began an internal investigation, which it reported to the Commission in November 2015.

5. On November 7, 2015, Alliance One disclosed that it was delaying filing a quarterly report due to accounting discrepancies it had discovered at Alliance One Kenya. Alliance One announced that the discrepancies consisted primarily of inventory variances and accounts receivable, and could date back to 2008 or earlier. In February 2016, Alliance One announced that its consolidated financial statements for most of its quarterly and annual periods dating back to its fiscal year ended March 31, 2012 could no longer be relied upon, and that accounting discrepancies could also affect earlier periods.

6. Alliance One's misstated financial statements resulted from improper accounting practices at Alliance One Kenya from at least 2011 through September 2015, including recording fictitious sales, improper revenue recognition, overstating inventory, and understating costs. Alliance One misstated the trade and other receivables, tobacco, cash, advances, other assets, and fixed assets, accounts payable and accrued expenses line items in its financial statements. For the same period, Alliance One reported material weaknesses in inventory and accounts receivable processes, ineffective controls, and controls that were overridden by personnel at Alliance One Kenya.

7. Employees at Alliance One Kenya made, or directed individuals in the Alliance One Kenya accounting department to make, improper accounting entries which understated costs, overstated inventory, recorded fictitious sales to the Alliance One Kenya's Customer, and improperly overstated revenue.

8. With respect to fictitious sales and improper revenue recognition, Alliance One Kenya sent an invoice to the Customer just before the end of each fiscal year for the amount of estimated sales in the coming year, and recognized revenue for the full amount of this invoice, even though only a small portion of the sales had occurred. As actual sales to the Customer occurred throughout the following year, employees at Alliance One Kenya created manual invoices that were not recorded in the general ledger system. No adjustments were made for any differences between actual sales and estimated sales at year end. As a result of this invoicing practice, the majority of revenue from the Customer was recognized prematurely. In certain periods when actual sales were less than estimated, this practice also resulted in fictitious revenue being recorded. This resulted in a significantly overstated Customer receivable, since the receivable was recorded at the full amount of the invoice issued at the prior year end, but only paid as actual sales occurred.

9. Alliance One Africa and Alliance One relied on representations from Alliance One Kenya as to why the Customer's accounts receivable balance remained large and continued to age. Alliance One Africa and Alliance One failed to enforce or enhance existing controls to detect an error in recording of revenue and accounts receivable. For example, while Alliance One Africa and Alliance One requested updates from Alliance One Kenya regarding payment of aged receivables by the Customer and noted the high outstanding balance during the quarterly account review process, Alliance One Africa and Alliance One accepted explanations provided by Alliance

One Kenya, rather than pressing for prompt payment of the outstanding balance. Failure to substantiate this receivable balance allowed Alliance One Kenya to continue misstating revenue and receivables.

10. Alliance One Kenya's inventory counting and valuation procedures were insufficient to provide reasonable assurance that the amount and value of inventory on hand was properly reflected in the subsidiary's books and records and that the cost of inventory sold was properly recorded. Employees at Alliance One Kenya were aware of significant ongoing discrepancies in Alliance One Kenya's inventory accounting practices, and that these discrepancies were primarily due to (a) erroneous accounting entries to inflate the dry tobacco inventory balance, and (b) using artificially low standard costs to record inventory sold without adequately adjusting those costs to reflect the actual cost of the inventory sold or on hand. Actual costs in excess of standard costs remained in inventory, causing an overstatement, and the artificially low costs applied to finished goods resulted in cost of sales being understated.

11. On May 25, 2016, Alliance One filed a Form 10-K for the years ending March 31, 2015, 2014, and 2013, in which it restated its prior financial statements to correct these and other errors. As of March 31, 2015, the restatement decreased the reported amount of inventory by approximately $32 million, decreased accounts receivable by approximately $7 million, and decreased retained earnings by approximately $39 million. The effect of the restatements on Alliance One's income (loss) before income taxes was to increase income by 3.83% in fiscal 2013, increase losses by 26.74% in fiscal 2014 and by 20.07% in the quarter ended June 30, 2015, and change income of $4.5 million to a loss of $8.3 million in fiscal 2015—a 283% decrease. Alliance One also restated certain selected financial data for its fiscal years ended March 31, 2012 and 2011. Alliance One also restated approximately $10.7 million in retained earnings prior to April 1, 2011, but was unable to determine the extent of the impact of these errors in specific periods.

12. In its restatement, Alliance One identified that material weaknesses in its internal control over financial reporting existed at Alliance One Kenya, including that processes and control activities relating to the amounts of inventory recorded in the general ledger, deferred crop costs recorded in the general ledger, and the revenue transactions recorded in the general ledger were not effective, were incorrectly applied, or were overridden. Alliance One identified that material weaknesses in its internal control over financial reporting existed at Alliance One Africa and Alliance One, including that the regional review of operations in Africa was ineffective due to the lack of adequate qualified resources to appropriately examine and investigate financial results and that Alliance One's fraud risk assessment was not adequately designed or implemented to address the risks of fraud in certain origins. Alliance One also disclosed that it had remediated its material weaknesses in internal control over financial reporting as a result of various control enhancements and other remedial actions.

13. As a result of Alliance One Kenya's improper accounting, Alliance One included materially false and misleading financial statements and information in: (a) annual reports on Form 10-K from at least 2011 through 2015; (b) quarterly reports on Form 10-Q from at least the first quarter of 2013 through the second quarter of 2015; and (c) current reports on Form 8-K reporting Alliance One's financial results from at least fiscal 2011 through the second quarter of 2015.

VIOLATIONS

14. As a result of the conduct described above, Alliance One violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act file with the Commission information, documents, and annual and quarterly reports as the Commission may require, and mandate that periodic reports contain such further material information as may be necessary to make the required statements not misleading.

15. Because Alliance One improperly recorded its inventory, cost of sales, and revenue, its books, records and accounts did not, in reasonable detail, accurately and fairly reflect its transactions and dispositions of assets.

16. In addition, Alliance One failed to implement internal accounting controls relating to its inventory, cost of sales, and revenue accounts which were sufficient to provide reasonable assurances that its financial statements were accurately stated in accordance with generally accepted accounting principles.

17. As a result of the conduct described above, Alliance One violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

18. As a result of the conduct described above, Alliance One violated Section 13(b)(2)(B) of the Exchange Act, which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles.

ALLIANCE ONE'S REMEDIAL EFFORTS AND COOPERATION

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and the cooperation afforded the Commission staff. Specifically, Alliance One undertook remedial efforts, including (i) through a Special Committee of the Board of Directors, retaining independent outside counsel and a forensic accounting firm to conduct an investigation at Alliance One Kenya and other similarly situated subsidiaries; (ii) keeping the Commission informed throughout the internal investigation; (iii) restating its financial statements impacted by the improper and erroneous accounting uncovered by the investigation; (iv) hiring new accounting control positions within the African region; and (v) implementing new internal accounting control procedures and policies. In addition, Alliance One voluntarily shared the results, details, and documents related to the Special Committee's internal investigation, which reduced the time and resources necessary for the Commission staff to conclude the investigation.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Alliance One's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent Alliance One cease and desist from committing or causing any violations and any future violations of 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.

By the Commission.

Brent J. Fields
Secretary