

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 53444 / March 8, 2006

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2393 / March 8, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12231

In the Matter of

**MICHAEL B. JOHNSON, CPA and
MICHAEL JOHNSON & CO., LLC,**

Respondents.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS PURSUANT
TO SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934 AND RULE
102(e) OF THE COMMISSION'S RULES OF
PRACTICE, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative proceedings and cease-and-desist proceedings be, and hereby are, instituted against Michael B. Johnson ("Johnson") and Michael Johnson & Co., LLC ("Johnson & Co.") (hereinafter referred to collectively as "Respondents") pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(ii) of the Commission's Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers 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 Rules 102(e)(1)(ii) provides, in pertinent part, that the Commission may deny, temporarily or permanently, the privilege of appearing or practicing before it to any person who is "found...to have engaged in improper professional conduct."

herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds² that:

1. Johnson, age 56, is a resident of Littleton, Colorado. Johnson has been the manager and sole member of Johnson & Co. and a licensed certified public accountant in Colorado since 1975. He also is a licensed certified public accountant in Florida and Mississippi.
2. Johnson & Co. is an accounting firm located in Denver, Colorado. Johnson is the only member of, and the only certified public accountant affiliated with, the firm.
3. Johnson & Co., through the participation of Johnson, audited the financial statements of Winners Internet Network, Inc. ("Winners"), now known as American Television and Film Company ("American"), for the years ended December 31, 1997 and 1998 and compiled financial statements for the ten months ended October 31, 1998 and 1999, which were included in a Form 10-SB registration statement filed by Winners with the Commission on December 23, 1999. Johnson supervised the audits and compilations of these financial statements and signed the audit reports for the 1997 and 1998 audits on behalf of Johnson & Co.
4. Johnson participated in the preparation and audit of Winners' December 31, 1999 financial statements, which were included in a current report on Form 8-K filed by Winners with the Commission on May 19, 2000. Johnson signed the resulting audit report for this audit. In addition, Johnson & Co. prepared, and Johnson and Johnson & Co. conducted reviews of, Winners' financial statements for the quarters ended March 31, June 30 and September 30, 2000, versions of which were included in Forms 10-QSB and 10-QSB/A filed by Winners with the Commission on November 21 and 22, 2000 and December 6, 2000, respectively, under the name of Winners' wholly owned subsidiary, Glenaire Financial Services, Inc.
5. Winners, a former Nevada corporation with offices in St. Augustine, Florida and the country of Liechtenstein, offered online processing of Internet gaming and other financial transactions using its proprietary processing software between 1999 and June 2002. Thereafter, Winners had no operations.
6. In December 1999, Winners filed a general form of registration of securities of a small business issuer with the Commission on Form 10-SB, which Winners withdrew before it

² The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

became effective. In May 2000, Winners' common stock became registered with the Commission pursuant to Section 12(g) of the Exchange Act, when Winners acquired Glenaire Financial Services, Inc., a public shell whose common stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act, effective September 1999. On February 26, 2004, Winners terminated the registration of its common stock by filing a Form 15 with the Commission. Therefore, from May 2000 to at least February 26, 2004, Winners, now American, was required to file periodic reports with the Commission. American's common stock is quoted on the National Quotation Bureau's Pink Sheets.

7. Once its operations began in 1999, Winners maintained incomplete and inaccurate books and records for its European operations that encompassed accounts including its software asset, receivables, revenues, and the majority of its expenses and liabilities. In connection with the preparation of the financial statements identified in Paragraph 4, an employee of Johnson & Co., under Johnson's supervision, made false entries to certain of Winners' accounts.

8. The financial statements of Winners referred to in paragraphs 3 and 4 above materially overstated Winners' software asset by between \$75,000 and \$300,000, resulting in an overstatement of total assets by between 3% and 191%, by improperly capitalizing purported demonstration software costs in Winners' software asset account.

9. Winners' December 31, 1999 financial statements, which Johnson and Johnson & Co. prepared and audited and that were filed with the Commission in Winners' Form 8-K current report, materially overstated Winners' software asset by approximately \$421,000, by improperly capitalizing operating expenses in the software asset account. This resulted in an overstatement of total assets by 416%.

10. Winners' December 31, 1999 financial statements also materially overstated Winners' licensing and processing revenues by approximately \$372,000, resulting in an overstatement of total revenues by 83%, and accounts receivable by approximately \$533,000, resulting in an overstatement of total assets by 528%, and understated expenses by \$161,000, resulting in a 16% understatement of total expenses, by improperly: (a) recording licensing fees; (b) recognizing receivables from licensing fees Winners had little or no chance of collecting; and (c) recognizing revenue and receivables that had not been realized or earned by Winners. These overstatements enabled Winners to report net income of \$5,067 instead of a net loss of over \$501,000.

11. Financial statements for the initial three quarters of calendar year 2000 were included in Forms 10-QSB and 10-QSB/A filed by Winners with the Commission in November and December 2000. These financial statements improperly recognized a \$1 million software asset from a transaction that lacked economic substance, resulting in an overstatement of total assets by between 73% and 2,550%.

12. Johnson & Co. issued audit reports accompanying Winners' year-end financial statements for 1997 and 1998 that contained a going concern modification and an unqualified audit report for 1999. These reports falsely stated that the financial statements were presented fairly in

all material respects in conformity with Generally Accepted Accounting Principles ("GAAP") and that the audits of these financial statements were conducted in accordance with Generally Accepted Auditing Standards ("GAAS"). These statements were false, since portions of the underlying financial statements were not presented in conformity with GAAP, which, in turn, rendered false the statements that the audits were conducted in accordance with GAAS, since the failure to address a deviation from GAAP in an audit report is a violation of GAAS.

13. In addition, Johnson & Co.'s audit of Winners' 1999 financial statements was not in accordance with GAAS. Among other things, by participating in both the preparation and audit of these financial statements, Johnson and Johnson & Co. failed to maintain their independence from Winners. Johnson and Johnson & Co. also failed to adequately plan their audit, failed to obtain competent evidential matter, failed to use due professional care, failed to properly evaluate Winners' ability to continue as a going concern, and failed to adopt reasonable procedures to retain audit documentation.³

14. Johnson and Johnson & Co. acted recklessly in compiling, reviewing and auditing the financial statements which contained the false statements described in Paragraphs 7 through 13. Johnson also acted recklessly in overseeing the recording of entries to Winners' accounts for the year ended December 31, 1999 and for the quarters ended March 31, June 30 and September 30, 2000.

15. As a result of the conduct described above, Johnson (a) violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities; (b) violated Section 13(b)(5) of the Exchange Act, which, among other things, prohibits any person from knowingly falsifying any book, record or account subject to Section 13(b)(2) of the Exchange Act; (c) violated Rule 13b2-1, which prohibits any person from directly or indirectly falsifying or causing to be falsified, any book record or account subject to Section 13(b)(2)(A) of the Exchange Act; (d) caused Winners' violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission, in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate for the protection of investors and to insure fair dealing in the security, such quarterly and current reports as the Commission may prescribe; (e) caused Winners' violations of Section 13(b)(2)(A) of the Exchange Act, which requires public companies to make and keep books and records which accurately and fairly reflect its transactions and dispositions of assets; and (f) engaged in improper professional conduct.

16. As a result of the conduct described above, Johnson & Co. (a) violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities; (b) violated Rule 13b2-1, which prohibits any person from directly or indirectly falsifying or causing to be falsified, any book record or account

³ According to Johnson, certain original workpapers relating to the audit of Winners' December 31, 1999 financial statements were missing within approximately fifteen months after completion of the audit.

subject to Section 13(b)(2)(A) of the Exchange Act; (c) caused Winners' violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission, in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate for the protection of investors and to insure fair dealing in the security, such quarterly and current reports as the Commission may prescribe; (d) caused Winners' violations of Section 13(b)(2)(A) of the Exchange Act, which requires public companies to make and keep books and records which accurately and fairly reflect its transactions and dispositions of assets; and (d) engaged in improper professional conduct.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Effective immediately, Michael Johnson shall cease and desist from committing or causing any violations and any future violations of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 promulgated thereunder, and from causing any violations and any future violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13 promulgated thereunder.

B. Effective immediately, Michael Johnson & Co. shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rules 10b-5 and 13b2-1 promulgated thereunder, and from causing any violations and any future violations of Sections 13(a) and 13(b)(2)(A) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13 promulgated thereunder.

C. Respondent Johnson & Co. shall, within thirty (30) days of the entry of this Order, pay disgorgement of \$10,250 and prejudgment interest of \$6,248.86 for a total of \$16,498.86 to the United States Treasury, representing unjust enrichment in the form of audit and other fees received from Winners while Respondents engaged in the conduct described above. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Johnson & Co. as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Polly Atkinson, Division of Enforcement, Securities and Exchange Commission, 1801 California Street, Suite 1500, Denver, Colorado 80202.

D. Respondents are denied the privilege of appearing or practicing before the Commission as accountants pursuant to Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

E. After four (4) years from the date of this order, Respondents, or either of them, may request that the Commission consider their reinstatement.

F. Respondent Johnson 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:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission. Such application must satisfy the Commission that Respondent Johnson's work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such application must satisfy the Commission that:

(a) Respondent Johnson, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent Johnson, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the respondent's or firm's quality control system that would indicate that the respondent will not receive appropriate supervision or, if the Board has not conducted an inspection, has received an unqualified report relating to his, or the firm's, most recent peer review conducted in accordance with the guidelines adopted by the former SEC Practice Section of the American Institute of Certified Public Accountants Division for CPA Firms; or an organization providing equivalent oversight and quality control functions;;

(c) Respondent Johnson has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent Johnson acknowledges his responsibility, as long as he appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

F. Respondent Johnson & Co. may request that the Commission consider its reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as an independent accountant. Such application must satisfy the Commission that:

1. Respondent Johnson & Co. is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

2. Respondent Johnson & Co. has been inspected by the Board and that inspection did not identify any criticisms of, or potential defects in, the firm's quality control system that would indicate that any of its employees will not receive appropriate supervision, or, if the Board has not conducted an inspection, has received an unqualified report relating to Johnson & Co.'s most recent peer review conducted in accordance with the guidelines adopted by the former SEC Practice Section of the American Institute of Certified Public Accountants Division for CPA Firms; or an organization providing equivalent oversight and quality control functions;

3. Respondent Johnson & Co. has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

4. Respondent Johnson & Co. acknowledges its responsibility, as long as it appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

G. The Commission will consider an application by Respondents Johnson and/or Johnson & Co. to resume appearing or practicing before the Commission provided that their state CPA licenses are current and they have resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependant on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondents' character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris
Secretary