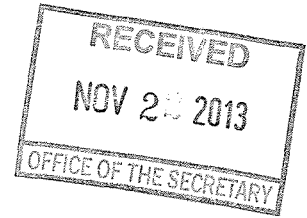


**HARD COPY**

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



Administrative Proceeding  
File No. 3-15012

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In the Matter of :  
: :  
: :  
: :  
Scott W. Hatfield, CPA, and :  
S. W. Hatfield, CPA :  
: :  
: :  
Respondents. :  
\_\_\_\_\_ :

**DIVISION OF  
ENFORCEMENT'S BRIEF IN  
SUPPORT OF PETITION  
FOR REVIEW**

**DIVISION OF ENFORCEMENT'S BRIEF  
IN SUPPORT OF PETITION FOR REVIEW OF INITIAL DECISION**

A handwritten signature in dark ink, appearing to read "DB Reece", written over a horizontal line.

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Pursuant to Rule 450 of the Securities and Exchange Commission's ("Commission") Rules of Practice, the Division of Enforcement ("Division") submits this Brief In Support of Petition for Review of Initial Decision in this proceeding, which denied the Commission's motion for summary disposition and dismissed this proceeding, and respectfully shows the following:

**I.**  
**PRELIMINARY STATEMENT**

Respondent Scott W. Hatfield, CPA ("Hatfield"), of Dallas, Texas, is the sole proprietor of Respondent S.W. Hatfield, CPA ("SWH"), a Texas accounting firm originally licensed through the Texas State Board of Public Accountancy ("TSBPA") in 1994. Hatfield renewed SWH's license annually through January 1, 2009. But between January 31, 2010 and May 19, 2011 (the "Relevant Period"), SWH's firm license was expired. Specifically, SWH's license expired due to non-payment of required fees and a failure to complete required peer reviews. The Texas Public Accountancy Act requires a firm to hold a valid license in order to provide attest services, including audits. Because its license was expired, SWH was not in good standing in Texas and was, therefore, not recognized as an accountant by the Commission during the Relevant Period. The Texas State Board of Accountancy informed Hatfield that Respondents could be sanctioned if SWH issued audit reports without a valid license.

Knowing that SWH's license was expired, Respondents issued 38 audit reports for 21 public company issuers during the Relevant Period. They issued the audit reports while SWH lacked a license and was therefore not in good standing or recognized as an accountant under the federal securities laws. SWH's audit reports were included in the public filings of SWH's issuer clients. Hatfield signed the audit reports and knowingly authorized them to be included in the



issuers' public filings. Respondents charged \$187,222 as fees for audits conducted or completed while SWH's license was expired.

After an investigation, the Division charged Respondents with violating Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5(b) thereunder and further asserted that Respondents lack the requisite qualifications to represent others and willfully violated the federal securities laws, pursuant to Section 4C(a)(1) and 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(i) and (iii) of the Commission's Rules of Practice.

In ruling on the Division's motion for summary disposition, Administrative Law Judge ("ALJ") Carol Fox Foelak, without specifically addressing the Division's factual or legal arguments supporting summary disposition, concluded that

"there is no allegation that the audit reports or the financial statements that were the subject of the audit reports contained misrepresentations, much less that Respondents were in any way liable for misrepresentations in the reports and financial statements. Accordingly, the allegation that Respondents violated Exchange Act Section 10(b) and Rule 10b-5 is unproven."

ALJ Foelak further concluded that, because the allegation that Respondents violated Section 10(b) and Rule 10b-5 of the Exchange Act was unproven, there was no basis for sanctioning them pursuant to Rule 102(e)(1)(iii).

Finally, ALJ Foelak concluded there was no basis for sanctioning Respondents under Rule 102(e)(1)(i), based on a misunderstanding that Rule 102(e)(1)(i) liability is contingent upon a finding that Rule 102(e)(1)(iii) was also violated.

In addition to being unsupported by the facts and evidence, the Initial Decision sets forth troubling and legally unsupportable holdings that (a) as a matter of law, auditors cannot be primarily liable under Exchange Act Section 10(b) and Rule 10b-5 for material misrepresentations in an audit report included in an issuer's public filings with the auditor's knowing consent; and (b) as a

matter of law, auditors cannot be censured under Rule of Practice 102(e)(1)(i) unless also found to have willfully violated the federal securities laws under Rule of Practice 102(e)(1)(iii).

Because the Initial Decision's findings are based on misunderstandings and misstatements of the facts and law, the Division respectfully asks the Commission to:

- (1) find that Respondents violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;
- (2) order Respondents to cease and desist from future violations of these antifraud provisions;
- (3) order Respondents to pay disgorgement, jointly and severally, of \$187,222, plus prejudgment interest pursuant to Rule 600 of the Commission's Rules of Practice,
- (4) order each Respondent to pay an appropriate second-tier civil penalty; and
- (5) permanently bar Respondents from appearing or practicing before the Commission pursuant to either, or both of, Rule of Practice 102(e)(1)(i) and 102(e)(1)(iii); or, alternatively
- (6) reverse the Initial Decision dismissing the Division's claims against Respondents and remand this matter for a final hearing on the merits.

## **II.** **PROCEDURAL HISTORY**

This proceeding was instituted on September 6, 2012, though the Commission issued corrected Orders Instituting Public Administrative Proceedings ("OIP") on October 17, 2012 and November 15, 2012 to address formatting errors in the original order that did not alter the Division's substantive allegations. The OIP alleged that Respondents willfully violated Exchange Act Section 10(b) and Rule 10b-5(b) thereunder when they knowingly issued audit reports while SWH was not recognized as an accountant by the Commission and consented to

the inclusion of the reports in the public filings of 21 issuers. The OIP further alleged that, as a result of their conduct, Respondents lack the requisite qualifications to represent others, pursuant to Section 4C(a)(1) and Rule 102(e)(1)(i) of the Commission's Rules of Practice. Finally, the OIP alleged that, as a result of their conduct, Respondents willfully violated the federal securities laws, pursuant to Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii).<sup>1</sup>

On January 30, 2013, the Division filed its Motion for Summary Disposition and Brief in Support ("Motion") along with several supporting exhibits. [App.83-108, 109 – 702].<sup>2</sup> On February 19, 2013, the parties agreed to extend Respondents' deadline to respond to the Division's Motion [App. 703-707], and on March 4, 2013, Respondents timely filed their Response in Opposition to Division of Enforcement's Motion for Summary Disposition and Brief in Support ("Response"). [App. 708-745]. On March 11, 2013, the Division submitted its Reply Brief in Support of Motion for Summary Disposition and attached, supporting exhibits ("Reply"). [App. 745 - 771]. Respondents did not seek summary disposition of the claims asserted in the Second Corrected OIP. *Id.*

Administrative Law Judge Carol Fox Foelak ("ALJ") entered the Initial Decision in this matter on September 10, 2013 ("ID"). [App. 772-777]. In it, ALJ Foelak dismissed all of the charges against Respondents, concluding that they "did not violate Exchange Act Section 10(b) and Rule 10b-5 thereunder" and that, consequently, there was "no basis to sanction them

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<sup>1</sup> Respondents answered the OIP on December 20, 2012 ("Answer"). The Division made its entire non-privileged investigative file available to Respondents for inspection, and Respondents inspected the file on January 15, 2013.

<sup>2</sup> The Division submitted a series of documents in support of its Motion including, among other things, (a) a March 8, 2010 TSBPA email to Respondents; (b) a Declaration of Commission staff accountant David King describing the underlying investigation and attaching as evidence correspondence with Respondents; (c) SWH's Issuer Client Filings; (d) an appendix of the issuers' filings included audit reports issued during the Relevant Period; (e) SWH's Form 2s for the Relevant Period; (f) a Declaration of TSBPA Executive Director William Treacy attaching correspondence and other documents relating to Respondents' license status. This evidence is incorporated by reference in support of the Division's Brief in Support of Petition for Review of Initial Decision. SWH's audit reports and the public filings into which they were incorporated comprise the majority of documents submitted in support of summary disposition and may be found at App. 209-633.

pursuant to Exchange Act Section 4C(a)(1) and Rule 102(e)(1)(i),(iii).” [ID at pp. 1, 6, App. 772, 777].

### **III. UNDISPUTED FACTS**

Hatfield has been a licensed certified public accountant in Texas since 1985. [Answer at ¶ 2, App. 0012]. SWH is a public accounting firm based in Dallas, Texas and at the relevant times was registered with the Public Company Accounting Oversight Board (“PCAOB”). [Answer at ¶ 1, App. 0011-12]. Hatfield is SWH’s sole officer, director, and accountant. [Answer at ¶ 2, App. 0012]. Hatfield obtained SWH’s initial license to practice as a public accounting firm from the Texas State Board of Public Accountancy (“TSBPA”) in 1994, and thereafter renewed SWH’s license annually through January 2009. [Answer, at “Facts,” ¶ 1, App. 0012].

SWH’s firm license expired on January 31, 2010 and was not renewed until May 19, 2011. [Answer at ¶ 5, App. 0012; Response at p. 1, App. 708]. The Texas Public Accountancy Act requires a firm to hold a valid license in order to provide attest services, including audits. *See* TEX. OCC. CODE § 901.351(a); TEX. ADMIN. CODE § 501.80. Because its license was expired, SWH was not in good standing in Texas and was, therefore, not recognized as an accountant by the Commission during that period. *See* SEC Reg. S-X at Rule 102(a), 17 C.F.R. § 210.1-02(a)(1), 102.2-01. Respondents were aware of SWH’s license expiration by March 8, 2010 at the latest. [Treacy Dec., ¶¶ 5-13, App. 681-682; March 8, 2010 TSBPA email, App. 0043]. *See also* TEX. OCC. CODE § 901.404;

Knowing that SWH’s license was expired, Hatfield and SWH issued 38 audit reports for 21 public company issuers. [Response at p. 1, App. 708]. SWH’s audit reports were included in the public filings of issuer clients who issued, offered, and sold securities while SWH’s license

was expired. [Response at p. 13, App. 720]. Respondents issued the audit reports while SWH lacked a valid license and was therefore not in good standing, and the reports were included in the public filings of SWH's issuer clients. [Answer at ¶ 5, App. 0012; Response at p. 1, App. 708; ID at pp. 3, 5, App. 774, 776; SWH Audit Reports and Issuer Filings, App. 209-633]. Hatfield signed the audit reports and knowingly authorized them to be included in the issuers' public filings. [App. 209-633. Respondents charged \$187,222 as fees for audits conducted or completed while SWH's license was expired. [Response at p. 17, App. 724].

On July 3, 2013, in a separate and unrelated proceeding, the Public Company Accounting Oversight Board (PCAOB) permanently revoked SWH's PCAOB registration and barred Hatfield from association with a registered public accounting firm. The Commission sustained the PCAOB's findings and sanctions. *See* Exchange Act Release No. 69930 (July 3, 2013).

#### **IV.** **ARGUMENT**

##### **A. ALJ FOELAK FAILED TO APPLY THE CORRECT STANDARD FOR SUMMARY DISPOSITION.**

Rule of Practice 250(a) permits a party to move for summary disposition on any or all of the OIP's allegations. 17 C.F.R. § 201.250(a). Summary disposition should be granted when there is no genuine issue of material fact in dispute. 17 C.F.R. § 201.250(b). *Accord, In re Renert*, Initial Decisions Rel. No. 254, 2004 § LEXIS 1579, at \*3 (July 27, 2004); *In re Lorsin, Inc.*, Initial Decisions Rel. No. 250, 2004 § LEXIS 961, at \*3 (May 11, 2004); *In re Crowder*, Initial Decisions Rel. No. 245, 2004 § LEXIS 205, at \*4-5 (Jan. 30, 2004). Summary disposition was, and remains, particularly appropriate in this matter given Respondents' admission of material facts.

At the summary disposition stage, the ALJ's function is not to weigh the evidence and determine the truth of the matter, but rather to determine whether there is a genuine issue for resolution at a hearing. *See Anderson*, 477 U.S. at 249; *Edward Becker*, Initial Decision Rel. No. 252, 2004 § LEXIS 1135, at \*5 (June 3, 2004). Rather than consider the merits of the Division's Motion and Respondents' Response, ALJ Foelak summarily determined that the Division could not succeed on its claims and dismissed this case even though Respondents themselves did not seek summary disposition. Because the summary disposition standard was improperly applied, the Commission should review the Division's arguments and evidence in support of summary disposition *de novo*, and grant the relief it requested. Alternatively, the Commission should find that, at the very least, material factual disputes exist warranting remand of this matter for a final hearing on the merits.

**B. THE INITIAL DECISION FAILED TO ADDRESS THE IMPACT OF RESPONDENTS' LICENSE EXPIRATION ON THEIR RECOGNITION AS ACCOUNTANTS UNDER THE SECURITIES LAWS.**

Under the Texas Public Accountancy Act, a firm may not provide attest services or hold itself out as a certified public accounting firm unless it holds a validly issued firm license. *See* TEX. OCC. CODE § 901.351(a); TEX. ADMIN. CODE § 501.80. Attest services are defined in the Texas Public Accountancy Act to include audits. TEX. OCC. CODE § 901.002(a)(1). Furthermore, only a firm license holder may perform an attest service or issue a report on a financial statement. *Id.* § 901.456.

Respondents' admit that SWH's license was expired during the relevant time period. [Answer at ¶ 5, App. 0012; Response at p. 1, App. 708]. Because SWH's license was expired, SWH was not in good standing in the State of Texas when Hatfield caused SWH to issue audit reports on issuer clients' financial statements and consented to their inclusion in the issuers'

public filings. In fact, ALJ Foelak correctly observed that SWH “was not state-licensed and in good standing” between January 31, 2010 and May 19, 2011. [ID at p. 5, App. 776].

Regulation S-X requires audit reports to be prepared by “an independent public or certified public accountant.” *See* SEC Reg. S-X at Rule 1-02(a), 17 C.F.R. § 210.1-02(a)(1). Rule 2-01 of Regulation S-X specifies that public accountants “are only those duly registered and in good standing” in the jurisdiction in which they reside, in this case, Texas. *Id.*, § 210.2-01.

Consequently, SWH was not recognized as an accountant under Regulation S-X during the Relevant Period. Nevertheless, in violation of Exchange Act Section 10(b) and Rule 10b-5, Respondents issued audit reports and consented to their inclusion in issuer clients’ filings, and in so doing misrepresented SWH as a licensed accountant authorized to audit the issuers’ financial statements.

**C. THE INITIAL DECISION NARROWLY INTERPRETED RESPONDENTS’ CULPABILITY UNDER EXCHANGE ACT SECTION 10(B) AND RULE 10B-5 AND IGNORED APPLICABLE PRECEDENT.**

ALJ Foelak wrongly concluded that Respondents did not violate Exchange Act Section 10(b) and Rule 10b-5, based on a misreading of the OIP and the Division’s allegations and on a misapplication of well-settled law. As a result, the Initial Decision creates a new legal standard that, if not reversed or at least remanded for a merits hearing, will be used to improperly narrow the scope of liability for professionals such as auditors of public companies.

**1. The Initial Decision misconstrued the OIP’s allegations and ignored the Division’s argument and undisputed evidence.**

The Initial Decision misunderstands and misconstrues the allegations of the OIP and the Division’s arguments in support of summary disposition. In the Initial Decision, ALJ Foelak states that “there is no allegation that the audit reports ... contained misrepresentations, much less that Respondents were in any way liable for misrepresentations in the reports and financial

statements.” [ID at p. 5, App. 776]. In so concluding, ALJ Foelak ignored allegations, both in the OIP and the Division’s summary disposition briefing, that Respondents’ audit reports *were themselves* false and misleading. The OIP makes clear that it is premised upon a core allegation that Respondents are liable for the material misrepresentations implicit in each of the 38 audit reports: that the reports were prepared by properly licensed professionals recognized as accountants under the federal securities laws. [OIP at ¶¶ 2, 7-11, App. 0002-0005]. The OIP states:

“...while SWH’s public accounting license was expired, SWH issued 38 audit reports that 21 issuers included in periodic reports and registration statements filed with the Commission...[and] consented to the inclusion of SWH’s audit reports in these filings.”

[OIP at ¶ 7, App. 0004].

Based on the facts and allegations asserted in the OIP, the Division argued in its motion for summary disposition that

“[i]mplicit in each of SWH’s audit reports issued between January 31, 2010 and May 19, 2011 was the representation to each issuer that SWH was recognized as a CPA under the federal securities and qualified and permitted to issue audit reports on its clients’ financial statements.”

[Motion at p. 13, App. 0095].

Thus, the Division did allege that Respondents’ made material misrepresentations actionable under Exchange Act Section 10(b) and Rule 10b-5, through the preparation and execution of audit reports and the consent to have them included in issuer filings. Despite this allegation, ALJ Foelak appears not to have considered the Division’s argument and considerable evidence establishing the essential elements of its fraud claim.



**2. Because the Division presented persuasive, undisputed evidence establishing each of the essential elements of its Section 10(b) and Rule 10b-5 claims, the Commission should grant summary disposition in its favor.**

The Division presented compelling evidence warranting summary disposition on its 10(b) and Rule 10b-5 claims against Respondents. [Motion at pp. 11- 15, App. 0093-0097]. But while ALJ Foelak correctly stated the elements for liability under these laws and correctly observed that “Hatfield’s conduct and scienter are attributed to [SWH],” she did not address the materiality of Respondents’ misrepresentations about SWH’s standing as an accountant under the securities laws or their scienter in making the misrepresentations. [ID at pp. 4-5, App. 775-776]. Nevertheless, the Division alleged and argued, and the evidence clearly establishes, that Respondents’ misstatements and omissions were material and that they acted with a high degree of scienter.

(a) The Division alleged and proved that Respondents made materially false representations.

The Initial Decision does not address whether Respondents can be liable under *Janus Capital Groups, Inc. v. First Derivatives Traders* for the misrepresentations implicit in the execution and public filing of SWH’s audit reports, thus is it unclear whether ALJ Foelak considered the parties’ arguments on this issue. *Janus Capital Groups, Inc. v. First Derivatives Traders*, 131 S. Ct. 2296 (2011).

Rule 10b-5(b) provides that it is unlawful for any person “[t]o make any untrue statement of a material fact” in connection with the purchase or sale of a security.

*Janus* involved a private civil action alleging claims under Section 10(b) and Rule 10b-5(b) based on misstatements in prospectus materials issued by Janus Investment Fund. *Janus*, 131 S. Ct. at 2302. The plaintiffs alleged that Janus Capital Management, the fund’s investment adviser and administrator, violated Rule 10b-5(b) because it had been significantly involved in

the creation of the allegedly misleading statements. *Id.* The plaintiffs alleged that the adviser had a close relationship with the fund, exercised significant influence over the fund and its prospectus disclosures, and was understood by investors to be the “maker” of disclosures issued by the fund. *Id.* Ultimately, the Court held that for purposes of Rule 10b-5(b), “the maker of a statement is the person or entity with ultimate authority over the statement, including its content and whether and how to communicate it.” *Id.* at 2302.

The Division argued in support of summary disposition that the *Janus* Court emphasized the importance of “attribution” in identifying the maker of a statement. [Motion at p. 15, fn. 5, App. 97; Reply at pp. 8-9, App. 7752-753]. *Janus* states that “in the ordinary case, attribution within a statement or implicit from surrounding circumstances is *strong evidence that a statement was made by – and only by – the party to whom it is attributed.*” *Janus*, 131 S. Ct. at 2302 (emphasis added). This is precisely the issue in this case – Respondents drafted, dated, printed on SWH letterhead, and signed audit reports for 21 issuer clients, which reports were included in documents the issuers filed with the Commission. These audit reports, and the implicit representation within them that they were prepared by a Commission-recognized accountant, were indisputably attributed to Respondents.

It also cannot be denied that Respondents had “ultimate authority” over SWH’s audit reports, which they consented to have included in each issuer’s Commission filings. Consequently, Respondents should have been found liable in summary disposition for violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder as the Division alleged.<sup>3</sup> The

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<sup>3</sup> In addition to *Janus*, see also *See Louisiana Mun. Police Emp. Ret. Sys. v. KPMG, LLP*, 2012 WL 3903335, at \*5 (N.D. Ohio Aug. 31, 2012) (corporate officer is maker under *Janus* of statement attributed to him in company press release); *SEC v. Daifotis*, 2012 WL 2132389, at \*5 (N.D. Cal. June 12, 2012) (defendant was maker under *Janus* of statements that were specifically attributed to him in company advertisement); *In re Allstate Life Ins. Co. Litig.*, 2012 WL 1900560, at \*4-5 (D. Ariz. May 24, 2012) (defendants were makers under *Janus* of statements that were attributed to them in Official Statements for municipal offerings); *City of St. Clair Shores Gen. Emp. Retirement System v. Lender Processing Serv., Inc.*, 2012 WL 1080953, at \*3 (M.D. Fla. Mar. 30, 2012) (defendant corporate

Commission should reverse the Initial Decision and grant summary disposition in favor of the Division on its claims against Respondents under Exchange Act Section 10(b) and Rule 10b-5.

(b) Materiality was alleged in the OIP and proven in the Division's summary disposition briefing.

The Commission has taken the position that inclusion of an audit report issued by a person not recognized as an accountant is a material misstatement. In *In the Matter of Ronald Effren, et al.*, the Commission held that an accountant willfully violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Exchange Act Section 10(b) when he held himself out as a CPA, audited an issuer's financial statements, and consented to inclusion of his audit report in the issuer's public filings while he was unlicensed and, therefore, not recognized by the Commission as a certified public accountant. See *In the Matter of Ronald Effren, et al.*, 1996 SEC LEXIS 69 (January 16, 1996) (settled administrative proceeding).

Similarly, in *In the Matter of Alan S. Goldstein*, the Commission held that an accountant violated Securities Act Section 17(a) when he served as the auditor for two registered broker-dealers while his license to practice as a certified public accountant was expired due to non-payment of required fees. *In the Matter of Alan S. Goldstein*, 1994 SEC LEXIS 2787 (SEC 1994) (settled administrative proceeding).

Furthermore, in *SEC v. CoElco, Ltd.*, the Central District of California entered a permanent injunction against an accountant for violating, and aiding and abetting violations of, the antifraud provisions of the securities laws based on his issuance of audit reports, while

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officers were makers under *Janus* of statements that were attributed to them in company press releases and news articles); *Lopes v. Viera*, 2012 WL 691665, at \*6 (E.D. Cal. Mar. 2, 2012) (defendant organizer of company was maker under *Janus* of financial information in offering document where document stated the financial information had been provided to the company by him); *In re Textron, Inc.*, 2011 WL 4079085, at \*6 (D.R.I. Sept. 13, 2011) (defendant CEO of company was maker under *Janus* of statements that were attributed to him in company press releases); *In re Merck & Co., Inc. Sec., Derivative & ERISA Litig.*, 2011 WL 3444199, at \*25 (D.N.J. Aug. 8, 2011) (defendant EVP of company was maker under *Janus* of statements that were attributed to him in news articles and company press releases).

unlicensed, that were included in an issuer's Commission filings. *SEC v. CoElco, Ltd., et al.*, Civil Action No. 86-7892 (C.D. Cal.) (October 25, 1988); 1988 SEC LEXIS 2184 (October 31, 1988).

In this case, the materiality of Respondents' decision to issue audit reports when SWH was not permitted to do so, or even to hold itself out as a CPA firm, and to omit disclosing that information, cannot reasonably be disputed. Implicit in each of SWH's audit reports issued during the Relevant Period was the representation that SWH was recognized as a CPA under the federal securities laws and qualified and permitted to issue audit reports on its clients' financial statements.

When 21 companies included SWH's audit reports in its Commission filings, investors in those companies were invited, and expected, to rely on the audited financial statements as complete, accurate, and reliable and Respondents – implicitly and through their signature as CPAs – represented that they were authorized and qualified under the federal securities laws to opine on the companies' financial statements [App. 301-578]. The fact that the issuers' financial statements were audited by a company not recognized by the Commission as suitable for performing audits surely would have been an important factor in an investor's decision to purchase or sell the issuers' securities. *See SEC v. Murphy*, 626 F.2d 633, 653 (9th Cir. 1980); *SEC v. United Financial Group, Inc.*, 474 F.2d 354, 358 n. 9 (9th Cir. 1973); *SEC v. Universal Service Association*, 106 F.2d 232, 239 (7th Cir. 1939), *cert. denied*, 308 U.S. 622, 60 S. Ct. 378, 84 L. Ed. 519 (1940) (representations relating to financial condition are material); *SEC v. Rana Research, Inc.*, 8 F.3d 1358, 1362 (9th Cir. 1993); *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833, 860-62 (2d Cir. 1968) (a person violates Section 10(b) and Rule 10b-5 by making material

misstatements in, or omitting material information from, a periodic report or other filing with the Commission).

(c) The Division also established Respondents' scienter.

The OIP asserted, and the evidence undeniably shows, that Respondents knowingly, or at least recklessly, violated Exchange Act Section 10(b) and Rule 10b-5 thereunder.<sup>4</sup> Hatfield, a licensed CPA since 1985 and SWH's sole proprietor, was well aware of SWH's ongoing responsibility to maintain its TSBPA license, having previously renewed the firm's license in years prior to its January 31, 2010 expiration. [Answer at "Facts," ¶ 1, App. 11-12; Treacy Dec., App. 680-702].

Furthermore, Respondents knew from their communications with the TSBPA that SWH's firm license would – and did in fact – expire on January 31, 2010. [Treacy Dec., App. 680-702] By their own admission, Respondents knew of SWH's license expiration no later than March 8, 2010, and also knew that they would be subject to TSBPA sanctions if SWH issued audit reports without a license. [Respondents' March 8, 2012 email from TSBPA, App. 0043]. Hatfield nevertheless signed, and SWH issued, 38 audit reports for 21 issuers while not recognized as accountants under Regulation S-X. [Answer at ¶ 5, App. 0012; Response at p. 1, App. 708; ID at pp. 3, 5, App. 774, 776; SWH Audit Reports and Issuer Filings, App. 209-633], and consented to the inclusion of the reports in the issuer's public filings.<sup>5</sup>

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<sup>4</sup> The Division alleged and argued that Respondents were solely responsible for the content of their audit reports, and controlled the dissemination of those reports to the public through the consents they intentionally signed to allow issuers to include the reports in their public filings. [OIP at paragraph 7-9].

<sup>5</sup> Rule 439 of the Securities Act of 1933 requires issuers to obtain an auditor's consent to incorporate audit opinions by reference. Hatfield signed consent documents allowing Respondents' audit reports to be included in filings by Asia Green Agriculture Corp. f/k/a SMSA Palestine Acquisition Corp. Specifically, Hatfield executed consents on November 4, 2010 for Form S-1/A1 and Form 8-K/A and on December 10, 2010 for Form S-1/A2.

(d) The Division established that Respondents' misrepresentations were made in connection with the purchase and sale of the issuers' securities.

While the Initial Decision did not address whether Respondents made statements "in connection with" the purchase or sale of securities, it is apparent that they did, as shown in the Division's summary disposition briefing. [Reply at pp. 14-15, App. 758-759].

Respondents concede that of the 38 audit reports they prepared for 21 issuers while SWH's firm license was expired, six such issuers actually traded or issued securities during the relevant period. [King. Dec. at ¶¶ 15-16, App. 116-117; Response at p. 13, App. 720]. Thus, the "in connection with" requirement of Section 10(b) and Rule 10b-5 was met because Respondents' fraud "somehow touche[d] upon" and had "some nexus" with "any securities transaction." *SEC v. Clark*, 915 F.2d 439, 449 (9th Cir. 1990) (emphasis added).

As the Division argued, in *SEC v. Zandford*, 535 U.S. 813, 819-820 (U.S. 2002), the Supreme Court stated that "we have explained that the statute should be "construed 'not technically and restrictively, but flexibly to effectuate its remedial purposes.'" (citing *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 151 (1972) (quoting *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)). And where the fraud alleged involves public dissemination in a document such as a registration statement, Form 10-K or other such document on which an investor would presumably rely, the "in connection with" requirement is met by proof of the means of dissemination and the materiality of the misrepresentation or omission. *See In re Ames Dep't Stores Inc. Stock Litig.*, 991 F.2d 953, 963, 965 (2d Cir. 1993).

### **3. Settled actions are relevant and informative.**

The Initial Decision disregarded prior Commission orders arising from settlements, on the basis that "it goes without saying that settlements are not precedent." [ID at p. 5, n.7, App. 776]. However, inasmuch as orders issued in administrative proceedings are approved by the

Commission, they provide relevant, even if not always dispositive, explanations of the Commission's view of the legal principles at issue. The Initial Decision's disregard for relevant prior administrative proceedings and the factual and legal issues determined therein was unwarranted and led to the incorrect decision to deny the Division's motion for summary disposition.

**4. The Commission should correct the troubling implications created by the Initial Decision.**

If not reversed, the Initial Decision will stand as authority for an argument that, as a matter of law, auditors cannot be liable under Section 10(b) and Rule 10b-5 when they prepare audit reports for inclusion in public filings despite not being recognized as qualified accountants under Regulation S-X. The Initial Decision states that “the issuers who included SWH’s audit reports with their filings violated the Exchange Act and Securities Act reporting provisions, and Hatfield and SWH were secondarily liable for the violations.”<sup>6</sup> [ID at p. 5, App. 776]. This language, combined with the Initial Decision’s finding that the OIP did not allege material misrepresentations in the audit reports themselves, suggests that Respondents – and by extension other accountants and auditors – can only be held secondarily liable for an issuer’s own reporting violations, and cannot be held primarily liable for fraud. *Id.*

The Commission should correct this troubling implication. As discussed herein, the Commission and courts have long held that auditors may be held primarily liable for fraud when their audit opinions are false and misleading and they act with the requisite state of mind. *See In the Matter of Ronald Effren, et al.*, 1996 SEC LEXIS 69 (January 16, 1996) (settled administrative proceeding); *In the Matter of Alan S. Goldstein*, 1994 SEC LEXIS 2787 (SEC 1994) (settled administrative proceeding); *SEC v. CoElco, Ltd., et al.*, Civil Action No. 86-7892

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<sup>6</sup> The Division does not disagree with this finding, but disagrees that Respondents’ actions only support a finding of secondary liability for the issuers’ reporting violations.

(C.D. Cal.) (October 25, 1988); 1988 SEC LEXIS 2184 (October 31, 1988). Specifically to this case, an auditor violates the antifraud provisions when he issues an audit opinion included in a public filing without being properly licensed and qualified as an accountant as required by Regulation S-X of the federal securities laws. [Division's Motion for Summary Disposition at pp. 12-14].

Unless the Commission corrects the error, the Initial Decision may be read to improperly limit the scope of liability that can, and should, attach to auditors who intentionally or recklessly issue materially false and misleading audit reports they know will be included in public filings. Indeed, the Initial Decision could be read to insulate even non-accountants – who differ from Respondents only in degree of non-qualification under Regulation S-X – from primary liability for creating audit reports for inclusion in public filings, a result that is plainly contrary to the Commission's prior enforcement action in this area. *See, e.g., Effren, supra.*

For the foregoing reasons, as well as those stated in the Division's underlying summary disposition briefing, the Initial Decision should be reversed and the Commission should find that Respondents violated Exchange Act Sections 10(b) and Rule 10b-5.

**D. THE ALJ MISUNDERSTOOD AND MISAPPLIED SECTION 4C OF THE EXCHANGE ACT AND RULE OF PRACTICE 102(e)(1)(i), LEADING TO AN INCORRECT DISMISSAL OF THE DIVISION'S CLAIM FOR SANCTIONS THEREUNDER.**

Rule of Practice 102(e) is the Commission's primary tool to preserve the integrity of its processes and to ensure the competence of the professionals who appear and practice before it. *See, e.g., Marrie v. SEC*, 374 F.3d 1196, 1200 (D.C. Cir. 2004). The Initial Decision interpreted Rule 102(e) too narrowly, and without citation, resulting in an incorrect statement of the law and an unwarranted dismissal of the Division's claims.



**1. ALJ Foelak failed to recognize that Rule 102(e) establishes three independent bases for sanctions.**

The Initial Decision incorrectly held that Exchange Act Section 4C(a)(1) and Rule 102(e)(1)(i) do not provide an independent basis to sanction an accountant, but instead only apply if the Division alleges and proves that the accountant *also* willfully violated the federal securities laws under Rule 102(e)(1)(iii). This holding misconstrues the plain language of Rule 102(e), which provides that the Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it in any way to any person who is found by the Commission:

- i. “[n]ot to possess the requisite qualifications to represent others; **or**
- ii. “[t]o be lacking in character or integrity or to have engaged in unethical or improper professional conduct; **or**
- iii. To have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

Rule 102(e)(1)(i), (ii), and (iii) (emphasis added).<sup>7</sup>

As the Commission explained in *In the Matter of Steven Altman, Esq.*, Rel. No. 63306 (November 10, 2010), *aff’d* by DC Circuit (2011), the clear language of Rule 102(e) establishes three separate and discrete grounds on which to sanction a person:

“Altman argues that this proceeding should be dismissed for a variety of reasons. His first reason is that he was not charged with violating the federal securities laws. A federal securities law violation, however, is not a prerequisite to the initiation of a disciplinary proceeding under Rule 102(e) and Exchange Act Section 4C. Those provisions set forth three independent bases on which the Commission may discipline a person licensed to practice as an attorney: first, when the attorney lacks the "requisite qualifications to represent others"; second, when the attorney lacks "character or integrity" or engages in "unethical or improper professional conduct"; or third, when the attorney willfully violates, or willful aids and abets a violation of, the federal securities laws.”

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<sup>7</sup> As the Initial Decision noted, Section 4C and Rule 102(e) are, in essence, identical. [OIP at n. 1]. Therefore, like the Initial Decision, the Division here only explicitly discusses Rule 102(e), but the same analysis, and objections, apply to its claims under Section 4C.

*Id.* (emphasis added).

By holding that Rule 102(e)(1)(i) can apply *only* if Rule 102(e)(1)(iii) is also triggered, the Initial Decision improperly renders Rule 102(e)(1)(i) a nullity, violating fundamental rules of statutory and regulatory interpretation. “It is axiomatic that the starting point in every case involving construction of a statute is the language itself.” *Landreth Timber Co. v. Landreth*, 471 U.S. 681, 685 (1985) (internal quotations and citations omitted). Courts follow one “cardinal canon of interpretation” before all others: Congress “says in a statute what it means and means in a statute what it says there.” *Connecticut Nat’l Bank v. Germain*, 503 U.S. 249, 253-54 (1992). Moreover, the securities laws and regulations should be broadly construed to promote their remedial purposes. *See SEC v. Zandford*, 535 U.S. 813, 819 (2002); *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963).

The three subsections of Rule 102(e)(1) are written disjunctively, as evident by the recurrence of the word “or” between each subsection. This means that they each supply an independent ground for barring a professional from appearing or practicing before the Commission. There is nothing in the Rule to support a conclusion that subsections (i) and (iii) are somehow dependent upon one another or otherwise linked. If the Commission intended Rule 102(e)(1)(i) to apply only when Rule 102(e)(1)(iii) also applied, it could easily have included conjunctive language to make that condition apparent. Or it could have eliminated subsection (i) altogether.<sup>8</sup> But it did neither of these things and, accordingly, ALJ Foelak’s misunderstanding and misapplication of these provisions is in error and should be reversed.

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<sup>8</sup> The Commission should avoid an interpretation that would render a regulation redundant or mere surplusage. *See Hohn v. United States*, 524 U.S. 236, 249 (1998) (courts “are reluctant to adopt a construction making another statutory provision superfluous.”).

**2. The Division alleged and proved that Respondents lack the requisite qualifications to represent others and should be sanctioned under Rule 102(e)(1)(i).**

Because Respondents issued audit reports while SWH was unlicensed and not recognized as an accountant under the federal securities laws, Rule 102(e)(1)(i) applies here. Based on the overwhelming evidence, including Respondents' own admissions that they knowingly prepared audit reports while unqualified to do so under the securities laws and consented to the inclusion of those reports in public filings, the Commission should reverse the Initial Decision's finding and grant the Division's motion for summary disposition on the basis that Respondents lack the requisite qualifications to represent others.<sup>9</sup> And the Commission should enter an order permanently barring Respondents from appearing or practicing before the Commission pursuant to Exchange Act Section 4C and Rule 102(e)(1)(i).<sup>10,11</sup> [OIP at p. 4, App. 0005; Motion at pp. 22-24, App. 0104-0106]. *See, e.g., In the Matter of Alan S. Goldstein, CPA*, Exchange Act Release No. 34641 (Sept. 6, 1994) ("As an accountant whose license to practice as a CPA had lapsed, Goldstein did not possess the requisite qualifications to represent others within the meaning of Rule 201(e)(1)(i) of the Commission's Rules of Practice."); *In the Matter of Elliot Stumacher*, Exchange Act Release No. 3924 (Sept. 24, 1997) ("Stumacher is not duly registered and in good standing as a CPA. . . [t]hus, [he] does not possess the requisite qualifications to represent others as a certified public accountant

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<sup>9</sup> The Division contends that a finding that Respondents lack the requisite qualifications to represent others does not turn on whether the Commission is persuaded that Respondents committed fraud under Exchange Act Section 10(b) and Rule 10b-5, but that their actions and statements are sanctionable under Rule 102(e)(1)(i) separately and apart from any finding of fraud.

<sup>10</sup> According to Rule of Practice 102(f), "practicing before the Commission" includes, but is not be limited to, "[t]ransacting any business with the Commission," and "[t]he preparation of any statement, opinion or other paper by any attorney, accountant, engineer or other professional or expert, filed with the Commission in any registration statement, notification, application, report or other document with the consent of such attorney, accountant, engineer or other professional or expert." 17 C.F.R. § 201.102(f).

<sup>11</sup> Respondents cannot in good faith argue that Rule 102(e) sanctions are "punitive," as to do so would place undue emphasis on the implications for Hatfield's own career. *See Decker v. SEC*, 631 F.2d 1380, 1384 (10<sup>th</sup> Cir. 1980) (SEC disciplinary actions are "remedial in character, with the primary function of protecting the public," even though they "portend serious consequences for the individuals involved"). Indeed, if sanctions were to be viewed from a subjective perspective, every sanction could constitute a "penalty." *See Johnson v. SEC*, 87 F.3d 484, 488 (D.C. Cir. 1996) (adopting "objective" standard, since "even remedial sanctions carry the sting of punishment"). Thus, 102(e) sanctions, including those sought to be imposed against Respondents are remedial.

before the Commission.”); *see also In the Matter of Gerald M. Kudler*, Admin. File No. 3-8896 (Dec. 18, 1995) (barring, under Rule 102(e)(3), a respondent who never held a CPA license for preparing false and misleading annual and quarterly reports).

**E. THE INITIAL DECISION IMPROPERLY DETERMINED THAT RESPONDENTS SHOULD NOT BE SANCTIONED UNDER EXCHANGE ACT SECTION 4C(A)(1) AND RULE OF PRACTICE 102(e)(1)(iii).**

The Initial Decision should not have dismissed the OIP’s claims under Rule 102(e)(1)(iii). ALJ Foelak wrongly concluded (1) the Division did not allege that Respondents’ audit reports contained material misrepresentation and, therefore; (2) the allegation that Respondents violated Section 10(b) and Rule 10b-5 was unproven. [ID at p. 5, App. 776]. Consequently, ALJ Foelak determined that there was no basis for sanctioning Respondents under Rule 102(e)(1)(iii), which requires a showing that Respondents “willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.” Rule of Practice 102(e)(1)(iii).

As shown herein and through the OIP and the Division’s summary disposition briefing, Respondents willfully violated the antifraud provisions of the Exchange Act. As a result, they should be sanctioned under Rule 102(e)(1)(iii). Thus the Division asks the Commission to reverse the Initial Decision’s conclusion that Respondents cannot be sanctioned under Section 4C of the Exchange Act and Rule 102(e)(1)(iii) and order that they be permanently barred from appearing or practicing before the Commission pursuant to that provision.

**F. RESPONDENTS SHOULD HAVE BEEN SUBJECTED TO APPROPRIATE SANCTIONS.**

The Division takes exception to the ALJ’s refusal to impose appropriate sanctions against Respondents, including entering a cease-and-desist order, ordering disgorgement with prejudgment interest, and assessing civil monetary penalties. As shown by the Division,

Respondents' conduct clearly warranted imposition of such remedies. Accordingly, the Division asks that the Commission reverse the Initial Decision and issue a cease-and-desist order, order Respondents to pay, jointly and severally, disgorgement of at least \$187,222 plus prejudgment interest, and order each Respondent to pay a second tier civil penalty.

**1. The Commission should order Respondents to cease and desist from committing or causing further violations of Section 10(b) and Rule 10b-5.**

The Commission may impose a cease and desist order pursuant to Section 21C(a) of the Exchange Act if it finds that any person is violating, has violated, or is about to violate any rule or regulation. 15 U.S.C. § 78u-3(a). When considering whether to issue a cease-and-desist order, the Commission considers “the egregiousness of the defendant’s actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the defendant’s assurances against future violations, the defendant’s recognition of the wrongful nature of his conduct, and the likelihood that his occupation will present opportunities for future violations,” collectively referred to as the “Steadman factors.” *Steadman v. SEC*, 603 F. 2d 1126, 1140 (5th Cir. 1979), *aff’d. on other grounds*, 450 U.S. 91 (1981); *KPMG Peat Marwick*, 74 SEC Docket 357 (2001), *aff’d sub nom. KPMG, LLP v. SEC*, 289 F.3d 109 (D.C. Cir. 2002) (applying *Steadman* factors to cease and desist proceedings).

While the Initial Decision did not reach the issue of remedies, erroneously concluding instead that the Division neither alleged or proved material misrepresentations by Respondents in the SWH audit reports, the Commission should, on review, conclude that the evidence weighs clearly in favor of ordering Respondents to cease and desist violating, or causing violations of, Section 10(b) and Rule 10b-5. Respondents’ actions were clearly egregious and recurrent: they knowingly and repeatedly held SWH out as a CPA firm while its license was expired between January 31, 2010 and May 19, 2011 and during that time issued audit reports for multiple issuers

they knew would be included in the issuers' Commission filings. [App. 301-578]. This is not an instance of a one-time lapse in memory or an isolated, inadvertent oversight by Respondents, but rather a pattern of repeated and intentional violations of the law for which they profited.

Additionally, Respondents acted with a high degree of scienter, having been notified numerous times by the TSBPA that SWH's license would expire, had in fact expired, and that Respondents could be sanctioned for carrying on public accountancy services with an expired license.

Furthermore, Respondents have offered no assurances against future violations or recognized the wrongful nature of their conduct; in fact, they utterly refused even to communicate with the Division during its underlying investigation, even failing to appear for testimony when properly subpoenaed. [King Dec., ¶ 7, App. 0114].

Finally, when this matter was awaiting entry of the Initial Decision, Respondents had not yet been barred by the PCAOB and there existed a high likelihood that they would continue to flout the securities laws and rules governing public accountancy.

For all of these reasons, and because there are no material facts in dispute, the Court should grant the Division's Motion for Summary Disposition and enter an order requiring Respondents to permanently cease and desist from violating, or causing violations of, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**2. Respondents Should Be Required to Disgorge Their Ill-Gotten Gains and Pay Prejudgment Interest Pursuant to Section 21C(e) of the Exchange Act.**

Respondents charged a total of \$187,222 in fees for audits conducted or completed while SWH's firm license was expired, the sum of which constitute ill-gotten gains as the monies were obtained as the direct result of Respondents' fraud. [King Dec., ¶ 18, App. 0117]. The Division respectfully requests that the Commission reverse the Initial Decision and enter an order

requiring Respondents to disgorge, jointly and severally, \$187,222 as ill-gotten gains obtained in connection with their violations of the federal securities laws.

In a cease-and-desist proceeding, or the Commission's *de novo* review of the underlying proceedings, the Commission may enter an order requiring disgorgement of ill-gotten gains, including reasonable interest. Disgorgement is an equitable remedy that requires a violator to give up wrongfully-obtained profits causally related to the proven wrongdoing. *See SEC v. First City Fin. Corp., Ltd.*, 890 F.2d 1215, 1230-32 (D.C. Cir. 1989); *see also Hateley v. SEC*, 8 F.3d 653, 655-56 (9th Cir. 1993). Disgorgement returns the violator to where he would have been absent the violative activity. The amount of the disgorgement ordered need only be a reasonable approximation of profits causally connected to the violation. *See Laurie Jones Canady*, Exchange Act Release No. 41250 (Apr. 5, 1999), 69 SEC Docket 1468, 1487 n.35 (*quoting SEC v. First Jersey Sec., Inc.*, 101 F.3d 1450, 1475 (2d Cir. 1996)), *petition for review denied*, 230 F.3d 362 (D.C. Cir. 2000); *see also SEC v. First Pac. Bancorp*, 142 F.3d 1186, 1192 n.6 (9th Cir. 1998) (holding disgorgement amount only needs to be a reasonable approximation of ill-gotten gains); *accord First City Fin. Corp.*, 890 F.2d at 1230-31.

Once the Division presumptively shows that its disgorgement figure reasonably approximates the amount of unjust enrichment, the burden shifts to Respondents to clearly demonstrate that the disgorgement figure is not a reasonable approximation. *SEC v. Lorin*, 76 F.3d 458, 462 (2d Cir. 1996); *SEC v. Patel*, 61 F.3d 137, 140 (2d. Cir. 1995); *First City*, 890 F.2d at 1232. Any risk of uncertainty as to the disgorgement amount “should fall on the wrongdoer whose illegal conduct created that uncertainty.” *First City*, 890 F.2d 1232. In cases where an individual respondent's actions are inextricably interwoven with those of a business entity, joint

and several liability is appropriate. *SEC v. Great Lakes*, 775 F. Supp. 211 at 214-15 (E.D. Mich.1991), *SEC v. R.J. Allen & Assocs., Inc.*, 386 F. Supp. 866, 881 (S.D. Fla. 1974).

In this case, the Division has reasonably approximated the amount Respondents should be ordered to disgorge, because it is equal to the sum they charged for audit services SWH provided while its license was expired, as established by the issuers' disclosures of audit fees in Commission filings. [King Dec. at ¶ 18, App. 0117]. Respondents produced no evidence suggesting they collected some smaller sum for their work, and in fact admit they collected the amount asserted by the Division. [Response at p. 17, App. 724].

Furthermore, disgorgement of fees for audits conducted while SWH's license was expired is consistent with the Commission's prior actions requiring unregistered auditors to disgorge fees received for audit work performed in violation of Section 102(a) of the Sarbanes-Oxley Act of 2002. *See, e.g., In the Matter of Halt, Buzas & Powell, Ltd.*, Exchange Act Rel. No. 57179 (Jan. 22, 2008) (auditor who issued reports on public company financial statements while not registered with the PCAOB ordered to disgorge fees from those engagements); *In the Matter of Charles J. Birnberg, CPA*, Exchange Act Rel. No. 56405 (Sept. 13, 2007) (same).

### **3. Respondents Should Be Ordered to Pay Prejudgment Interest.**

The Commission should, in reversing the Initial Decision, order prejudgment interest be added to Respondents' disgorgement amount to prevent them from benefitting from the use of their ill-gotten gains interest free. *See* Rule of Practice 600; 17 C.F.R. § 201.600 ("Prejudgment interest shall be due on any sum required to be paid pursuant to an order of disgorgement.").

When, as here, wrongdoers enjoyed access to ill-gotten funds over a period of time as a result of the wrongdoing, ordering the wrongdoer to pay prejudgment interest is consistent with the equitable purpose of the remedy of disgorgement. *See Hughes*, 917 F. Supp. at 1090.



An order for prejudgment interest against Respondents is proper in this case for the same reasons. By violating the securities laws, Respondents wrongfully obtained \$187,222 and thereafter used and benefited from those funds from the time of the misappropriation to the present, offending basic principles of justice and equity.

The IRS underpayment of federal income tax rate as set forth in 26 U.S.C. § 6621(a)(2) is appropriate for calculating prejudgment interest in enforcement actions such as this. *See* Rule of Practice 600(b). That rate of interest “reflects what it would have cost to borrow the money from the government and therefore reasonably approximates one of the benefits the defendant derived from its fraud.” *First Jersey*, 101 F.3d at 1476. For Respondents, based on a principal amount of \$187,222, application of the tax underpayment rate from May 19, 2011 (the date on which Respondents renewed SWH’s firm license and by which they had billed for all services provided while license was expired) through November 21, 2013 results in a total prejudgment interest amount of \$14,709.77. [*See* Magee Dec. at ¶5, App. 797]. Combining disgorgement and prejudgment interest, Respondents should be ordered to pay \$201,931.77 jointly and severally.

#### **4. Civil Money Penalties Should be Levied Against Respondents Pursuant to Section 21B of the Exchange Act.**

Section 21B of the Exchange Act authorizes the Commission to impose civil money penalties for willful violations of the Act or rules thereunder. In addition, Section 929P of the Dodd-Frank Act, which added monetary penalties to cease-and-desist proceedings.

In considering whether a penalty is in the public interest, the Commission may consider six factors: (1) fraud; (2) harm to others; (3) unjust enrichment; (4) previous violations; (5) deterrence; and (6) such other matters as justice may require. *See* Sections 21B(c) of the Exchange Act, *New Allied Dev. Corp.*, Exchange Act Release No. 37990 (Nov. 26, 1996), 52 S.E.C. 1119, 1130 n.33; *First Sec. Transfer Sys., Inc.*, 52 S.E.C. 392, 395-96 (1995); *see also* *Jay*

*Houston Meadows*, Exchange Act Release No. 37156 (May 1, 1996), 52 S.E.C. at 787-88, *aff'd*, 119 F.3d 1219 (5th Cir. 1997); *Consol. Inv. Servs., Inc.*, 52 S.E.C. 582, 590-91 (1996).

Respondents' actions in violation of Section 10(b) and Rule 10b-5 clearly involved fraud, or at least recklessness, for which they were unjustly enriched by nearly \$200,000. Further, deterrence requires substantial penalties against Respondents because they flagrantly ignored the laws governing their practice but continue to do work in the accounting and auditing field, putting other issuers and investors at risk.

The federal securities laws establish a three-tiered system of civil penalties, setting three levels of maximum monetary penalties, depending upon the gravity of the violation. The Division requests that Respondents be ordered to pay second-tier penalties, without specifying dollar amounts or units of violation. A second-tier penalty is appropriate because Respondents' violative acts involved fraud and deceit, or at least the reckless disregard of a regulatory requirement. *See* Section 21B(b)(2) of the Exchange Act. Under this provision, for each violative act or omission, the maximum third-tier penalty the Court may order is \$75,000 for Hatfield and \$375,000 for SWH. *See* 15 U.S.C. 78u-2(b)(2); 17 C.F.R. § 201.1004 (Adjustment of civil money penalties). The Division does not recommend a specific penalty amount. Rather, the Division asks the Commission to use its discretion to impose civil penalties in appropriate amounts against Hatfield and SWH.

## V. CONCLUSION

For the reasons set forth above, the Division respectfully requests that the Commission reverse the Initial Decision in this matter and:

- (1) find that Respondents violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

- (2) order Respondents to cease and desist from future violations;
- (3) order Respondents to pay disgorgement, on a joint and several liability basis, of \$187,222, plus prejudgment interest pursuant to Rule 600 of the Commission's Rules of Practice,
- (4) order each Respondent to pay an appropriate second-tier civil penalty; and
- (5) permanently bar Respondents from appearing or practicing before the Commission pursuant to either, or both of, Rule of Practice 102(e)(1)(i) and 102(e)(1)(iii).<sup>12</sup>

Alternatively, should the Commission determine that the Division is not entitled to summary disposition, the Division respectfully requests that the Commission enter an order reversing the Initial Decision's dismissal of the claims asserted in the OIP and remanding this matter for a final merits hearing.

Dated: November 21, 2013

Respectfully submitted,



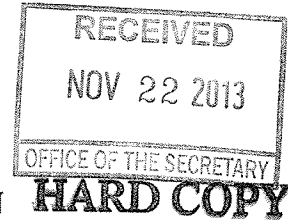
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David B. Reece  
Texas Bar No. 24002810  
Jessica B. Magee  
Texas Bar No. 24037757  
Division of Enforcement  
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COUNSEL FOR PETITIONER  
DIVISION OF ENFORCEMENT

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<sup>12</sup> As noted above, for the same reasons, Respondents should be sanctioned under Section 4C of the Exchange Act.

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION



Administrative Proceeding  
File No. 3-15012

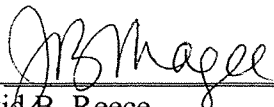
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In the Matter of :  
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: :  
Scott W. Hatfield, CPA, and :  
S. W. Hatfield, CPA :  
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Respondents. :  
\_\_\_\_\_ :

**DIVISION OF  
ENFORCEMENT'S BRIEF IN  
SUPPORT OF PETITION  
FOR REVIEW**

**APPENDIX IN SUPPORT OF DIVISION OF ENFORCEMENT'S BRIEF  
IN SUPPORT OF PETITION FOR REVIEW OF INITIAL DECISION**

The Division of Enforcement submits the attached appendix in support of its Brief in  
Support of Petition for Review.

Dated: November 21, 2013

  
\_\_\_\_\_  
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DIVISION OF ENFORCEMENT

1992/12/18

**ORIGINAL**



OFFICE OF  
THE SECRETARY

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

November 15, 2012

In the matter of S.W. Hatfield and Scott W. Hatfield, CPA (3-15012)

Due to a printing error, the Corrected Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice mailed to you on October 17, 2012, is missing the first four lines of paragraph II.A.1. Attached is a complete copy of that order.

RCUD SEC FI NOV19'12 1428

SEC APP 0001

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67793 / September 6, 2012**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3415 / September 6, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15012**

**CORRECTED**

**In the Matter of**

**S. W. Hatfield, CPA and  
Scott W. Hatfield, CPA**

**Respondents.**

**ORDER INSTITUTING PUBLIC  
ADMINISTRATIVE AND CEASE-  
AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 4C AND  
21C OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND RULE 102(e) OF  
THE COMMISSION'S RULES OF  
PRACTICE**

**I.**

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against S. W. Hatfield, CPA and Scott W. Hatfield, CPA ("Respondents") pursuant to Sections 4C<sup>1</sup> and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 102(e)(1)(i) and (iii) of the Commission's Rules of Practice.

**II.**

After an investigation, the Division of Enforcement alleges that:

**A. RESPONDENTS**

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<sup>1</sup> Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.

1. S. W. Hatfield, CPA ("SWH") is a public accounting firm based in Dallas, Texas. SWH is registered with the Public Company Accounting Oversight Board ("PCAOB"). Between January 31, 2010 and May 19, 2011, SWH's license to practice public accounting in Texas was expired. During this period, SWH issued 38 audit reports that 21 issuers included in periodic reports and registration statements filed with the Commission.

2. Scott W. Hatfield, CPA ("Scott Hatfield"), age 57, resides in Dallas, Texas and is the sole proprietor of SWH. He served as the engagement partner on each of SWH's issuer audits and knowingly signed the firm's name to each audit report SWH issued during the period SWH's license was expired. Scott Hatfield has been licensed in Texas as a certified public accountant since 1985.

## B. FACTS

1. In 1994, Scott Hatfield obtained SWH's initial license to practice as a public accounting firm from the Texas State Board of Public Accountancy ("TSBPA"). He annually renewed SWH's license through January 2009.

2. Under Texas' Public Accountancy Act,<sup>2</sup> a firm, including a sole proprietorship such as SWH, may not provide attest services<sup>3</sup> unless it holds a validly-issued firm license,<sup>4</sup> and only a license holder may issue a report on a financial statement.<sup>5</sup> Accordingly, an individual license holder may not issue audit reports unless his firm also holds a validly-issued firm license.

3. In addition, each firm licensed by the TSBPA that performs attest services must enroll and participate in a peer review program. A firm that performs attest services only for issuer clients can meet this requirement through the PCAOB inspection process. On the other hand, a firm that performs attest services for any non-issuer clients must also enroll in a peer review program for review of its non-public company attest work.

4. In October 2009, the TSBPA notified Scott Hatfield that SWH's license had not yet been renewed for the upcoming year and would expire on January 31, 2010. It also informed Scott Hatfield that SWH had failed to report the results of a 2006 peer review or the results of any other peer review in the subsequent three years. In or before March 2010,

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<sup>2</sup> See Tex. Occ. Code Ch. 901 (the "Public Accountancy Act").

<sup>3</sup> The Texas Administrative Code, Rule 501.52(4), defines "Attest service" to include, among other things: "an audit or other engagement required by the [TSBPA] to be performed in accordance with the auditing standards adopted by the AICPA, PCAOB, or another national or international accountancy organization recognized by the [TSBPA]."

<sup>4</sup> See Tex. Occ. Code § 901.351 (requiring firm licenses).

<sup>5</sup> See id. § 901.456.



the TSBPA told Scott Hatfield that he could be sanctioned if he issued audit reports without a valid firm license.

5. SWH's license expired on January 31, 2010 and was not renewed until May 19, 2011. Scott Hatfield knew that SWH's license had expired.

6. Scott Hatfield successfully renewed SWH's firm license on May 19, 2011.

7. Between January 31, 2010 and May 19, 2011, while SWH's public accounting license was expired, SWH issued 38 audit reports that 21 issuers included in periodic reports and registration statements filed with the Commission (see Appendix). Scott Hatfield, as SWH's sole proprietor, consented to the inclusion of SWH's audit reports in these filings. Issuers relied on SWH's audit reports to, among other things, issue securities. Scott Hatfield and SWH billed issuers \$199,722 in connection with audits conducted or completed while SWH's license was expired.

8. SWH's audit reports were included in public filings by five issuers quoted on the OTCBB during the period from January 31, 2010 and May 19, 2011. The following chart summarizes the number of days traded, the average trading volume and the low, high, and average close price per these five issuers during this period:

Issuer	No. Days Traded	Avg. Daily Volume	Close Price		
			Low	High	Average
8888 Acquisition Corp. (EGHA); (Registration withdrawn Aug. 17, 2011)	13	261	\$ 0.07	\$ 3.00	\$ 1.11
Eight Dragons Co. (EDRG)	26	213	\$ 0.07	\$ 1.70	\$ 0.57
HPC Acquisitions, Inc. (HPCQ)	23	8,665	\$ 0.01	\$ 0.75	\$ 0.15
Truwest Corp. (TRWS)	7	200	\$ 0.10	\$ 3.00	\$ 1.39
X-Change Corp. (XCHC)	128	9,268	\$ 0.20	\$ 1.58	\$ 0.47

9. Scott Hatfield authorized seven issuers to include SWH audit reports in registration statements filed with the Commission while SWH's license was expired. Six issuers filed registration statements on Form 10-12G; however only one, SMSA Kerrville Acquisition Corp. ("SMSA Kerrville"), issued securities during the period that SWH's license was expired. Specifically, on December 15, 2010, SMSA Kerrville issued 9.5 million shares of restricted, unregistered common stock in exchange for 100% of the outstanding common stock of another company. In August 2010, the sixth issuer, Asia

Green Agriculture Corp., f/k/a SMSA Palestine Acquisition Corp., ("SMSA Palestine"), issued 11,685,617 shares for 100% of the outstanding common stock of Sino Oriental Agriculture Group Limited, a BVI corporation. SMSA Palestine later filed a Form S-1 on September 20, 2010 and subsequent amendments before going effective on July 15, 2011.<sup>6</sup>

10. Three other issuers<sup>7</sup> disclosed issuances of unregistered, restricted common stock for acquisitions and for services while SWH's firm license was expired. Their Commission filings indicate that they relied on Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration and that no underwriter was used in related transactions. A fourth issuer, X-Change Corp., issued securities during the period in which SWH's license was expired to convert or retire outstanding debt and to obtain certain intellectual property rights.

11. Under Rule 1-02(a) of Regulation S-X, audit reports must be prepared by "an independent public or certified public accountant." Rule 2-01(a) of Regulation S-X, however, provides that the Commission will not recognize any person (including an unincorporated organization like SWH) as either a public accountant or certified public accountant who is not in good standing as such under the laws of the place of his residence or principal office. Between January 31, 2010 and May 19, 2011, SWH was not duly registered and in good standing under the laws of the state of Texas, where Scott Hatfield resided and SWH maintained its principal office. Accordingly, SWH was not recognized as an accountant by the Commission during this period.

### C. VIOLATIONS

1. As a result of the conduct described above, Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

2. As a result of the conduct described above, Respondents do not possess the requisite qualifications to represent others, pursuant to Section 4C(a)(1) and Rule 102(e)(1)(i) of the Commission's Rules of Practice.

3. As a result of the conduct described above, Respondents willfully violated the federal securities laws, pursuant to Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

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<sup>6</sup> SMSA Palestine included SWH's audit report in amendments to the registration statement on form S-1 filed November 5, 2010 and December 10, 2010. Neither the initial registration statement on Form S-1 filed on September 20, 2010 nor amendments filed subsequent to 2010 include SWH's audit report.

<sup>7</sup> Signet International Holdings, Inc, SMSA Crane Acquisition Corp., and SMSA Gainesville Acquisition Corp.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary 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 21C of the Exchange Act, Respondents should be ordered to cease and desist from committing or causing any violation and any future violation of Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder;

C. Whether, pursuant to Section 4C of the Exchange Act and Rule 102(e) of the Commission's Rules of Practice, Respondents should be censured or denied, temporarily or permanently, the privilege of appearing or practicing before the Commission as accountants;

D. Whether, pursuant to Section 21B of the Exchange Act, civil penalties should be levied against either Respondent; and

E. Whether, pursuant to Section 21C(e) of the Exchange Act, Respondents should be subject to disgorgement with prejudgment interest.

### 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 Respondent shall file an Answer 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 Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him 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 Respondent personally or by certified mail.

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.

Elizabeth M. Murphy  
Secretary

*Kevin M. O'Neill*  
By: Kevin M. O'Neill  
Deputy Secretary

**Appendix**  
**Filings Including Audit Reports Issued by S. W. Hatfield, CPA while License Expired**  
**January 31, 2010 to May 19, 2011**

	Issuer	CIK Code	Ticker	Filing Type	Filing Date	Period Ended	No.	Report Date	Consent Date	Disclosed SWH Fees
1	8888 Acquisition Corp. (SWH dismissed 10/19/2010; Form 15 Filed 8/17/11)	1376866	EGHA	10-K	10/15/2010	8/31/2010	1	10/7/2010	N/A	\$ 6,100
2	Alliance Health, Inc. (Form 15 Filed 6/8/11)	822434	ALNH	10-K	11/26/2010	9/30/2010	2	11/2/2010	N/A	\$ 5,750
3	Asia Green Agriculture Corp. f/k/a SMSA Palestine Acquisition Corp. (SWH dismissed 8/20/10)	1440476	AGAC	10-K S-1/A1 8-K/A S-1/A2 8-K/A 8-K/A 8-K/A 8-K/A 8-K/A	3/30/2010 11/5/2010 11/5/2010 12/10/2010 1/18/2011 2/22/2011 3/22/2011 4/19/2011 5/9/2011	12/31/2009 12/31/2009 8/20/2010 12/31/2009 8/20/2010 8/20/2010 8/20/2010 8/20/2010 8/20/2010	3	3/15/2010 3/15/2010 3/15/2010 3/15/2010 3/15/2010 3/15/2010 3/15/2010 3/15/2010 3/15/2010	N/A 11/4/2010 11/4/2010 12/10/2010 N/A N/A N/A N/A N/A	\$ 7,200
4	BTHC X, Inc. (SWH resigned 3/29/2010)	1375685	BTXI	10-K 10-K	3/30/2010 3/29/2011	3/31/2009 12/31/2010	4	3/23/2010 3/23/2010	N/A N/A	\$ 4,100 \$ 8,100
5	BTHC XIV, Inc.	1405646	BXII	10-K 10-K	3/10/2010 1/18/2011	12/31/2009 12/31/2010	5 6	3/4/2010 1/11/2011	N/A N/A	\$ 4,300 \$ 5,200
6	BTHC XV, Inc. (SWH dismissed 10/18/2010)	1412090	BTXV	10-K 10-K	3/10/2010 4/15/2011	12/31/2009 12/31/2010	7	3/5/2010 N/A	N/A N/A	\$ 4,300 \$ 7,375
7	Chile Mining Technologies, Inc. f/k/a Latin America Ventures, Inc. (SWH dismissed 5/12/2010)	1427714	LVEN	10-K	2/9/2010	12/31/2009	8	2/3/2010	N/A	\$ 6,450

	Issuer	CIK Code	Ticker	Filing Type	Filing Date	Period Ended	No.	Report Date	Consent Date	Disclosed SWH Fees
8	Eight Dragons Co.	1100778	EDRG	10-K	3/9/2010	12/31/2009	9	2/23/2010	N/A	\$ 6,950
				10-K	1/28/2011	12/31/2010	10	1/26/2011	N/A	\$ 5,713
9	HPC Acquisitions, Inc.	1435224	HPCQ	10-K	3/17/2010	12/31/2009	11	2/11/2010	N/A	\$ 6,725
				10-K	3/1/2011	12/31/2010	12	1/6/2011	N/A	\$ 5,750
10	Marketing Acquisition Corp. (SWH resigned 5/4/2010)	1363343	MAQC	10-K	3/28/2011	12/31/2009	13	3/2/2010	N/A	\$ 2,250
				10-K	3/5/2010	12/31/2009		3/2/2010	N/A	\$ 4,500
11	Renewable Energy Acquisition Corp.	1418302		10G	3/3/2010	12/31/2009	14	2/12/2010	N/A	
				10-K	3/9/2011	12/31/2010	15	2/25/2011	N/A	\$ 4,918
12	Signet International Holdings, Inc. (SWH resigned 4/9/2010)	1317833	SIGN	10-K	4/12/2010	12/31/2009	16	4/7/2010	N/A	\$ 18,365
13	SMSA Crane Acquisition Corp.	1473287	SSCR	10-12G/A	2/22/2010	12/31/2009	17	2/17/2010	N/A	
				10-K	3/7/2011	12/31/2010	18	2/7/2011	N/A	\$ 4,300
14	SMSA Gainesville Acquisition Corp.	1474266	SACQ	10-K	3/16/2010	12/31/2009	19	3/11/2010	N/A	\$ 3,000
				10-K	3/8/2011	12/31/2010	20	2/8/2011	N/A	\$ 4,975
15	SMSA Humble Acquisition Corp.	1495900	SMHQ	10-12G	8/27/2010	6/30/2010	21	8/25/2010	N/A	
				10-12G	10/29/2010	9/30/2010	22	10/26/2010	N/A	
				10-12G/A	12/10/2010	9/30/2010	23	12/8/2010	N/A	
				10-K	3/14/2011	12/31/2010	24	2/10/2011	N/A	\$ 4,225
16	SMSA Katy Acquisition Corp.	1495899	SCQO	10-12G	8/25/2010	6/30/2010	25	8/24/2010	N/A	
				10-12G	10/27/2010	9/30/2010	26	10/25/2010	N/A	
				10-12G/A	11/30/2010	9/30/2010		10/25/2010	N/A	
				10-12G/A	12/20/2010	9/30/2010	27	12/17/2010	N/A	
				10-K	3/14/2011	12/31/2010	28	2/9/2011	N/A	\$ 4,225
17	SMSA Kerrville Acquisition Corp.	1512693		10-12G	2/15/2011	12/31/2010	29	1/28/2011	N/A	\$ -
				10-12G/A	3/23/2011	12/31/2010		1/28/2011	N/A	
				10-12G/A	4/5/2011	12/31/2010		1/28/2011	N/A	

	Issuer	CIK Code	Ticker	Filing Type	Filing Date	Period Ended	No.	Report Date	Consent Date	Disclosed SWH Fees
18	SMSA Shreveport Acquisition Corp. (Form 15 Filed 8/8/11)	1501643		10-12G	11/1/2010	9/20/2010	30	10/27/2010	N/A	\$ -
				10-12G	1/27/2011	12/31/2010	31	1/25/2011	N/A	
				10-12G/A	3/7/2011	12/31/2010		1/25/2011	N/A	
19	SMSA Treemont Acquisition Corp. (SWH dismissed 5/13/2011)	1495898	SAQU	10-12G	8/27/2010	6/30/2010	32	8/25/2010	N/A	
				10-12G	10/29/2010	9/30/2010	33	10/26/2010		
				10-12G/A	12/10/2010	9/30/2010	34	12/8/2010		
				10-K	3/14/2011	12/31/2010	35	2/10/2011		\$ 4,225
20	Truewest Corp.	895650	TRWS	10-K	11/15/2010	9/30/2010	36	11/9/2010	N/A	\$ 6,138
21	X-Change Corp.	54424	XCHC	10-K	4/21/2010	12/31/2009	37	3/31/2010	N/A	\$ 27,500
				10-K	1/18/2011	12/31/2010	38	1/14/2011	N/A	\$ 27,138
Total disclosed SWH audit fees										\$ 199,772

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

**SECURITIES EXCHANGE ACT OF 1934**  
Release No. 67793/September 6, 2012

**ACCOUNTING AND AUDITING ENFORCEMENT**  
Release No. 3415/ September 6, 2012

**ADMINISTRATIVE PROCEEDING**  
File No. 3-15012

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<b>In the Matter of</b>	:	<b>RESPONDENT S.W. HATFIELD'S ANSWER</b>
	:	<b>TO CORRECTED ORDER INSTITUTING</b>
	:	<b>PUBLIC ADMINISTRATIVE AND CEASE-</b>
<b>S.W. Hatfield, CPA and</b>	:	<b>AND-DESIST PROCEEDINGS PURSUANT</b>
<b>Scott W. Hatfield, CPA</b>	:	<b>TO SECTIONS 4C AND 21C OF THE</b>
	:	<b>SECURITIES EXCHANGE ACT OF 1934</b>
<b>Respondents.</b>	:	<b>AND RULE 102(e) OF THE COMMISSION'S</b>
	:	<b>RULES OF PRACTICE</b>

---

**ANSWER OF RESPONDENTS S.W. HATFIELD, CPA  
AND SCOTT W. HATFIELD, CPA**

COME NOW Respondents S.W. Hatfield, CPA ("SWH") and Scott W. Hatfield, CPA ("Scott Hatfield") (collectively, the "Respondents"), and file this Answer to the Corrected Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice ("OIP") and pursuant to 17 C.F.R. § 201.220 answer as follows:

**RESPONDENTS**

1. Respondents admit the allegations contained in the first and second sentence of paragraph 1 of the OIP. With respect to the third sentence of paragraph 1, Respondents deny the allegations contained therein. With respect to the fourth sentence of paragraph 1, Respondents deny the allegations contained therein.



2. To the extent a responsive pleading is required, Respondents admit the allegations contained in the first and last sentences of paragraph 2 of the OIP. With respect to the second sentence of paragraph 2, the allegations contain a legal conclusion in alleging that Respondent Scott Hatfield knowingly signed the audit reports in question to which no responsive pleading is required, or alternatively, Respondents lack sufficient information to admit or deny the allegations.

### FACTS

1. Respondents admit the allegations contained in paragraph 1 of the OIP.<sup>1</sup>
2. The allegations in paragraph 2 of the OIP contain legal conclusions to which no responsive pleading is required, or alternatively, Respondents lack sufficient information to admit or deny the allegations.
3. Respondents admit the allegations contained in paragraph 3 of the OIP.
4. Respondents lack sufficient information to admit or deny the allegations contained in paragraph 4 of the OIP.
5. Respondents admit the allegations contained in the first sentence of paragraph 5 of the OIP. With respect to the second sentence of paragraph 5, the allegation contains a legal conclusion to the extent that it sets forth Respondent Scott Hatfield's alleged state of mind; to which no responsive pleading is required, or alternatively, Respondents lack sufficient information to admit or deny the allegations.
6. Respondents admit the allegations contained in paragraph 6 of the OIP.
7. Respondents deny the allegations contained in paragraph 7 of the OIP.

---

<sup>1</sup> Answers in each subsection correspond with the numbering scheme in the OIP. Accordingly, paragraph 1 and following of the "Respondents" section, paragraph 1 and following of the "Facts" section, and paragraph 1 and following of the "Violations" section will be denoted as such.

8. Respondents lack sufficient information to admit or deny the allegations contained in paragraph 8 of the OIP.

9. Respondents deny the allegations contained in paragraph 9 of the OIP.

10. Respondents deny the allegations contained in paragraph 10 of the OIP.

11. Respondents deny the allegations contained in paragraph 11 of the OIP.

#### **VIOLATIONS**

1. Respondents deny the allegations contained in paragraph 1 of the OIP.

2. Respondents deny the allegations contained in paragraph 2 of the OIP.

3. Respondents deny the allegations contained in paragraph 3 of the OIP.

#### **RESERVATION**

1. Respondents reserve the right to supplement and amend this Answer as necessary and appropriate.

2. Respondents reserve the right to add counterclaims at a later time with Court authority.

3. To the extent any allegation is not specifically addressed herein, such allegation is denied.

4. Respondents demand strict proof of all allegations made in the OIP.

#### **CONCLUSION**

Respondents request that the Securities and Exchange Commission's request for public administrative and cease-and-desist proceedings be denied.

Signed this 20th day of December 2012.

Respectfully submitted,



---

Jeffrey Ansley  
Texas Bar No. 00790235  
Nicole M. Eason  
Texas Bar No. 24078459  
BELL NUNNALLY & MARTIN LLP  
1400 One McKinney Plaza  
3232 McKinney Avenue  
Dallas, Texas 75204-2429  
(214) 740-1400 Telephone  
(214) 740-1499 Facsimile

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15012**

**In the Matter of**

**S. W. Hatfield, CPA and**  
**Scott W. Hatfield, CPA**

**Respondents.**

**DIVISION OF ENFORCEMENT'S MOTION TO**  
**ADJOURN HEARING, SCHEDULE PREHEARING CONFERENCE**  
**AND FOR LEAVE TO SEEK SUMMARY DISPOSITION**  
**AND BRIEF IN SUPPORT**

The Division of Enforcement ("Division") of the United States Securities and Exchange Commission ("Commission") moves to adjourn the hearing currently scheduled for October 24, 2012, schedule a prehearing conference for October 24, 2012, and for leave to file a motion seeking summary disposition of these proceedings in favor of the Division on the basis that there exists no genuine issue of material fact in dispute.

**I.**  
**PROCEDURAL HISTORY**

On September 6, 2012, the Commission issued an *Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice* ("OIP") against S.W. Hatfield, CPA and Scott W. Hatfield, CPA ("Respondents"). The Commission alleges that Respondents issued 38 audit reports for 21 public company issuers between January 31, 2010 and May 19, 2011, during which time S.W. Hatfield, CPA's firm

license was expired and it was therefore not in good standing with the State of Texas and, consequently, not recognized by the Commission as a certified public accountant. *See* OIP, ¶¶ 1-11. These actions, the Division alleges, constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder and demonstrate that Respondents’ should be denied the privilege of appearing or practicing before the Commission pursuant to Section 4C of the Exchange Act and Rule of Practice 102(e).

Pursuant to Rule of Practice 141, the Commission served Respondents with the OIP via certified mail, return receipt requested. *See* 17 C.F.R. §201.141. Rule 141 provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the order instituting proceeding and may direct an interested division to assist in making service. *Id.* Under Rule 141, the OIP should be delivered to the individual or to an agent authorized by appointment or by law to receive such notice. *Id.* Delivery may be accomplished by, among other ways, sending a copy of the order addressed to the party by United States Postal Service certified, registered or express mail and obtaining a confirmation of receipt. *Id.* In this case, the OIP was mailed to the address where Scott W. Hatfield resides, which is the same location from which S.W. Hatfield, CPA carries on its business in Dallas, Texas. The United States Postal Service certified return receipt indicates that the Respondents received, and signed for, the OIP on September 13, 2012. *See* Declaration of Jessica B. Magee, attached hereto as Exhibit A (“Magee Dec.”) at ¶ 2.

On September 10, 2012, Chief Administrative Law Judge Brenda P. Murray, ordered a hearing in this matter to commence on October 24, 2012 and directed the parties to confer and notify the presiding judge of a suggested date and time for a prehearing conference. On September 19, 2012, I sent Respondents, via United States Postal Service (USPS), certified

mail, return receipt requested and United Parcel Service (UPS), overnight mail, a courtesy copy of the Commission's Order Scheduling Hearing and Designating Presiding Judgment and the OIP, as well as, advised Respondents that the Division of Enforcement was making its documents available for inspection and copying pursuant to Rule 230. According to UPS Tracking records, Respondents received the Division's correspondence on September 20, 2012 via Tracking Numbers 1ZA3781XA299953487 and 1ZA3781XA297405699. UPS records reflect that Respondents received the Division's correspondence and materials at [REDACTED], Dallas, TX 75243, on September 20, 2012, and were signed for by "Hart field". The USPS records, as of the date of this filing, have not been delivered or returned. *Id.*, ¶ 3.

On September 20, 2012, Respondents submitted a cover letter and enclosed documents to the Commission pertaining to "recent correspondence related to potential firm licensing issues for [Respondents]." *See* Respondents' Letter of September 20, 2012, attached hereto as Exhibit B. Thereafter, counsel for the Division made repeated attempts to confer with Respondents on September 27, 2012, October 1, 2012, and October 2, 2012 to discuss these proceedings and identify dates on which to schedule a prehearing conference. Exhibit A, ¶¶ 4-6. On October 3, 2012, Hatfield emailed Division staff to acknowledge receipt of "packages from the SEC" as well the attempts to confer. *Id.* ¶ 7. In the email, Hatfield claimed that he was in the process of obtaining legal counsel but facing difficulties given his "financial position/condition." *Id.* Division staff responded to Hatfield's October 3, 2012 email the same day, and informed him that of the Division's intention to seek leave to move for summary disposition. *Id.*, ¶ 8. As of the filing of this motion, neither Hatfield nor any counsel retained and engaged to represent him in these proceedings have contacted Division staff. *Id.*, ¶ 9.

## **II.**

### **Motion To Adjourn Hearing and Scheduled Prehearing Conference**

The Division moves for an order setting aside the October 24, 2012 hearing and, in lieu thereof, scheduling a telephonic prehearing conference pursuant to Rule 221. Counsel for the Division made repeated attempts to confer with Respondents regarding these proceedings and the scheduling of a prehearing conference, but Respondents have failed to confer. Exhibit A, ¶¶ 4-7

Postponing the final hearing date and scheduling a prehearing conference will allow the Court to establish an orderly and efficient prehearing schedule for any prehearing motions, and, if necessary, to schedule a mutually acceptable date for a hearing. The Division respectfully requests that the prehearing conference be scheduled for October 24, 2012, at 2:00 p.m. EDT. The Division will make arrangements for the telephonic conference call.

## **III.**

### **Motion for Leave to Seek Summary Disposition**

The Division moves for leave to file a motion for summary disposition pursuant to Rule 250 in the event an order of default or a consent order is not entered against Respondents. These proceedings focus on Respondents' repeated and willful issuance of audit reports to public company issuers while S.W. Hatfield, CPA's firm license was expired, whether that conduct violated Exchange Act Section 10(b) and Rule 10b-5 thereunder and, if so, whether Respondents should be permitted the privilege of appearing and practicing before the Commission in the future. Respondents have failed to confer with the Division since these proceedings were initiated, and nothing in their Letter of September 20, 2012 raises a genuine issue of material fact disputing the essential elements of the Division's claims. Thus, a motion seeking to resolve the issues in these proceedings through summary disposition is appropriate. *See* Rule of Practice 250.

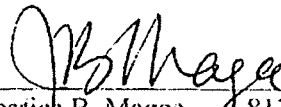
Conclusion

For the reasons set forth above, the Division respectfully requests that this Court grant the Division's Motion to Adjourn Hearing, to Schedule Prehearing Conference, and for Leave to Seek Summary Disposition and enter an order granting the following relief:

1. Setting aside the October 24, 2012 final hearing date;
2. Scheduling a prehearing conference for October 24, 2012 at 2:00 p.m. EDT; and
3. Granting the Division leave to file a motion for summary disposition.

Dated: October 9, 2012

Respectfully submitted,



\_\_\_\_\_  
Jessica B. Magee 817/978-6465  
Securities and Exchange Commission  
801 Cherry Street, Suite 1900  
Fort Worth, TX 76102

COUNSEL FOR  
DIVISION OF ENFORCEMENT



UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

**ADMINISTRATIVE PROCEEDING**

**File No. 3-15012**

**In the Matter of**

**S. W. Hatfield, CPA and  
Scott W. Hatfield, CPA**

**Respondents.**

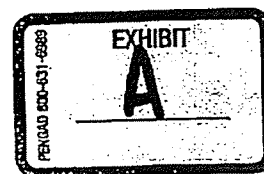
**DECLARATION OF JESSICA B. MAGEE**

I, JESSICA B. MAGEE, pursuant to 28 U.S.C. § 1746, declare:

1. I am a trial attorney with the Division of Enforcement (“Division”) of the Securities and Exchange Commission (“Commission”) participating in the litigation of the above-captioned administrative proceedings. I submit this Declaration in support of the Division’s Motion to Adjourn Hearing, Schedule Prehearing Conference, and for Leave to Seek Summary Disposition.

2. Attached as Exhibit 1 hereto is a true and correct copy of the certified mail return receipt signed for by Respondent Scott W. Hatfield, indicating Respondents’ receipt of the Order Instituting Proceedings in this action.

3. On September 19, 2012, I sent Respondents, via United States Postal Service (USPS), certified mail, return receipt requested and United Parcel Service (UPS), overnight mail, a courtesy copy of the Commission’s Order Scheduling Hearing and Designating Presiding Judgment and the OIP, as well as, advised Respondents that the Division of Enforcement was



making its documents available for inspection and copying pursuant to Rule 230. According to UPS Tracking records, Respondents received Division's correspondence on September 20, 2012 via Tracking Numbers 1ZA3781XA299953487 and 1ZA3781XA297405699. UPS records reflect that Respondents received Division's correspondence and materials at [REDACTED], Dallas, TX 75243, on September 20, 2012, and were signed for by "Hart field". See UPS Tracking Confirmation Report, attached hereto as Exhibit 2. The USPS records, as of the date of this filing, have not been delivered or returned.

4. As instructed by the Court, I have made repeated attempts to confer with Respondents regarding these proceedings and the need to schedule a prehearing conference.

5. On September 27, 2012 at 9:15 a.m., October 1, 2012 at 12:03 p.m., and October 3, 2012 at 1:21 p.m., I placed phone calls to [REDACTED], the phone number provided on S.W. Hatfield, CPA's letterhead. The voicemail greeting was identified as Scott W. Hatfield. I left a detailed voicemail message stating my name, my title within the Division, and that I was calling to discuss these proceedings and the prehearing conference. I provided my return phone number and email address.

6. On October 2, 2012, I emailed Respondents at the email address provided on S.W. Hatfield, CPA's letterhead and a gmail address provided by Scott W. Hatfield during the investigation underlying these proceedings. A true and correct copy of that email is attached hereto as Exhibit 3.

7. On October 3, 2012, Hatfield responded to my October 2, 2012 email and acknowledged receipt of "packages from the SEC" as well as my voicemail messages. In his email, Hatfield claimed that he was in the process of obtaining legal counsel but facing

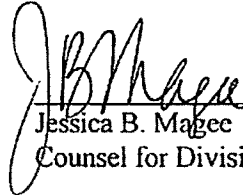
difficulties given his "financial position/condition." A true and correct copy of that email is attached hereto as Exhibit 4.

8. I replied to Hatfield's October 3, 2012 email the same day, alerting him that I would proceed to file a motion for leave to seek summary disposition should I not be contacted by him or his retained legal counsel by Friday, October 5, 2012. A true and correct copy of that email is included in the email attached as Exhibit 4.

9. As of the execution of this Declaration, I have not been contacted again by Hatfield or by counsel retained and engaged to represent him in these proceedings.

FURTHER DECLARANT SAYETH NOT.

Dated: October 9, 2012

  
\_\_\_\_\_  
Jessica B. Magec  
Counsel for Division of Enforcement

**SENDER - COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:  
 Mr. Scott W. Hatfield CPA  
 [Redacted]  
 Dallas, TX 75243

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature  Agent  
 X *Scott W. Hatfield*  Addressee

B. Received by (Printed Name) C. Date of Delivery  
 Scott W. Hatfield 9-13-12

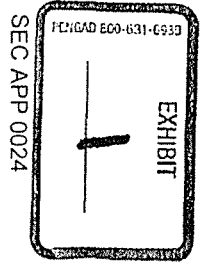
D. Is delivery address different from item 1?  Yes  
 If so, print address below:  No  
 3- 15012

8047111

Express Mail  
 Return Receipt for Merchandise  
 O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Transfer from service label) 7011 2000 0002 4621 8176



UNITED STATES POSTAL SERVICE

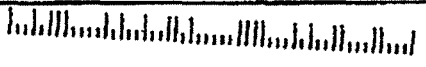


First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

**RECEIVED**  
**SEP 20 2012**  
**OFFICE OF THE SECRETARY**

**SECURITIES AND EXCHANGE COMMISSION**  
100 F Street, N.E.  
Washington, D.C. 20549-1080



**SENDER COMPLETES THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

S.W. Hatfield, CPA

██████████  
██████████  
Dallas, TX 75243

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X *S.W. Hatfield*

Agent

Addressee

B. Received by (Printed Name)

*Scott Hatfield*

C. Date of Delivery

*9-13-12*

D. Is delivery address different from item 1?  Yes

If YES, enter delivery address below:  No

*3- 15012*

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number

(Transfer from service label)

*7011 2000 0002 4621 8169*

PS Form 3811, February 2004

Domestic Return Receipt

102565-00-M-1240

SEC APP 0026

UNITED STATES POSTAL SERVICE



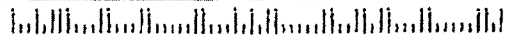
First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

**RECEIVED**  
SEP 26 2012

**OFFICE OF THE SECRETARY**

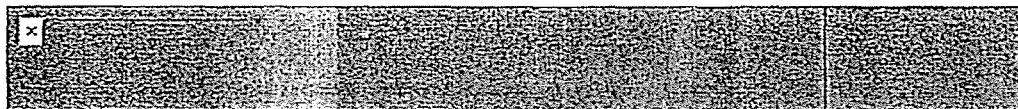
SECURITIES AND EXCHANGE COMMISSION  
100 F. Street, N.E.  
Washington, D.C. 20549-1100



**Sprabary, Tawnya (Contractor)**

---

**From:** UPS Quantum View <auto-notify@ups.com>  
**Sent:** Thursday, September 20, 2012 10:21 AM  
**To:** Sprabary, Tawnya (Contractor)  
**Subject:** UPS Delivery Notification. Tracking Number 1ZA3781XA299953487



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At the request of SEC-FORT WORTH, this notice is to confirm that the following shipment has been delivered.

**Important Delivery Information**

Tracking Number: 1ZA3781XA299953487  
Delivery Date / Time: 20-September-2012 / 10:00 AM

Adult Signature  
Captured

Delivery Location: RESIDENTIAL  
Signed by: HART FIELD

**Shipment Detail**

Ship To:  
Scott W Hatfield

[REDACTED]  
DALLAS  
TX  
75243  
US

Number of Packages: 1  
UPS Service: NEXT DAY AIR  
Shipment Type: Letter  
Reference Number 1: FW3711 Hatfield  
Reference Number 2: 3-15012 OIP / Order

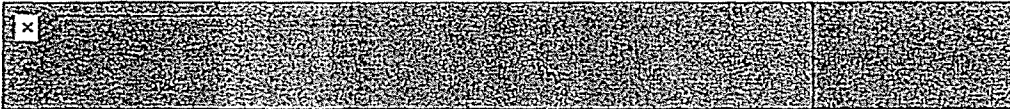




Sprabary, Tawnya (Contractor)

---

From: UPS Quantum View <auto-notify@ups.com>  
Sent: Thursday, September 20, 2012 10:21 AM  
To: Sprabary, Tawnya (Contractor)  
Subject: UPS Delivery Notification, Tracking Number 1ZA3781XA297405699

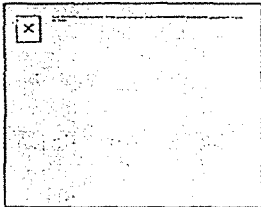


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\*\*\*Do not reply to this e-mail. UPS and SEC-FORT WORTH will not receive your reply.

At the request of SEC-FORT WORTH, this notice is to confirm that the following shipment has been delivered.

**Important Delivery Information**



Tracking Number: 1ZA3781XA297405699  
Delivery Date / Time: 20-September-2012 / 10:00 AM

Adult Signature  
Captured

Delivery Location: RESIDENTIAL  
Signed by: HART FIELD

**Shipment Detail**

Ship To:  
S W Hatfield CPA  
[REDACTED]  
DALLAS  
TX  
75243  
US

Number of Packages: 1  
UPS Service: NEXT DAY AIR  
Shipment Type: Letter  
Reference Number 1: FW3711 Hatfield  
Reference Number 2: 3-15012 OIP / Order

**Stewart, Angelia L.**

---

**From:** Magee, Jessica B.  
**Sent:** Tuesday, October 02, 2012 2:23 PM  
**To:** [REDACTED]  
**Cc:** King, David R.; Stewart, Angelia L.  
**Subject:** In the Matter of Scott W. Hatfield, CPA and S.W. Hatfield, CPA

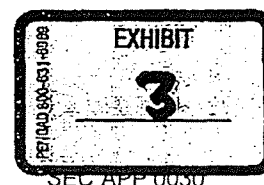
Mr. Hatfield,

I have left two detailed messages on the voicemail associated with [REDACTED] concerning our obligation to confer regarding prehearing conference dates in the SEC's administrative proceedings currently pending against you and your firm. To date I have received no response from you or anyone representing you. Please contact me immediately so that we may discuss matters pertaining to the case including, but not limited to, (1) whether there is any basis on which the claims can be resolved through settlement; and (2) the Division of Enforcement's intention to seek summary disposition of the proceedings.

Respectfully,

Jessica B. Magee

Jessica B. Magee  
Trial Attorney  
United States Securities and Exchange Commission  
Fort Worth Regional Office  
801 Cherry Street, Suite 1900  
Fort Worth, Texas 76102  
Main: 817.978.3821  
Direct: 817.978.6465



**Magee, Jessica B.**

---

**From:** Magee, Jessica B.  
**Sent:** Wednesday, October 03, 2012 2:52 PM  
**To:** 'Scott Hatfield'  
**Cc:** Stewart, Angelia L.; King, David R.  
**Subject:** RE: In the Matter of Scott W. Hatfield, CPA and S.W. Hatfield, CPA

Thank you, Mr. Hatfield.

I will wait to hear from you or your retained legal counsel until Friday. If I don't hear from you or any counsel you may retain by mid-day Friday, I will need to proceed with filing a motion with the ALJ to schedule a prehearing conference and to obtain leave to file a motion seeking summary disposition in favor of the Division of Enforcement.

Respectfully,

Jessica Magee

**From:** Scott Hatfield [mailto:██████████]  
**Sent:** Wednesday, October 03, 2012 2:46 PM  
**To:** Magee, Jessica B.  
**Subject:** Re: In the Matter of Scott W. Hatfield, CPA and S.W. Hatfield, CPA

Ms. Magee,

I have just returned to my office from an extended family outing. The packages from the SEC literally arrived concurrent with my walking to my driveway to leave town.

I acknowledge your voice messages and this e-mail and wish to alert you that I am in the process of obtaining legal representation for this matter, which is difficult given my financial position/condition.

I anticipate that you will be contacted by either myself or legal counsel by the end of the week and I further anticipate that this matter can be resolved through negotiation.

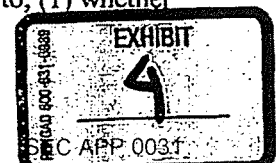
Sincerely,

Scott W. Hatfield, CPA  
S. W. Hatfield, CPA

On Tue, Oct 2, 2012 at 2:23 PM, Magee, Jessica B. <MageeJ@sec.gov> wrote:

Mr. Hatfield,

I have left two detailed messages on the voicemail associated with ██████████ concerning our obligation to confer regarding prehearing conference dates in the SEC's administrative proceedings currently pending against you and your firm. To date I have received no response from you or anyone representing you. Please contact me immediately so that we may discuss matters pertaining to the case including, but not limited to, (1) whether



there is any basis on which the claims can be resolved through settlement; and (2) the Division of Enforcement's intention to seek summary disposition of the proceedings.

Respectfully,

Jessica B. Magee

Jessica B. Magee

Trial Attorney

United States Securities and Exchange Commission

Fort Worth Regional Office

801 Cherry Street, Suite 1900

Fort Worth, Texas 76102

Main: 817.978.3821

Direct: 817.978.6465

--

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Scott W. Hatfield  
S. W. Hatfield, CPA

S. W. Hatfield, CPA focuses on providing companies with quality accounting, auditing and financial reporting services, including publicly owned companies reporting to the U. S. Securities and Exchange Commission, their investors and other interested parties.

Contact us at:

[REDACTED]

Dallas, TX 75243-7212



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\*\*\*\*\*

**WE ARE REQUIRED BY IRS CIRCULAR 230 TO INFORM YOU THAT ANY STATEMENTS CONTAINED HEREIN ARE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY YOU OR ANY OTHER TAXPAYER, FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED BY FEDERAL TAX LAW.**

\*\*\*\*\*

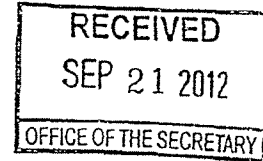


S. W. Hatfield, CPA  
Certified public accountants

ORIGINAL

Use our past to assist your future

September 20, 2012



U. S. Securities and Exchange Commission  
MAIL STOP 1090  
100 F Street, NE  
Washington, DC 20549

U. S. Securities and Exchange Commission  
801 Cherry Street  
Ft. Worth, TX 76102

RE: S. W. Hatfield, CPA and/or Scott W. Hatfield, CPA

To Whom It May Concern:

With regard to recent correspondence related to potential firm licensing issues for the Certified Public Accounting Firm of S. W. Hatfield, CPA (SWHCPA) and the individual licensing issues for Scott W. Hatfield, CPA (SWH); we attach the following items for your file:

- 1) Office renewal form for S. W. Hatfield, CPA for the following periods:  
 February 2008 - January 2009  
 February 2010 - January 2012  
 February 2012 - January 2013  
 We note that our files are incomplete for the renewal form for the period February 2009 - January 2010 and we are unable to identify a cancelled check for the payment of the required fees.
- 2) Individual license certificates for Scott W. Hatfield for the following periods:  
 April 2008 - March 2009  
 April 2009 - March 2010  
 April 2010 - March 2011  
 April 2011 - March 2012  
 April 2012 - March 2013
- 3) Copy of March 8, 2010 e-mail from Texas State Board of Public Accountancy to Ron Johnston, CPA
- 4) March 16, 2011 correspondence to the Texas State Board of Public Accountancy
- 5) March 15, 2010 correspondence from the Texas State Board of Public Accountancy
- 6) September 22, 2009 correspondence from Public Company Accounting Oversight Board
- 7) November 5, 2009 correspondence to Public Company Accounting Oversight Board
- 8) October 29, 2010 correspondence from Public Company Accounting Oversight Board

SWHCPA was unaware that any licensing issue existed until the Texas State Board of Public Accountancy (TSBPA) notified an affiliate of the Firm, Ronald Johnston, CPA, via e-mail of a problem on March 8, 2010. No notices or correspondence, including license renewal notices, were received by SWHCPA prior to this date. Mr. Johnston forwarded said e-mail to SWHCPA and SWH. Upon receipt, SWHCPA notified legal counsel, Mr. John Koepke of Jackson Walker, LLP in Dallas. Immediate communication and correspondence with the TSBPA commenced.

SWHCPA did request the noted renewal forms as noted in the March 8, 2010 e-mail sent to an affiliated 3<sup>rd</sup> party and said forms were never received. SWHCPA is of the belief that the attached correspondence documents the issues at hand and that there was no attempt or disregard for the licensing process by either SWHCPA or SWH.

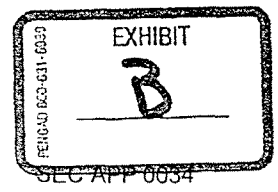
Respectfully submitted,  
S. W. Hatfield, CPA

Scott W. Hatfield, CPA

SWH/



2nd Floor  
Dallas, Texas 75243 7212





OFFICE RENEWAL NOTICE

01/31/2008  
RETURN THE ORIGINAL FORM

LICENSE PERIOD  
FIRM NAME

FEB, 2008 - JAN, 2009  
S. W. HATFIELD

LICENSE ID

MAIN OFFICE

ALL FEES ARE MANDATORY

ID=V04354.. ORG= 1/10/1994  
CN=0103139 PRT=12/13/2007 P=123  
BI=200901 FRM ORG= 1/10/1994  
EI=200901 FRM REG= 1/24/1995

S. W. HATFIELD  
DALLAS, TX: 75243-7212

Texas County DALLAS  
Phone  
Email  
FAX

FEES DUE		TOTAL DUE
1. License Fees and Penalties Due		
License fee	50.00	
BY	JAN 31, 2008	50.00
AFTER	JAN 31, 2008	200.00
AFTER	APR 30, 2008	300.00
Enter License Fees and Penalties paid for this office		50.00
2. Firm Organization Fees Due		
Main Office only. From the FIRM ORGANIZATION FEE WORKSHEET.		
Enter Firm Organization Fees paid		0.00
3. Total Fees Due for This Office		
Sum the License Fees and Penalties and the Firm Organization Fees		
Enter Total Fees paid for this office		50.00

ADDRESS CORRECTION REPORTING AREA

Review the information in area 1 and make corrections and additions in area 2.

Address Line 1 \_\_\_\_\_  
Address Line 2 \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Texas County \_\_\_\_\_ Province \_\_\_\_\_ Country \_\_\_\_\_  
Phone \_\_\_\_\_ FAX \_\_\_\_\_ Email \_\_\_\_\_

PEER REVIEW AFFIDAVIT AREA (TO BE COMPLETED BY MAIN OFFICE ONLY)

To claim an exemption from Peer Review, the main office of your firm must complete this affidavit.

To be granted an exemption, the following affidavit must be completed by a partner, corporate officer, sole proprietor, or resident manager of the firm. I understand that if this firm performs any functions that require participation in the peer review program, I will notify the Board within 10 days of the status change. I estimate that the firm's practice during the next 12 months could be described as falling into the following categories.

_____ % Tax	_____ % Audits	_____ % Litigation Support
_____ % Reviews and/or Compilations	_____ % Special Reports (See Broad Rule 527.2(4))	_____ % Mergers and Acquisitions
_____ % Financial Consulting	_____ % Other (Attach a detailed description of "other")	

I have reviewed the rules of the Board concerning enrollment in the peer review program. I affirm that this firm is entitled to an exemption from participation in the Board's peer review program for the license period ending in JAN, 2009

I make this statement under penalty of perjury. I understand that false swearing or perjury in any communication to the Board is a violation of the Board's rules that may subject me to discipline by the Board.

TO REQUEST AN EXEMPTION SIGN HERE →

Signature

Date

The following table lists information on the two most recent reviews that have been reported to the Board.

Assigned Review Date	Sponsoring Organization	Report Issued Was
3 9/28/2005	PCAQB	Unmod w/o findings
4 9/28/2006	PCCAF	

The RENEWAL MONTH assigned to this firm is JANUARY. Return this renewal by the "DUE BY" date. Future renewals will be due by the end of JANUARY.



TEXAS STATE BOARD OF PUBLIC ACCOUNTANTS  
333 Guadalupe, Tower 3, Suite 900, Austin, Texas 78701-3900 (512) 305-7553

OFFICE RENEWAL NOTICE

06/18/2011

RETURN THE ORIGINAL FORM

LICENSE PERIOD FEB, 2010 - JAN, 2012

FIRM NAME S. W. HATFIELD

Firm License ID: [REDACTED]

LICENSE ID Firm Control Number: [REDACTED]

MAIN OFFICE

ALL FEES ARE MANDATORY

D=V04354 ORG= 1/10/1994  
N=0103139 PRT= 5/17/2011 P=48  
I=201101 FRM ORG= 1/10/1994  
I=201201 FRM REG= 1/24/1995

S. W. HATFIELD

[REDACTED]  
DALLAS TX 75243-7212

State County  
City  
Mailing

DALLAS

FAX

FEES DUE	
1. License Fees and Penalties Due	
license fee	100.00
	TOTAL DUE
BY JUN 18, 2011	100.00
AFTER JUN 18, 2011	350.00
Enter License Fees and Penalties paid for this office	100.00
2. Firm Organization Fees Due	
Main Office only. From the FIRM ORGANIZATION FEE WORKSHEET.	
Enter Firm Organization Fees paid	-
3. Total Fees Due for This Office	
Sum: the License Fees and Penalties and the Firm Organization Fees	
Enter Total Fees paid for this office	100.00

ADDRESS CORRECTION REPORTING AREA

Review the information in area 1 and make corrections and additions in area 2.

Address Line 1 \_\_\_\_\_  
 Address Line 2 \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
 Texas County \_\_\_\_\_ Province \_\_\_\_\_ Country \_\_\_\_\_  
 Phone \_\_\_\_\_ FAX \_\_\_\_\_ Email \_\_\_\_\_

PEER REVIEW AFFIDAVIT AREA TO BE COMPLETED BY MAIN OFFICE ONLY

To claim an exemption from Peer Review, the main office of your firm must complete this affidavit.

I am granted an exemption, the following affidavit must be completed by a partner, corporate officer, sole proprietor, or resident manager of the firm. I understand that if this firm performs any functions that require participation in the peer review program, I will notify the Board within 10 days of the status change. I estimate that the firm's practice during the next 12 months could be described as falling into the following categories.

% Tax                                       % Audits                                       % Litigation Support  
 % Reviews and/or Compilations         % Special Reports (See Board Rule 527.2(4))         % Mergers and Acquisitions  
 % Financial Consulting                       % Other (Attach a detailed description of "other")

I have reviewed the rules of the Board concerning enrollment in the peer review program. I affirm that this firm is entitled to an exemption from participation in this Board's peer review program for the license period ending in JAN, 2012

I make this statement under penalty of perjury. I understand that false swearing or perjury in any communication to the Board is a violation of the board's rules that may subject me to discipline by the Board.

TO REQUEST AN EXEMPTION SIGN HERE →

The following table lists information on the two most recent reviews that have been reported to the Board		Signature	Date
Assigned Review Date	Sponsoring Organization		
3 9/28/2005	Public Acctg Oversight Brd (PCOAB)		
4 9/28/2006	CPCAF		
			Report Issued Was
			Unmod w/o finding

The RENEWAL MONTH assigned to this firm is JANUARY. Return this renewal by the "DUE BY" date. Future renewals will be due by the end of JANUARY.





# Texas State Board of Public Accountants

333 Guadalupe, Tower 3, Suite 900, Austin, Texas 78701-3900 (512) 305-7853

01/31/2012

## OFFICE RENEWAL NOTICE

RETURN THE ORIGINAL FORM

License Period: FEB, 2012 - JAN, 2013

Firm Name: S. W. HATFIELD

Firm License ID: [REDACTED]

Firm Control Number: [REDACTED]

MAIN OFFICE

ALL FEES ARE MANDATORY

ID = V04354 Org = 1/10/1994  
CN= 0103139 Prt = 12/12/2011 P = 123  
BI = 201301 Firm Org = 1/10/1994  
EI = 201301 Firm Reg = 1/24/1995

S. W. HATFIELD

DALLAS TX 75243-7212

Texas County: DALLAS

Phone: [REDACTED]

Email: [REDACTED]

FEES DUE		
1. License Fees and Penalties Due		
license fee		50.00
	<b>Total Due</b>	
BY	JAN 31, 2012	50.00
AFTER	JAN 31, 2012	200.00
AFTER	APR 30, 2012	300.00
Enter License Fees and Penalties paid for this office		50.00
2. Firm Organization Fees Due		
Main Office only. From the FIRM ORGANIZATION FEE WORKSHEET.		
Enter Firm Organization Fees paid		0.00
3. Total Fees Due for This Office		
Sum the License Fees and Penalties and the Firm Organization Fees		
Enter Total Fees paid for this office		50.00

### ADDRESS CORRECTION REPORTING AREA

Review the information in area 1 and make corrections and additions in area 2.

Address Line 1 \_\_\_\_\_  
 Address Line 2 \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
 Texas County \_\_\_\_\_ Province \_\_\_\_\_ Country \_\_\_\_\_  
 Phone \_\_\_\_\_ FAX \_\_\_\_\_ Email \_\_\_\_\_

### PEER REVIEW AFFIDAVIT AREA (TO BE COMPLETED BY MAIN OFFICE ONLY)

To claim an exemption from Peer Review, the main office of your firm must complete this affidavit.

To be granted an exemption, the following affidavit must be completed by a partner, corporate officer, sole proprietor, or resident manager of the firm understand that if this firm performs any functions that require participation in the peer review program, I will notify the Board within 10 days of the status change. I estimate that the firm's practice during the next 12 months could be described as falling into the following categories.

_____% Tax	_____% Audits	_____% Litigation Support
_____% Reviews and/or Compilations	_____% Special Reports (See Broad Rule 527.2(4))	_____% Mergers and Acquisitions
_____% Financial Consulting	_____% Other (Attach a detailed description of "other")	

I have reviewed the rules of the Board concerning enrollment in the peer review program. I affirm that this firm is entitled to an exemption from participation in the Board's peer review program for the license period ending in **JAN, 2013**

I make this statement under penalty of perjury. I understand that false swearing or perjury in any communication to the Board is a violation of the Board's rules that may subject me to discipline by the Board.

TO REQUEST AN EXEMPTION SIGN HERE →

Signature \_\_\_\_\_

Date \_\_\_\_\_

The following table lists information on the two most recent reviews that have been reported to the Board.

Assigned Review Date	Sponsoring Organization	Report issued Was
1 6/30/1996	AICPA SECPS	Unmodified
2 6/30/2001	CPCAF	Unmod w/o findings

The RENEWAL MONTH assigned to this firm is JANUARY. Return this renewal by the "DUE BY" date. Future renewals will be due by the end of JANUARY.

OVER

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY



THE INDIVIDUAL OR FIRM OFFICE IDENTIFIED BELOW IS LICENSED TO PRACTICE PUBLIC ACCOUNTANCY IN TEXAS.

IDENTIFICATION NO.	EXPIRES ON	FORM NO.
[REDACTED]	3/31/2009	08051952

SCOTT WAYNE HATFIELD  
CERTIFIED PUBLIC ACCOUNTANT

[REDACTED]  
DALLAS TX 75243-7212



# Texas State Board of Public Accountancy

333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

5/26/2009

**SCOTT WAYNE HATFIELD  
CERTIFIED PUBLIC ACCOUNTANT**



**DALLAS TX 75243-7212**




FOLD FORM  
HERE AND  
PULL CARD  
BACK TO  
RELEASE



By receipt of this license card, requirements for licensing by the Texas State Board of Public Accountancy have been met. The license card can be easily removed from this sheet and can be used as identification as a licensee in Texas. After removing your license card, retain this mailer as a FILE COPY of the license card.

As a licensee, a 7-digit number has been assigned to you as an alternative to the Social Security Number(SSN) as a method of unique identification. This CN=control number is required to access your personal information on the Board's website, and is shown below on the copy of your license card.



**Texas State Board of Public Accountancy**  
333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

The individual identified below is licensed to practice public accountancy in Texas

1414822

FILE COPY

SEC APP 0039



# Texas State Board of Public Accountancy

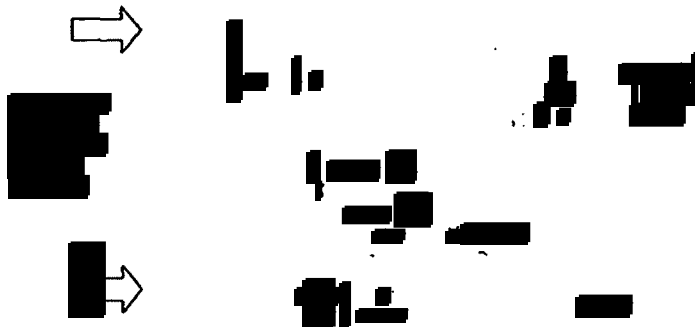
333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

6/ 8/2010


**SCOTT WAYNE HATFIELD**  
**CERTIFIED PUBLIC ACCOUNTANT**

[REDACTED]  
DALLAS TX 75243-7212



By receipt of this license card, requirements for licensing by the Texas State Board of Public Accountancy have been met. The license card can be easily removed from the sheet and can be used as identification as a licensee in Texas. After removing your license card, retain this mailer as a FILE COPY of the license card.

As a licensee, a 7-digit number has been assigned to you as an alternative to the Social Security Number(SSN).as a method of unique identification. This control number is required to access your personal information on the Board's website, and is shown below on the copy of your license card.

 <p><b>Texas State Board of Public Accountancy</b> 333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900 The individual identified below is licensed to practice public accountancy in Texas.</p>	
<p><b>SCOTT WAYNE HATFIELD</b> <b>CERTIFIED PUBLIC ACCOUNTANT</b></p>	
<p>[REDACTED] DALLAS TX 75243-7212</p>	
License ID: [REDACTED]	Expires: 3/31/2011
Control Number: [REDACTED]	Form No: 10058562

1498016

FILE COPY  
SEC APP 0040



# Texas State Board of Public Accountancy

333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

3/31/2011

**SCOTT WAYNE HATFIELD  
CERTIFIED PUBLIC ACCOUNTANT**

**DALLAS TX 75243-7212**



FOLD FORM  
HERE AND  
PULL CARD  
BACK TO  
RELEASE



By receipt of this license card, requirements for licensing by the Texas State Board of Public Accountancy have been met. The license card can be easily removed from the sheet and can be used as identification as a licensee in Texas. After removing your license card, retain this mailer as a FILE COPY of the license card.

As a licensee, a 7-digit number has been assigned to you as an alternative to the Social Security Number(SSN) as a method of unique identification. This control number is required to access your personal information on the Board's website, and is shown below on the copy of your license card.

	<p>Texas State Board of Public Accountancy 333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900</p> <p>The individual identified below is licensed to practice public accountancy in Texas.</p> <p><b>SCOTT WAYNE HATFIELD</b> <b>CERTIFIED PUBLIC ACCOUNTANT</b></p> <p><b>75243-7212</b></p> <p>License ID: [REDACTED]</p> <p>Expires: 3/31/2012</p> <p>Form No: 10123839</p>
--	---

1648292

FILE COPY

SEC APP 0041



Texas State Board of Public Accountancy  
233 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-2099

The individual identified below is licensed  
to practice public accountancy in Texas

**SCOTT WAYNE HAYFIELD**  
**CERTIFIED PUBLIC ACCOUNTANT**

[REDACTED]  
DALLAS TX 75243-7212

License ID: [REDACTED]

Expires: 3/31/2013

Form No 120.17173

Subj: Fw: Firm Status of T02004 S.W. Hatfield  
Date: 3/8/2010 6:05:37 P.M. Central Standard Time  
From: [REDACTED]

What is up with this?

— On Mon, 3/8/10, Micaela J. Hernandez <MHernandez@tsbpa.state.tx.us> wrote:

From: Micaela J. Hernandez <MHernandez@tsbpa.state.tx.us>  
Subject: Firm Status of [REDACTED] S.W. Hatfield  
To: [REDACTED]  
Date: Monday, March 8, 2010, 11:02 PM

Hello Mr. Hatfield,

A staff audit has identified your firm [REDACTED] *S.W. Hatfield* to be Delinquent/Expired for one or more years. Please confirm if the firm has dissolved or if a renewal notice is needed to renew the firm license.

If the firm license has dissolved, please respond to this email by indicating the name of the firm, the firm ID, the dissolve date, your individual license ID and the last four of your SS# so we may process your request.

If you require a renewal notice to be printed and mailed, please indicate the mailing address so we may issue the renewal notice packet for the firm license listed above.

Should you have any questions, please feel free to contact me directly. I would be more than happy to assist.

Thank you for your immediate attention to this matter and have a great day.

Best regards,  
Micaela J. Hernandez  
Inspector  
Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3, Ste 900  
Austin, TX 78701  
Phone: 512.305.7828  
Fax: 512.305.7875

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Thursday, September 20, 2012 AOL: SWHCPA

SEC APP 0043



JACKSON WALKER L.L.P.  
ATTORNEYS & COUNSELORS

John A. Koepke  
(214) 953-6005 (Direct Dial)  
(214) 661-6660 (Direct Fax)  
jkoepke@jw.com

March 16, 2011

**VIA EMAIL VMoher@tsbpa.state.tx.us**  
**and Regular U.S. Mail**

Texas State Board of Public Countency  
Peer Review Committee  
Enforcement Division  
c/o Virginia Moher  
333 Guadalupe Tower III, Ste. 900  
Austin, Texas 78701

Re: S. W. Hatfield, CPA; File 08-03-10L

Dear Ms. Moher:

This correspondence is to be provided to the Peer Review Committee concerning the circumstances surrounding the renewal of the license of S. W. Hatfield, CPA.

S. W. Hatfield, CPA practice consists of audits for publicly held companies. Thus, the peer review is performed by the Public Company Accounting Oversight Board ("PCAOB").

The last PCAOB review conducted of S.W. Hatfield, CPA was for the period of May 1, 2006 to September 30, 2007, the "2007 Inspection." This inspection occurred on October 29, 2007. Additional information was requested and provided on December 13, 2007.

As a result of the 2007 Inspection, a Report of the peer review inspection was issued on November 21, 2008. Thereafter, S. W. Hatfield responded to the issues raised by the 2007 Inspection Report, per the PCAOB rules and its request, on November 5, 2009.

S. W. Hatfield provided an update to the State Board on the status of this matter on October 28, 2009 and on March 9, 2010 to William Tracey.

During this time period, the peer review by the State Board was held open, awaiting the final results of the 2007 Inspection. The State Board, through your office, contacted the PCAOB several times to determine the status of, and ultimate disposition of, the 2007 Inspection, without any success. Likewise, the undersigned also contacted the person who was in charge of reviewing the 2007 Inspection Report, and the response by S. W. Hatfield of November 5, 2009. In February 2010, the reviewer requested additional information, which was submitted on March 2, 2010.

On July 8, 2010, the State Board, through your office, closed its file because of the lack of response from the PCAOB in issuing a final report. We attempted to encourage the PCAOB

901 Main Street, Suite 6000 • Dallas, Texas 75202 • (214) 953-6000 • fax (214) 953-5822

www.jw.com • Austin • Dallas • Fort Worth • Houston • San Angelo • San Antonio • Member of GLOBALAW

SEC APP 0044



March 16, 2011

Page 2

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to issue the final report so that the State Board would not close its pending file. However, the State Board did close its pending file without any resolution, due to no fault of S. W. Hatfield, CPA, but due to the delinquent and untimely processing of the 2007 Inspection Report by the PCAOB.

On September 22, 2010, the PCAOB issued its comments to its report for the 2007 Inspection. Under the PCAOB rules, a 30-day period was to pass before the findings were final, unless Hatfield provided any further response. Since the findings, a copy of which is attached as Exhibit 1, could not be rebutted or changed, due to the nature of the audit issues, Hatfield did not respond. Thus, on October 29, 2010, the PCAOB issued its final comments to the 2007 Inspection report. This final report was provided to the State Board on December 15, 2010, attached as Exhibit 2.

The purpose of outlining the time frame involved is to demonstrate to the State Board that S. W. Hatfield did what he could do to obtain a final report for the 2007 peer review inspection by the PCAOB. Unfortunately, for whatever reason, the PCAOB did not timely issue its 2007 Report until after the State Board closed its file – “Expired due to failure to complete a peer review,” which resulted in the administrative revocation of license. In essence, S. W. Hatfield, CPA’s hands were tied by the failure of the PCAOB to timely respond. Thus, S. W. Hatfield has been penalized in regards to his licensure, due to no fault of his own.

We submit this information to the State Board for its consideration of all the circumstances surrounding the licensure of S. W. Hatfield, CPA. Should you need anything further, please advise.

Respectfully submitted,



John A. Koepke

JAK:rl

cc: S. W. Hatfield, CPA

6064363v.1



# Texas State Board of Public Accountancy

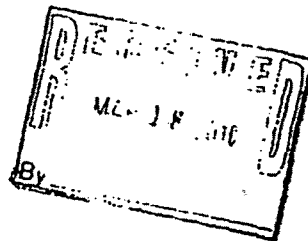
333 Guadalupe, Tower III Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

March 15, 2010

VIA CERTIFIED MAIL: 7003 1010 0004 9288 7998

John A. Koepke  
Jackson Walker, L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202



In Re: File No.08-03-10L  
S. W. Hatfield, C.P.A. (Firm)

Dear Mr. Koepke:

The Texas State Board of Public Accountancy (the Board) has adopted "Standards for Performing and Reporting on Peer Reviews" promulgated by the American Institute of Certified Public Accountants (AICPA) under Board Rule Section 527.3(a). The Standards for Performing and Reporting on Peer Reviews require a non-exempt firm to have a peer review performed at a minimum of once every three years.

Pursuant to Board Rule 527.4(c), each firm required to participate in peer review shall adopt the review due date assigned by the sponsoring organization, and must notify the board of the peer review due date within 30 days of its assignment. The firm of S. W. Hatfield, C.P.A., was scheduled for a review by the National Peer Review Committee (NPRC) to be completed by September 28, 2006. The Board has recently been notified that the firm does not have any clients that would require review by the NPRC.

Pursuant to Board Rule 527.4(c) the firm shall schedule and begin an additional review within three years of the previous review's due date, or earlier as may be required by the sponsoring organization or a committee of the board. It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review due date. As the firm now stands, the last completed peer review was performed via an inspection by the Public Company Accounting Oversight Board (PCAOB) that was completed September 28, 2005. Although another inspection was performed in 2008, that inspection has not been finalized. The Board must receive a letter from PCAOB stating that that all issues have been "Satisfactorily Addressed" by the firm.

Pursuant to Board Rule 527.4(e), the Board will accept extensions granted by the sponsoring organization to complete a review, provided the board is notified by the firm

Administration/ Accounting (512) 305-7800	Automated Information (512) 305-7870	CPE (512) 305-7844	Enforcement (512) 305-7868	Licensing (512) 305-7853	Qualifications (512) 305-7850 (512) 305-7851	Peer Review (512) 305-7833	FAX (512) 305-7876 (512) 305-7854
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[www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us)

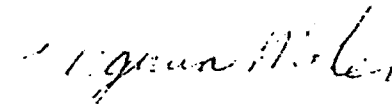
An equal opportunity, affirmative action employer

within 20 days of the date that an extension is granted. The sponsoring organization in this case is the PCAOB.

If you require further information or clarification regarding this matter, please do not hesitate to contact me at (512) 305-7866.

Sincerely,

TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY



Virginia Moher, Attorney  
Enforcement Division

VM. jb  
Enclosure

[<<Prev Rule](#)

## Texas Administrative Code

[Next Rule>>](#)

**TITLE 22**

**EXAMINING BOARDS**

**PART 22**

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**

**CHAPTER 527**

**PEER REVIEW**

**RULE §527.3**

**Standards for Peer Reviews and Sponsoring Organizations**

(a) The board adopts "Standards for Performing and Reporting on Peer Reviews" promulgated by the AICPA and for public company audit firms, the firm inspection standards required under the Sarbanes-Oxley Act of 2002 (SOX), as its minimum standards for review of firms.

(b) Qualified sponsoring organizations shall be the AICPA Peer Review Program, the TSCPAs Peer Review Program and state CPA societies fully involved in the administration of the AICPA Peer Review Program, NCCPAP, the PCAOB, and such other entities which are approved by the board.

**Source Note:** The provisions of this §527.3 adopted to be effective October 16, 2002, 27 TexReg 9579; amended to be effective October 12, 2004, 29 TexReg 9540; amended to be effective April 15, 2009, 34 TexReg 2380

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## Texas Administrative Code

Next Rule>>

TITLE 22

EXAMINING BOARDS

PART 22

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

CHAPTER 527

PEER REVIEW

RULE §527.4

**Enrollment and Participation**

(a) Participation in the program is required of each firm licensed or registered with the board that performs any attest service or any accounting and/or auditing engagements, including audits, reviews, compilations, forecasts, projections, or special reports as defined in §901.002 General Definitions of the Public Accountancy Act and §501.52(4), (11) and (22) of this title (relating to Definitions). A firm which issues only compilations where no report is required under the Statements on Standards for Accounting and Review Services is required to participate in the program.

(b) A firm that does not perform services as set out in subsection (a) of this section shall annually submit a request for the exemption in writing to the board with an explanation of the services offered by the firm. A firm which begins providing services as set out in subsection (a) of this section shall notify the board of the change in status within 30 days of the change in status, provide the board with enrollment information within 12 months of the date the services were first provided and have a peer review performed within 18 months of the date the services were first provided.

(c) Each firm required to participate under subsection (a) of this section shall enroll in the applicable programs of an approved sponsoring organization within 12 months from its initial licensing date or the performance of services that require a review. The firm shall adopt the review due date assigned by the sponsoring organization, and must notify the board of the peer review due date within 30 days of its assignment. In addition, the firm shall schedule and begin an additional review within three years of the previous review's due date, or earlier as may be required by the sponsoring organization or a committee of the board. It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review due date.

(d) In the event that a firm is merged, otherwise combined, dissolved, or separated, the sponsoring organization shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(e) The board will accept extensions granted by the sponsoring organization to complete a review, provided the board is notified by the firm within 20 days of the date that an extension is granted.

(f) A firm that has been rejected by a sponsoring organization for any reason must make a request in writing to the board for authorization to enroll in a program of another sponsoring organization.

(g) A firm choosing to change to another sponsoring organization may do so provided that the firm authorizes the previous sponsoring organization to communicate to the succeeding sponsoring organization any outstanding corrective actions related to the firm's most recent review. Any outstanding actions must be cleared and outstanding fees paid prior to transfer between sponsoring organizations.

(h) An out-of-state firm practicing in this state pursuant to a practice privilege provided for in §901.461 of the Act and §517.1 and §517.2 of this title (relating to Practice by Certain Out of State Firms and Practice by Certain Out of State Individuals) of these regulations must comply with the peer review

program of the state in which the firm is licensed.

(i) An out-of-state firm practicing in this state pursuant to a practice privilege from a state without a peer review program must comply with §901.159 of the Act and Chapter 517 of these regulations.

(j) An out-of-state firm practicing in this state pursuant to a practice privilege must submit its peer review (or equivalent) documentation upon request of the board.

(k) Interpretive Comment. If a firm is subject to inspections pursuant to SOX and also performs attest work not subject to such inspections, the firm must enroll in a peer review program for review of its non-public company attest work in addition to the firm inspection program required by the PCAOB.

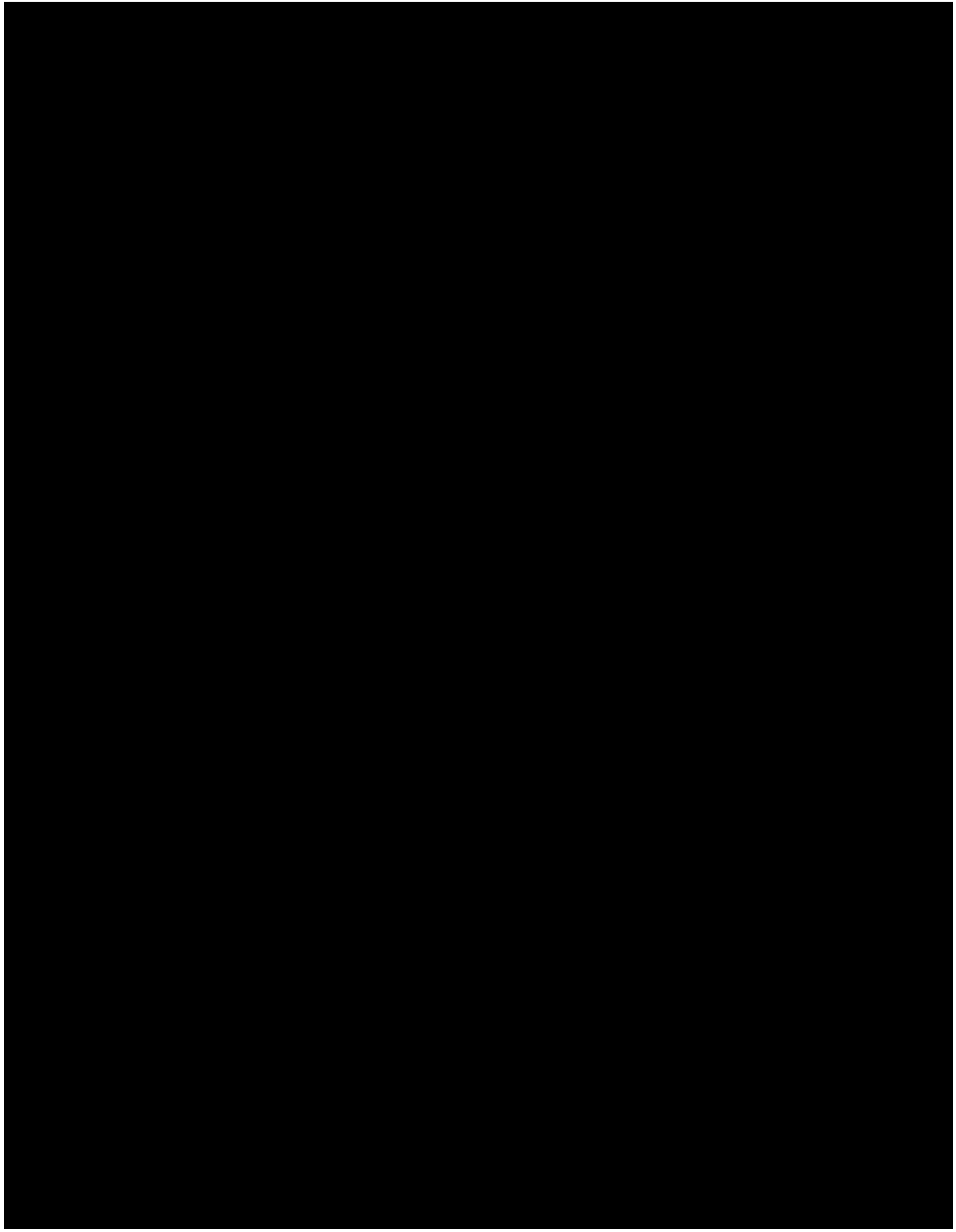
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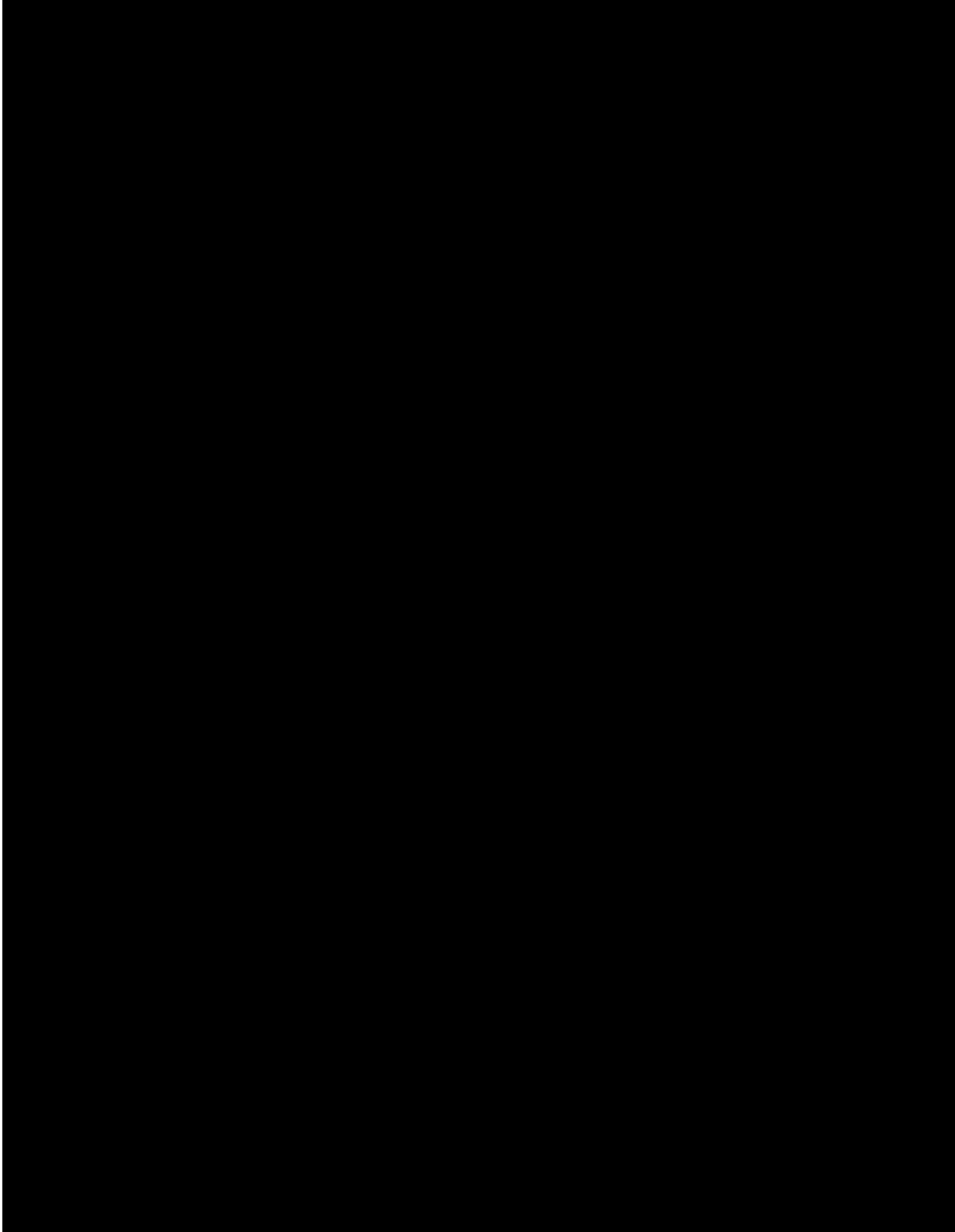
**Source Note:** The provisions of this §527.4 adopted to be effective October 16, 2002, 27 TexReg 9579; amended to be effective October 12, 2004, 29 TexReg 9540; amended to be effective October 11, 2007, 32 TexReg 7064; amended to be effective April 15, 2009, 34 TexReg 2381

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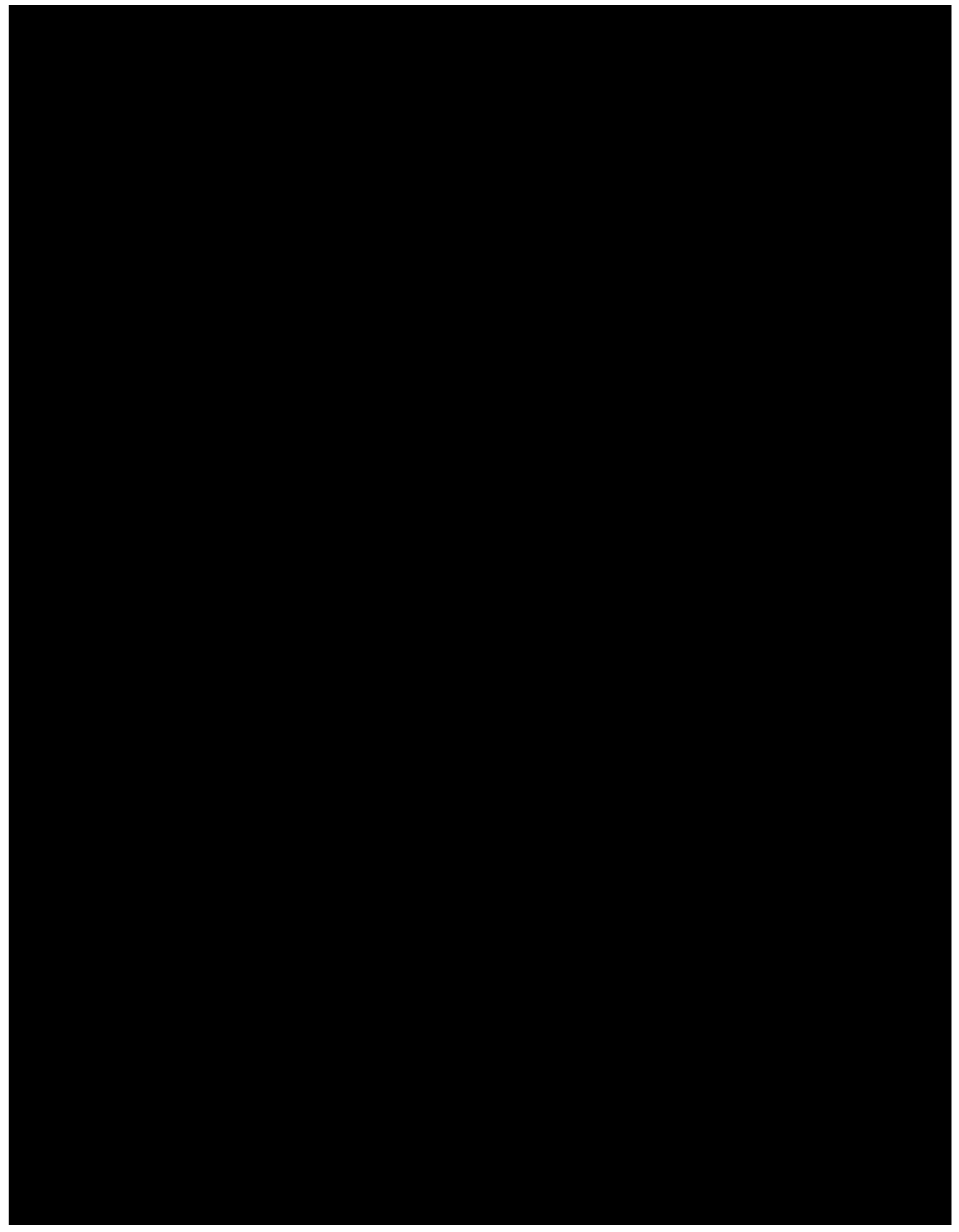
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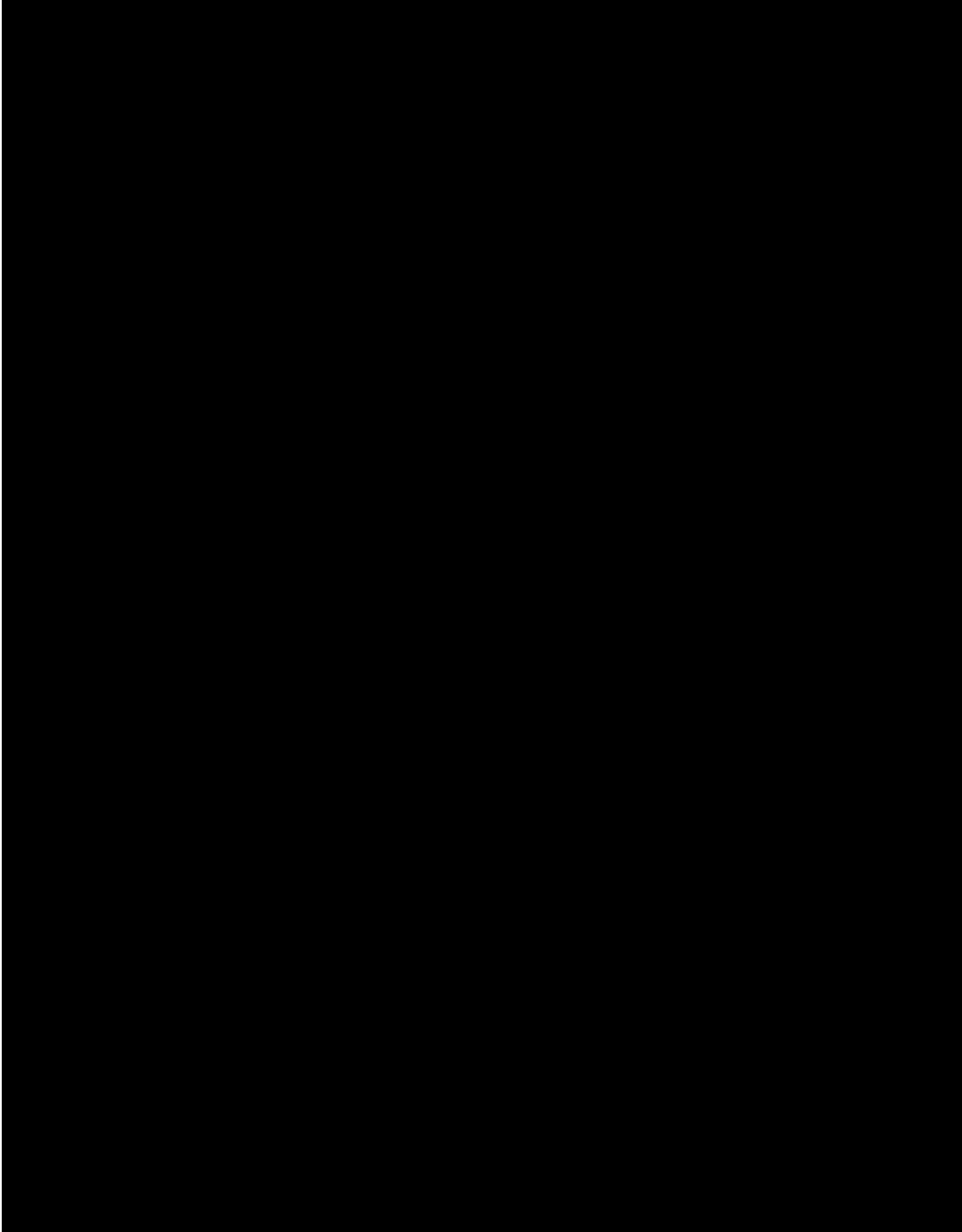
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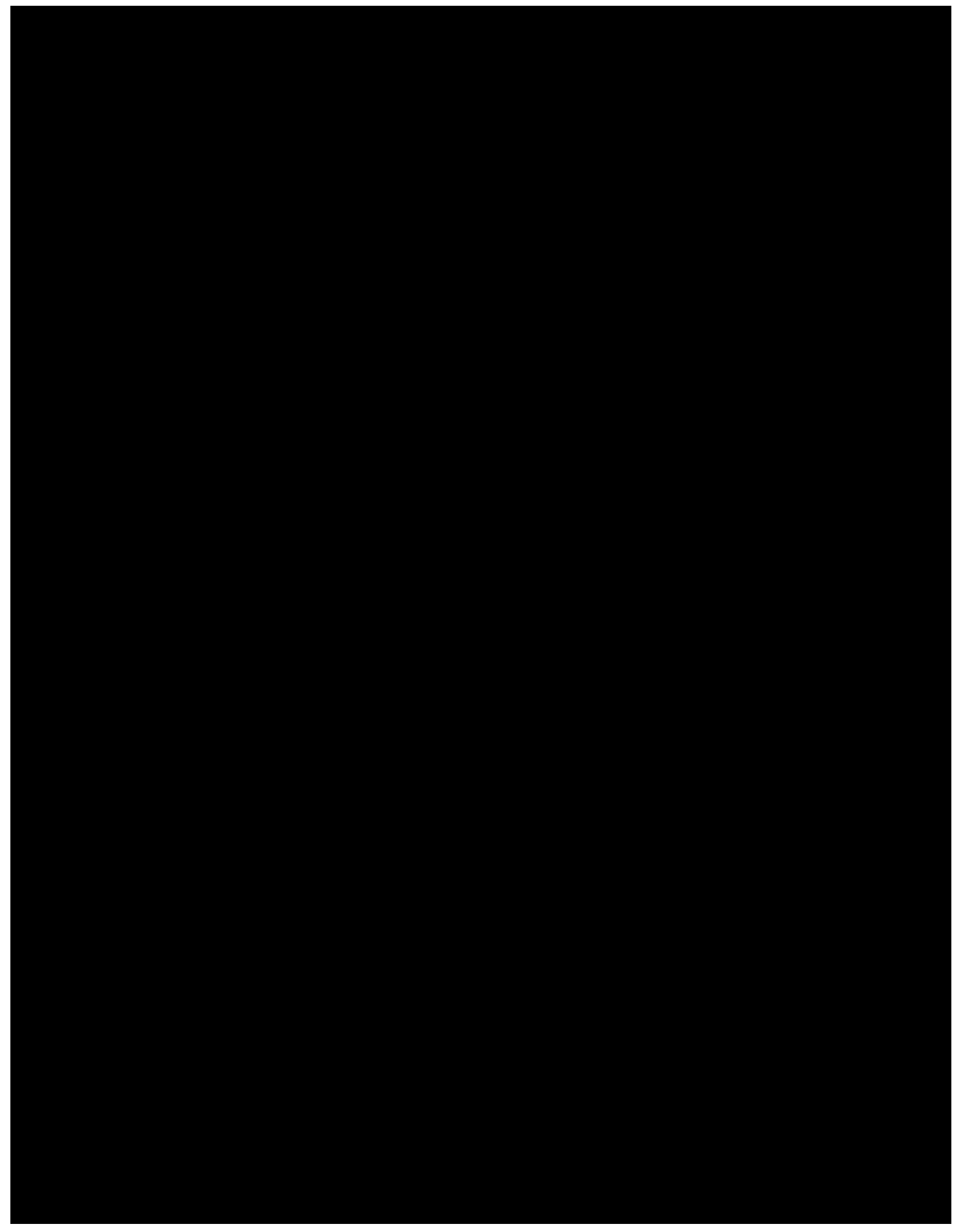


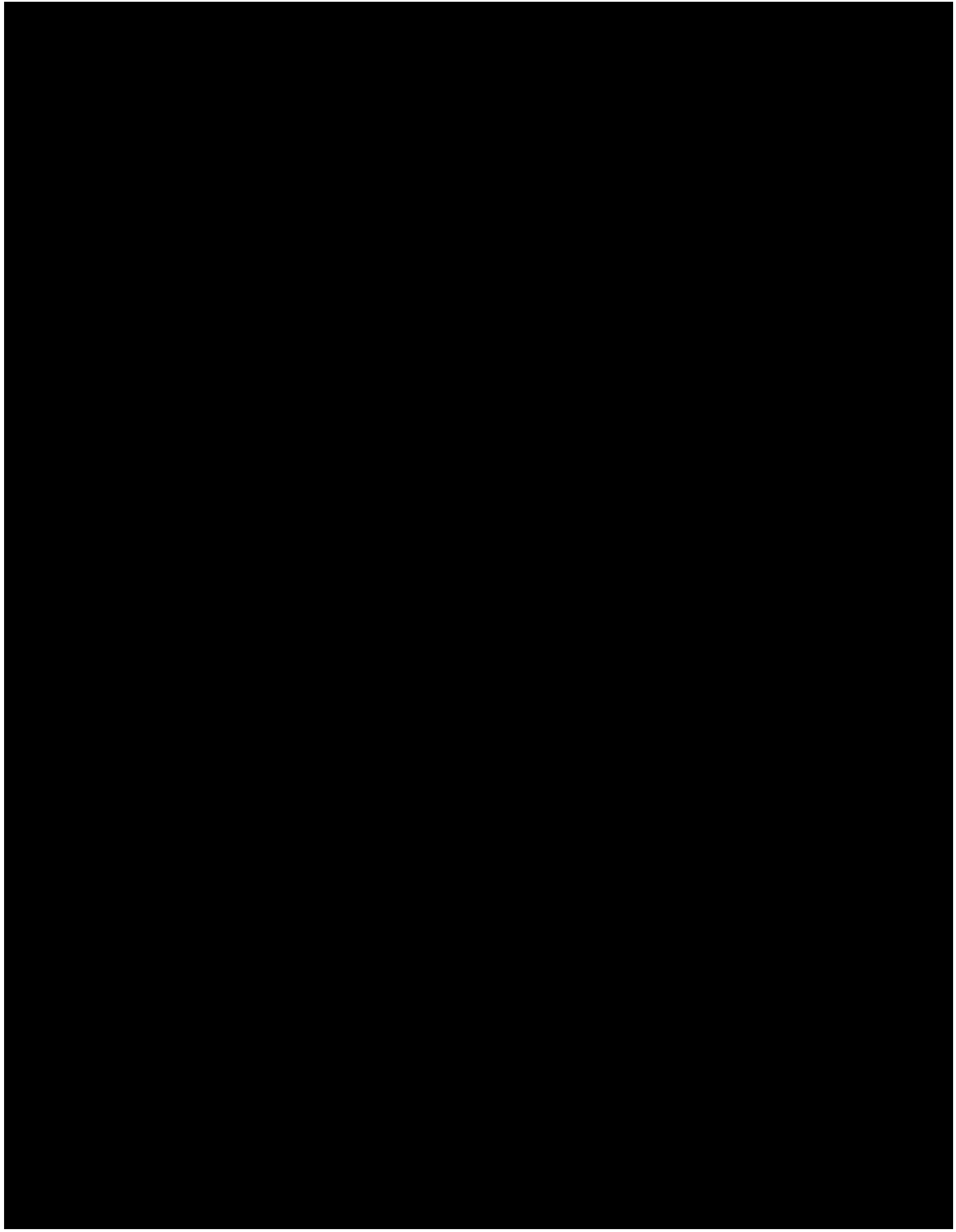


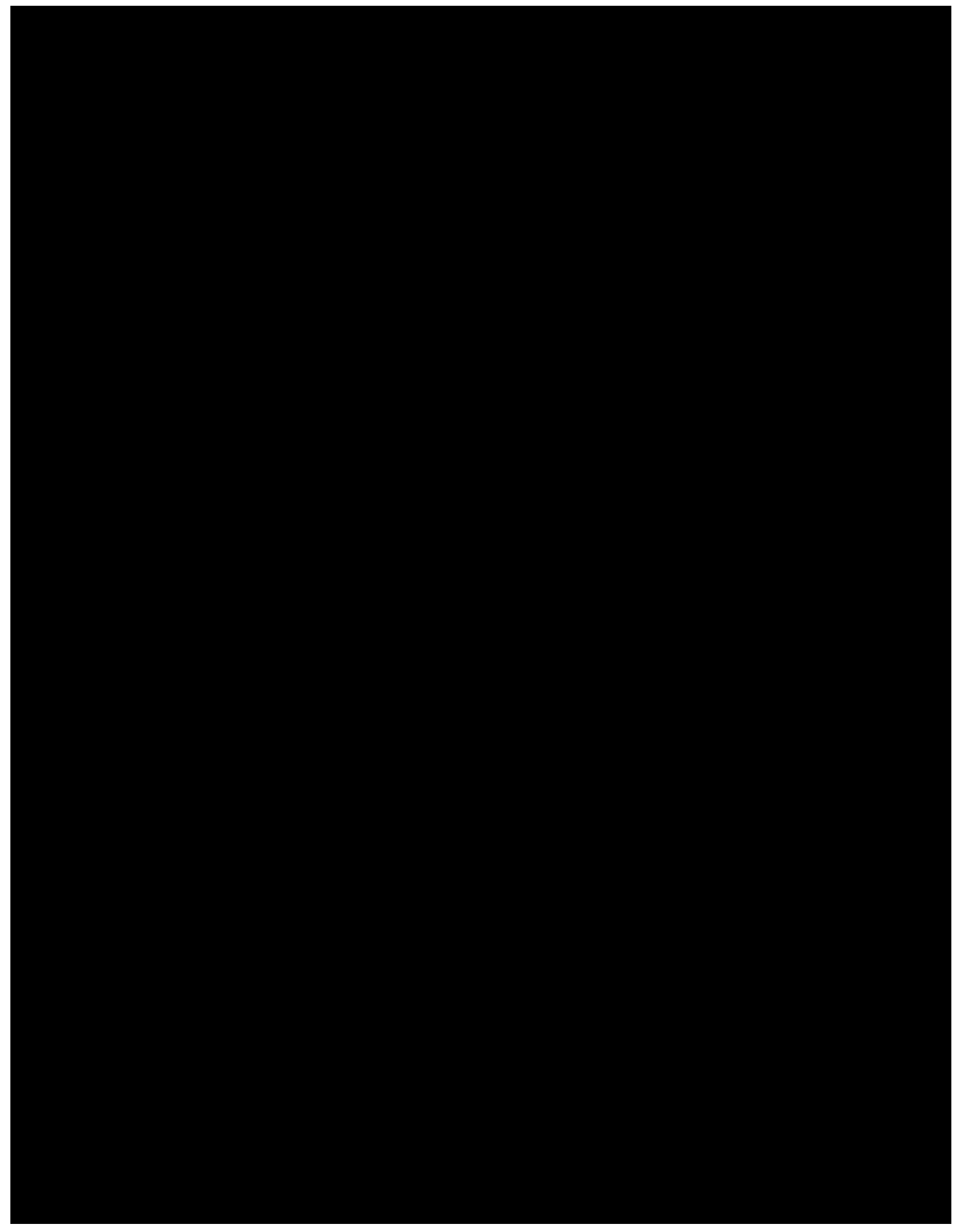


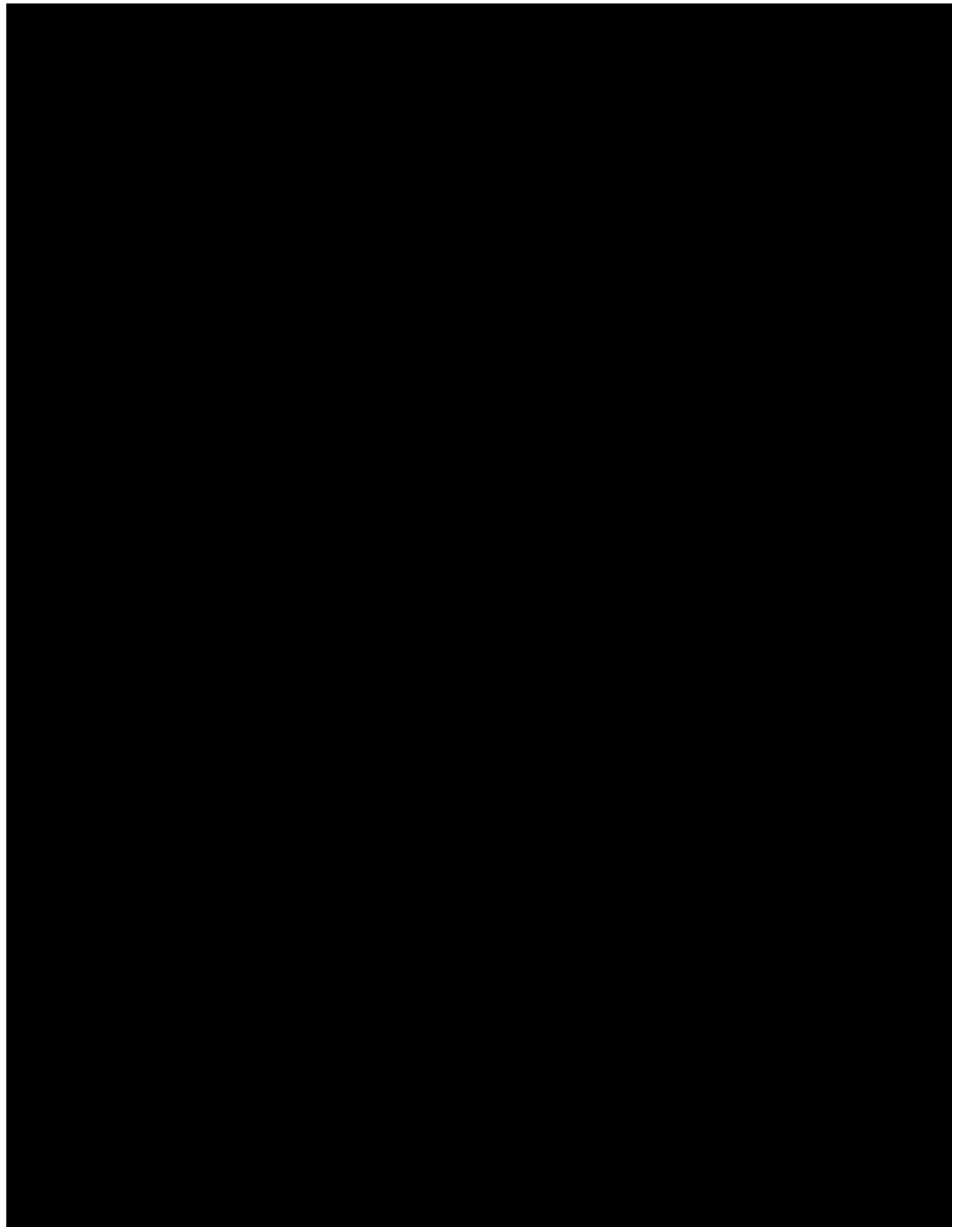


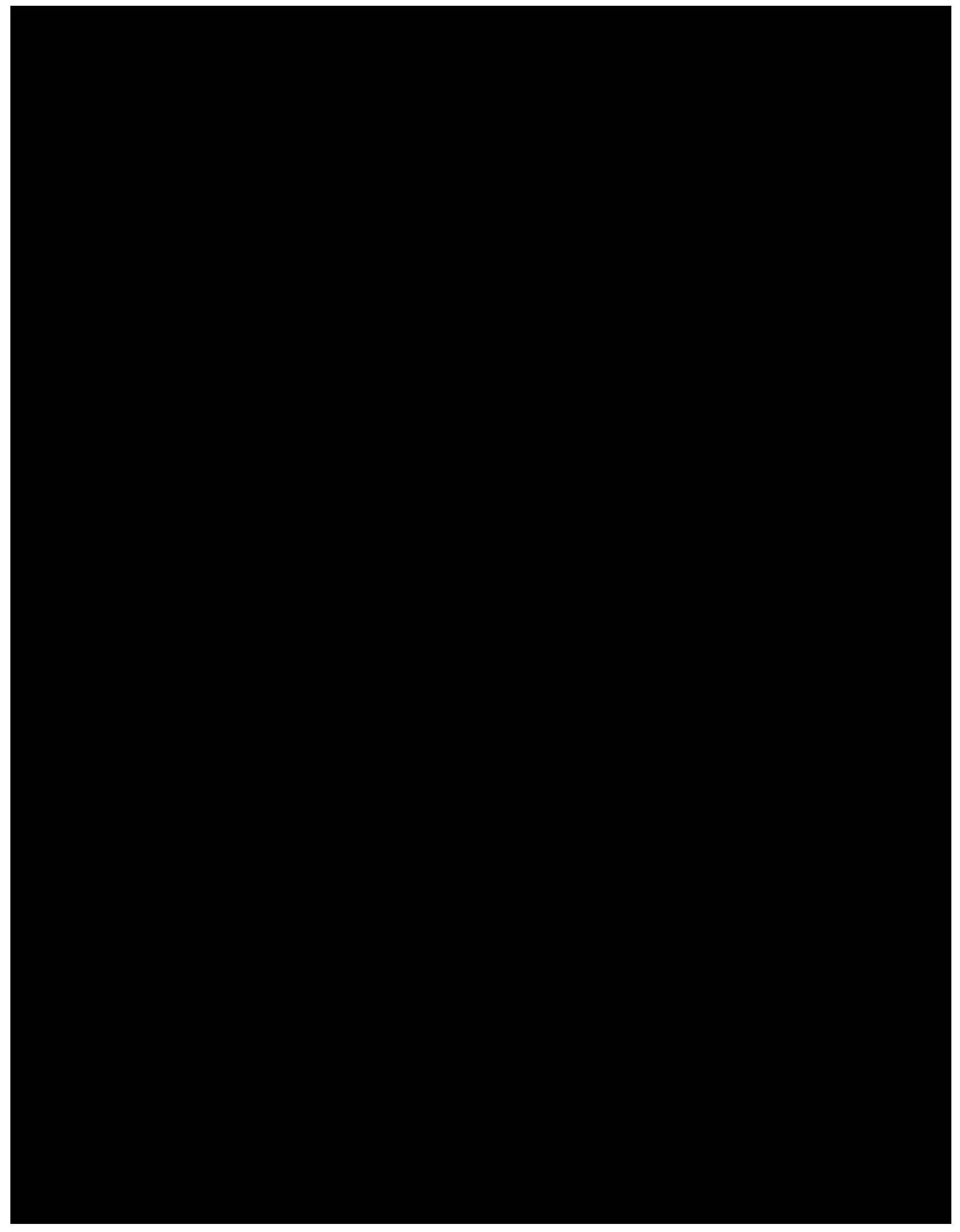


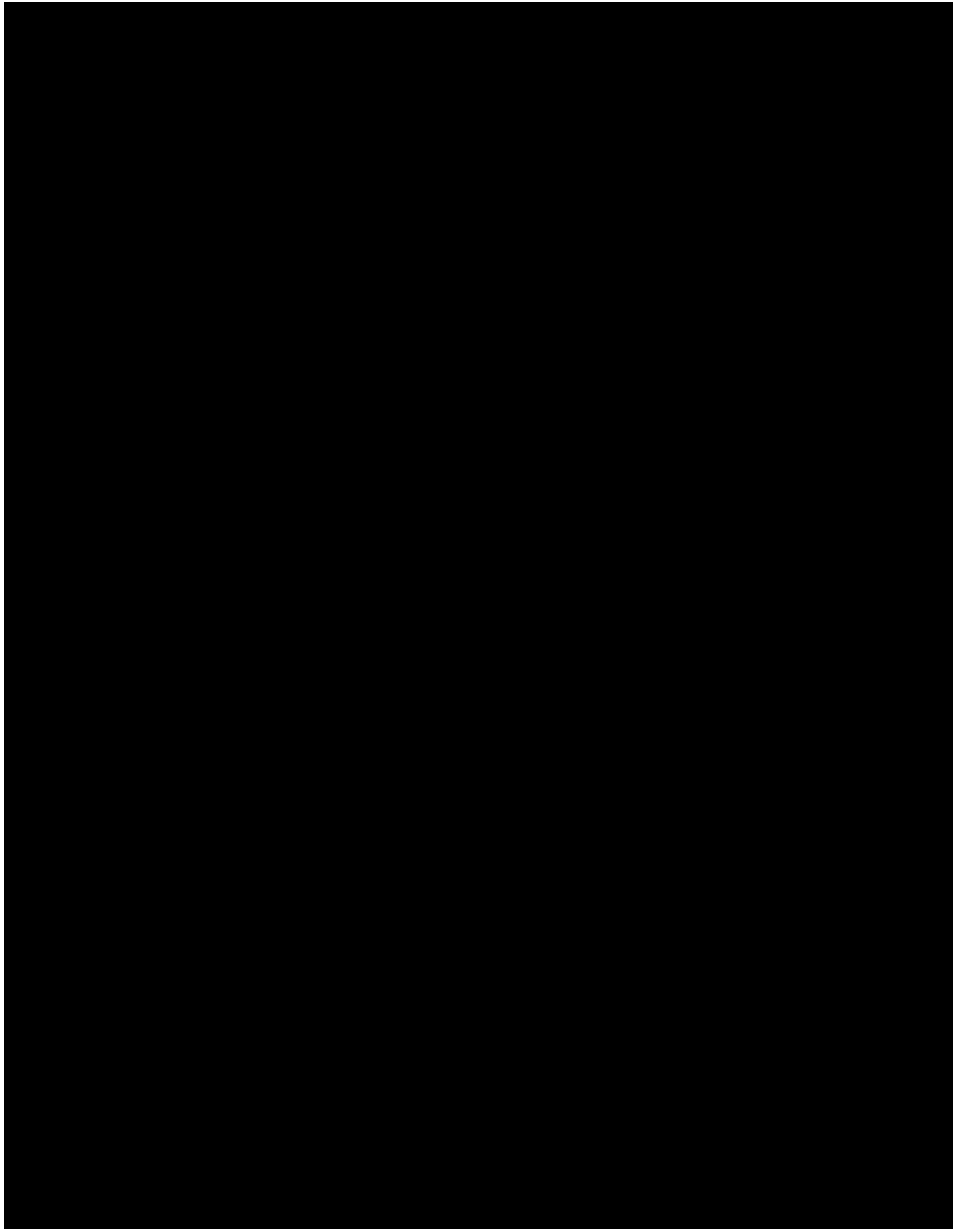




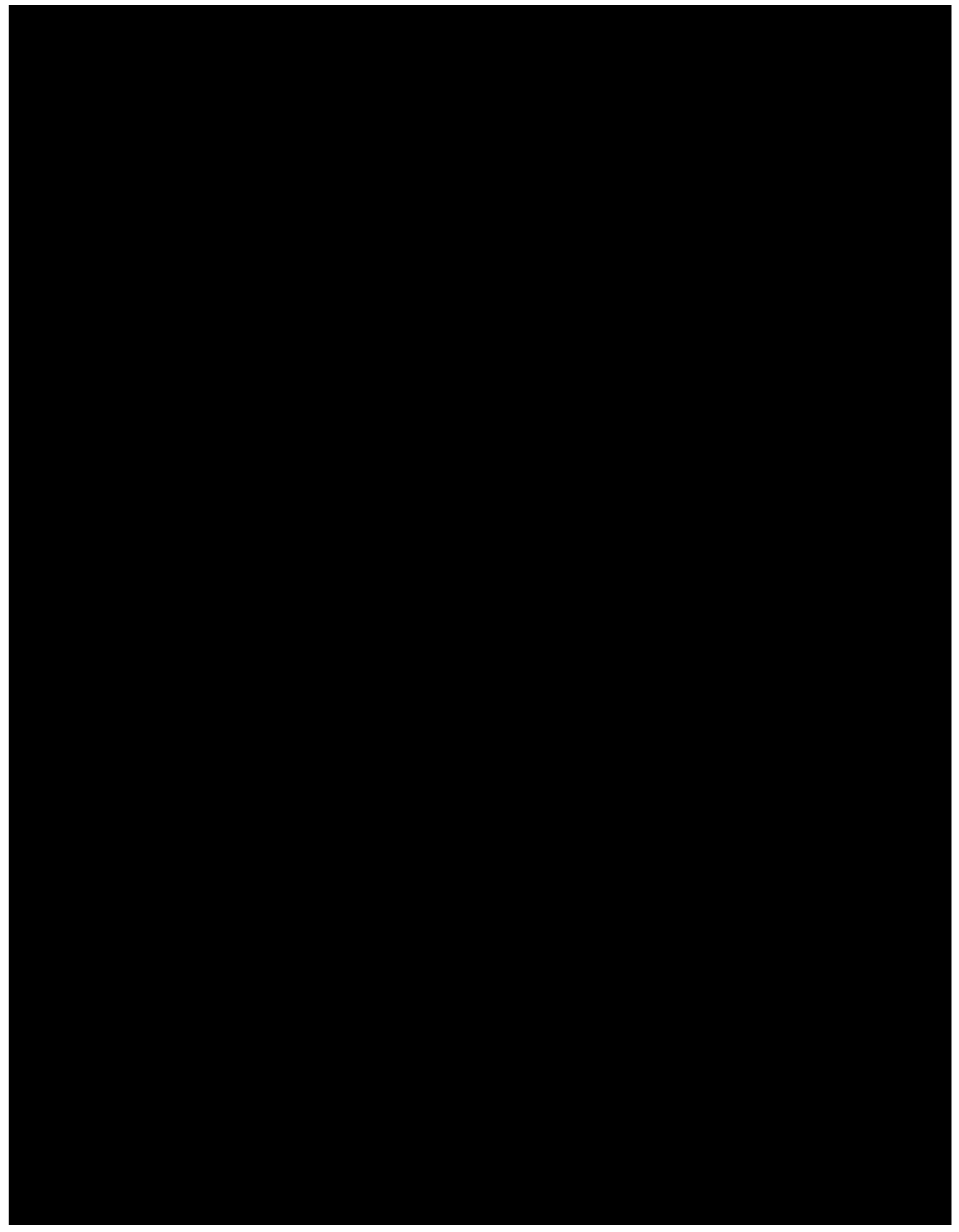


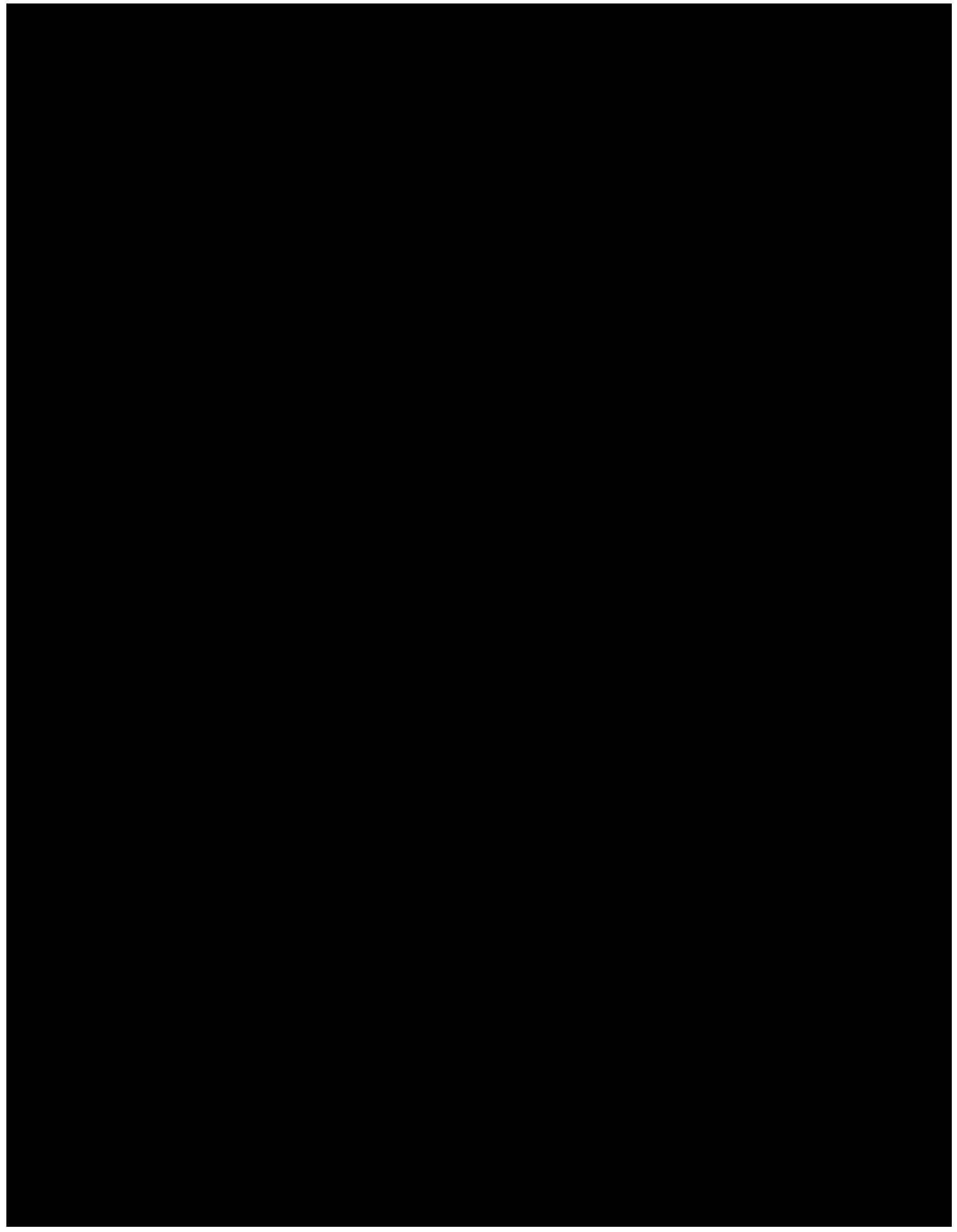


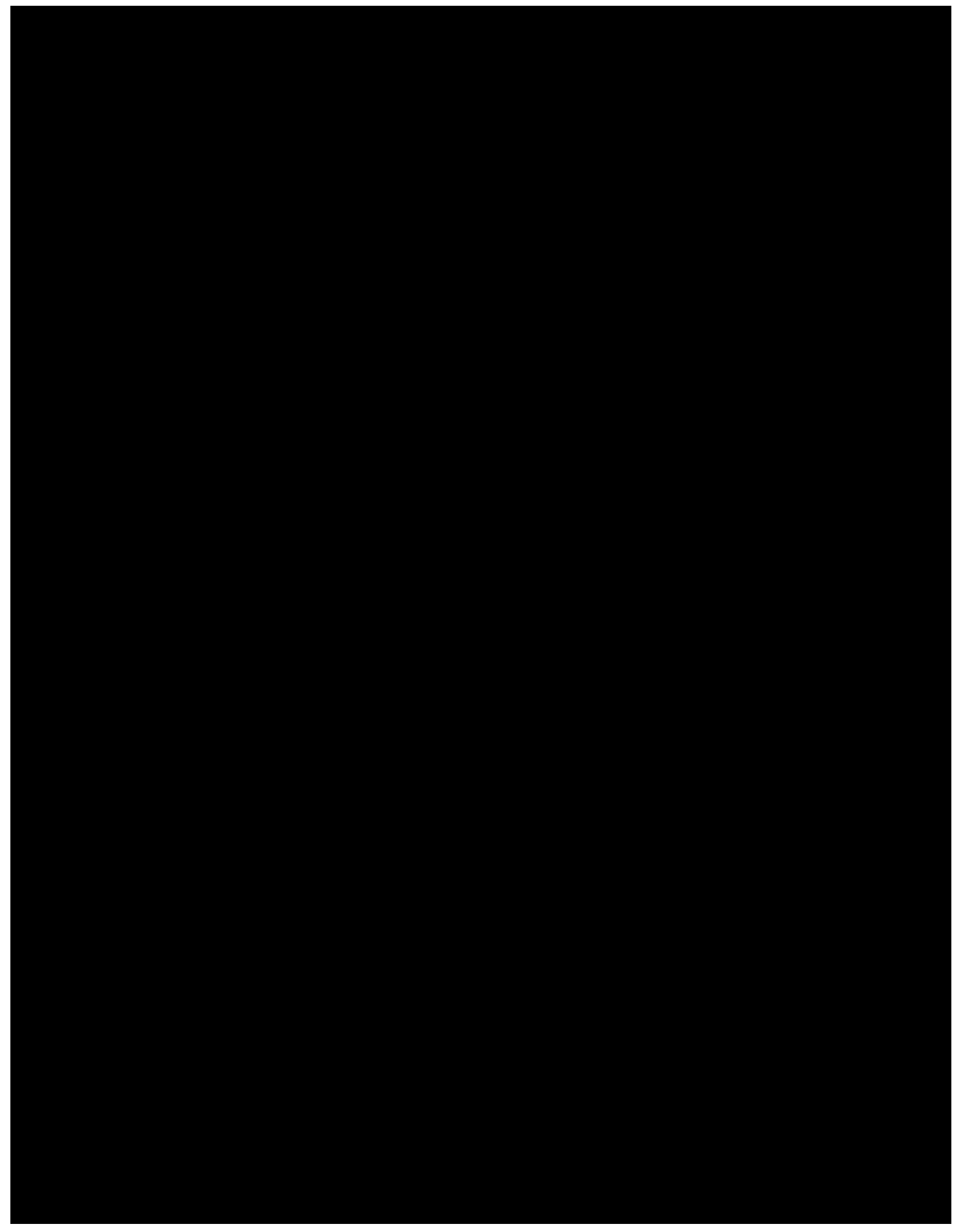












# Division of Corporation Finance

## Financial Reporting Manual



### *For Division of Corporation Finance Staff Use Only*

Notice to Staff: This Manual was prepared by the staff of the Division of Corporation Finance. It is designed to be an internal reference document and to provide general guidance only to Division staff. Due to its highly informal nature, it does not necessarily contain a discussion of all material considerations necessary to reach a conclusion. With respect to any conflicts with authoritative or summarized material, the authoritative or source material governs. This Manual is not intended to, does not, and may not be relied upon to create any rights, substantive or procedural, enforceable at law by any party in any matter civil or criminal. Further, it is not, nor is it intended to be, published or interpretations of the Division or the Office of the Chief Accountant, such as a Staff Accounting Bulletin. The information presented is not rules, regulations, or statements of the Commission, and the Commission has neither approved nor disapproved this information. The information included in this manual will be updated from time to time and positions may change. As a result, the information in this manual may not be current.

intervening events, transfer restrictions and exercise dates, and profitability and financial condition of the company at the date of the valuation. If the estimated fair value of the stock is substantially below the IPO price, the registrant should be able to reconcile the difference between them (for example, explain the events or factors that support the difference in values). The reliability of a valuation specialist's fair value determination may be affected by the timing of the valuation (contemporaneous versus retrospective) and the objectivity of the specialist (unrelated versus related-party).

**7520.2 Nominal Issuances [SAB Topic 4D]**

- a. Nominal issuances of shares are considered in-substance recapitalization transactions. Issuances of shares for which compensation or other expense has been appropriately recorded under APB 25 or SFAS 123/123R ordinarily would not be considered nominal issuances since consideration received for issuance of shares may include goods or services. However, even if goods or services are received, it may still be necessary to compare the consideration received, as accounted for in the financial statements, to the fair value of the shares issued to determine whether the consideration is nominal. Also, issuances of shares in exchange for assets (for example, SAB 48 transactions) would not be considered nominal issuances, unless the fair value of the assets is nominal.
- b. In an IPO, and in subsequent filings, nominal issuances of common stock and potential common stock (for example, options and warrants) should be reflected in the calculation of earnings per share for periods prior to their issuance in a manner similar to a stock split or stock dividend for which retroactive treatment is required. [SFAS 128.54]
- c. Nominal issuances should be limited to certain issuances to investors or promoters.

\* \* \* \* \*

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## Understanding and Avoiding the Cheap Stock Problem

James Biehl

The success of a development stage company is greatly dependent upon its ability to attract, motivate and retain senior managers and other key employees. These companies, however, often do not have sufficient cash to offer these individuals competitive salaries and benefits. Instead, they can offer equity securities (or securities convertible into equity securities, such as stock options) of the company in anticipation of an initial public offering ("IPO") and the potential increase in equity value of the securities. The issuance of equity securities, or options to purchase equity securities, is an effective tool in attracting, motivating and retaining employees who are willing to accept a modest salary in exchange for the opportunity to profit from the increase in value of a development stage company.

Offering equity securities to key employees may accomplish the company's immediate human resources goals but a subsequent decision to go public may create the accounting problem of "cheap stock" — equity securities issued prior to

a public offering at prices substantially below the IPO price. If a company is determined to have issued cheap stock, the Securities and Exchange Commission (the "SEC") will require it to recognize compensation expense equal to the difference between the market value of the securities on the date of grant and the purchase price or exercise price of the securities. The unexpected recognition of compensation expense may have a significant negative impact on the company's income statement and may adversely affect its IPO.

A company's ability to successfully complete a public offering is often dependent upon its demonstration of strong performance in its earnings per share ("EPS") and a steady increase in EPS from prior years. Earnings per share is commonly used to project the future earnings of a company, and is commonly used to determine the IPO price of the company's equity securities. Accordingly, in light of the negative impact on EPS resulting from the recognition of compensation expense, it becomes very important to the company to avoid the classification of its outstanding securities as "cheap stock."

The following scenario illustrates how a cheap stock problem can develop:

A development stage company grants 200,000 stock options to its employees six months preceding its IPO. The exercise price on all of the options is \$.50 per share. In connection with the company's IPO, it expects the offering price to be between \$9.00 and \$11.00 per share. The SEC reviews all of the facts and concludes that the fair value of the stock is



\$10.00 per share (the expected IPO price). Because the difference between the exercise price and the fair value of stock before the offering was \$9.50 per share, the SEC may take the position that the company should have recorded compensation expense for the year of \$1,900,000 (\$9.50 times 200,000 shares). If the company's earnings are relatively low (e.g. 1,000,000), recognizing this expense will have a significant negative impact on the company's income statement and may jeopardize its ability to go public.

#### **Determination of Cheap Stock**

The SEC has announced that it will be looking closely at situations in which corporate insiders (e.g., directors, officers and employees) have been issued cheap stock prior to the company's IPO. Under current accounting standards, a company is required to use the best estimate of a market price to value its stock. The SEC, on the other hand, presumes on the whole that the fair value of all securities of the company issued within the twelve-month period before the company's IPO is equal to the expected IPO stock price. Accordingly, the staff will usually question any company that issued stock options to insiders within the twelve-month period before its IPO if the options have an exercise price substantially below the expected IPO stock price.

What constitutes "substantially below" the IPO price? The SEC has indicated that there is "no set formula" for pricing stock issued to insiders prior to the IPO (e.g. 70% of the IPO price) that would ensure that the SEC finds the stock to be fairly priced. The SEC's determination of cheap stock depends on the facts of each case. The SEC considers such factors as the proximity between the date an insider's stock

options were issued and the date of the IPO; whether the company developed any new products between the time the insider was issued stock and the date of the IPO; the company's earnings between the time the Insider was issued stock and the date of the IPO; and any third party transactions as best evidence of the value of the stock when issued to the insider. The SEC also recognizes the argument that a private company or illiquidity discount of the IPO price is justified given the risk that the IPO might not close, or close below the anticipated public offering price.

If the SEC detects a cheap stock problem, it will ask the company to provide the staff of the SEC with a list of all options granted within the twelve-month period preceding the IPO, along with the dates of each grant, the numbers of shares underlying each option, the exercise price, and the fair value of the underlying stock. The SEC will also ask the company to state and support the method of determining the fair value of the securities on the date of grant. If the staff concludes that the exercise price for the stock underlying the options does not represent a reasonable estimate of the stock's value at the time of grant, the SEC will require the company to recognize compensation expense and to restate its financial statements for the IPO.

#### **Reducing the Risk of Cheap Stock**

A company that has granted stock options during the year prior to its IPO at an exercise price less than the anticipated offering price should expect to receive a cheap stock comment from the staff of the SEC. A company that understands the cheap stock problem can take steps to

reduce the risk that the SEC will require the company to record compensation expense in connection with the stock option grants. For example, the company could:

- Adopt a policy that the exercise price of all stock options must equal the fair market value of the underlying stock on the date of the grant. The difficulty of this step is the development and implementation of cost-effective procedures for making reasonable estimates of fair market value. Valuation procedures commonly used include: independent valuation from outside appraisers; industry valuation formulas (e.g., formulas based on a factor of EBITDA (earnings before interest, taxes, depreciation and amortization) for the 12-month period ending on the grant date); and stock transactions with unaffiliated third parties (e.g., private placements of common stock) as evidence of fair market value.
- Discontinue new option grants or grant new options at the IPO price, especially when the company contemplates an IPO within the next several months.
- Maintain records of valuation methods used to determine the fair market value of underlying stock on the date of grants.

#### **Conclusion**

A company that grants options to its employees within one year prior to its IPO, especially at exercise prices substantially less than the IPO price, will most likely receive a cheap stock comment from the SEC. A company that

understands the problem in advance and takes steps to avoid it will be able to address the SEC's comment and avoid, or at least reduce, the recognition of compensation expense, thereby increasing the likelihood that its IPO will be successfully completed.

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James Allen Fisher

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Current Date

Board of Directors

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RE: Company Name  
SEC File #: \_\_\_\_\_  
CIK #: \_\_\_\_\_

Gentlemen:

Pursuant to the partner rotation rules and requirements of both the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002; we wish to inform you that the certified public accounting firm of S. W. Hatfield, CPA will be unable to continue as your auditors, effective after our audit/review of your \_\_\_\_\_, 20\_\_ financial statements and Form 10-K/Q.

Accordingly, we hereby tender our resignation as the auditor of record for \_\_\_\_\_, to be effective upon the filing of your Annual/Quarterly Report on Form 10-K/Q for the year/quarter ended \_\_\_\_\_, 20\_\_.

Further, by copy of this resignation letter to the U. S. Securities and Exchange Commission, we hereby confirm that the client-auditor relationship between \_\_\_\_\_ (SEC File # \_\_\_\_\_, CIK # \_\_\_\_\_) will cease upon your filing of the Form 10-K/Q for the year/quarter ended \_\_\_\_\_, 20\_\_.

Upon the effectiveness of our resignation, please provide us with a disclosure compliant copy of the Form 8-K filing, required to be filed with the U.S. Securities and Exchange Commission within the statutory filing period, for our review and preparation of the appropriate required response as Exhibit 16.1 of said Form 8-K filing.

Sincerely,  
S. W. HATFIELD, CPA

/s/ S. W. Hatfield, CPA

Scott W. Hatfield, CPA

SWH/

cc: Office of the Chief Accountant  
PCAOB Letter File  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549  
202-551-5300  
202-772-9252 (fax)

**Letterhead of S. W. Hatfield, CPA**

December 20, 2007

Board of Directors  
Epicus Communications Group, Inc.  
610 Crescent Executive Court, Suite 300  
Lake Mary, FL 32746-2113

RE: SEC File #: 000-17058  
CIK #800401

Gentlemen:

Pursuant to the partner rotation rules and requirements of both the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002; we wish to inform you that the certified public accounting firm of S. W. Hatfield, CPA is unable to continue as your auditors, effective immediately.

Accordingly, we hereby tender our resignation as the auditor of record for Epicus Communications Group, Inc. (Company) (SEC File #000-17058, CIK #800401).

Further, by copy of this letter to the U. S. Securities and Exchange Commission, we hereby confirm that the client-auditor relationship between Epicus Communications Group, Inc. (Company) (SEC File #000-17058, CIK #800401) have ceased.

Yours truly,  
S. W. HATFIELD, CPA

/s/ Scott W. Hatfield

Scott W. Hatfield, CPA

SWH/

cc: Office of the Chief Accountant  
SECPS Letter File  
Securities and Exchange Commission  
Mail Stop 9-5  
450 Fifth Street, NW  
Washington, DC 20549

October 8, 2004

Board of Directors  
Million Dollar Saloon, Inc.  
6848 Greenville Avenue  
Dallas TX 75231

RE: SEC File #: 0-27006  
CIK #: 1002396

Gentlemen:

Pursuant to the partner rotation rules and requirements of both the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002; we wish to inform you that the certified public accounting firm of S. W. Hatfield, CPA will be unable to continue as your auditors, effective after our review of your September 30, 2004 financial statements and Form 10-QSB.

Accordingly, we hereby tender our resignation as the auditor of record for Million Dollar Saloon, Inc., effective upon the filing of your Quarterly Report on Form 10-QSB for the quarter ended September 30, 2004.

Further, by copy of this letter to the U. S. Securities and Exchange Commission, we hereby confirm that the client-auditor relationship between Million Dollar Saloon, Inc. (SEC File #0-27006, CIK #1002396) will cease upon your filing of the Form 10-QSB for the quarter ended September 30, 2004.

Yours truly,  
S. W. HATFIELD, CPA

/s/ S. W. Hatfield, CPA

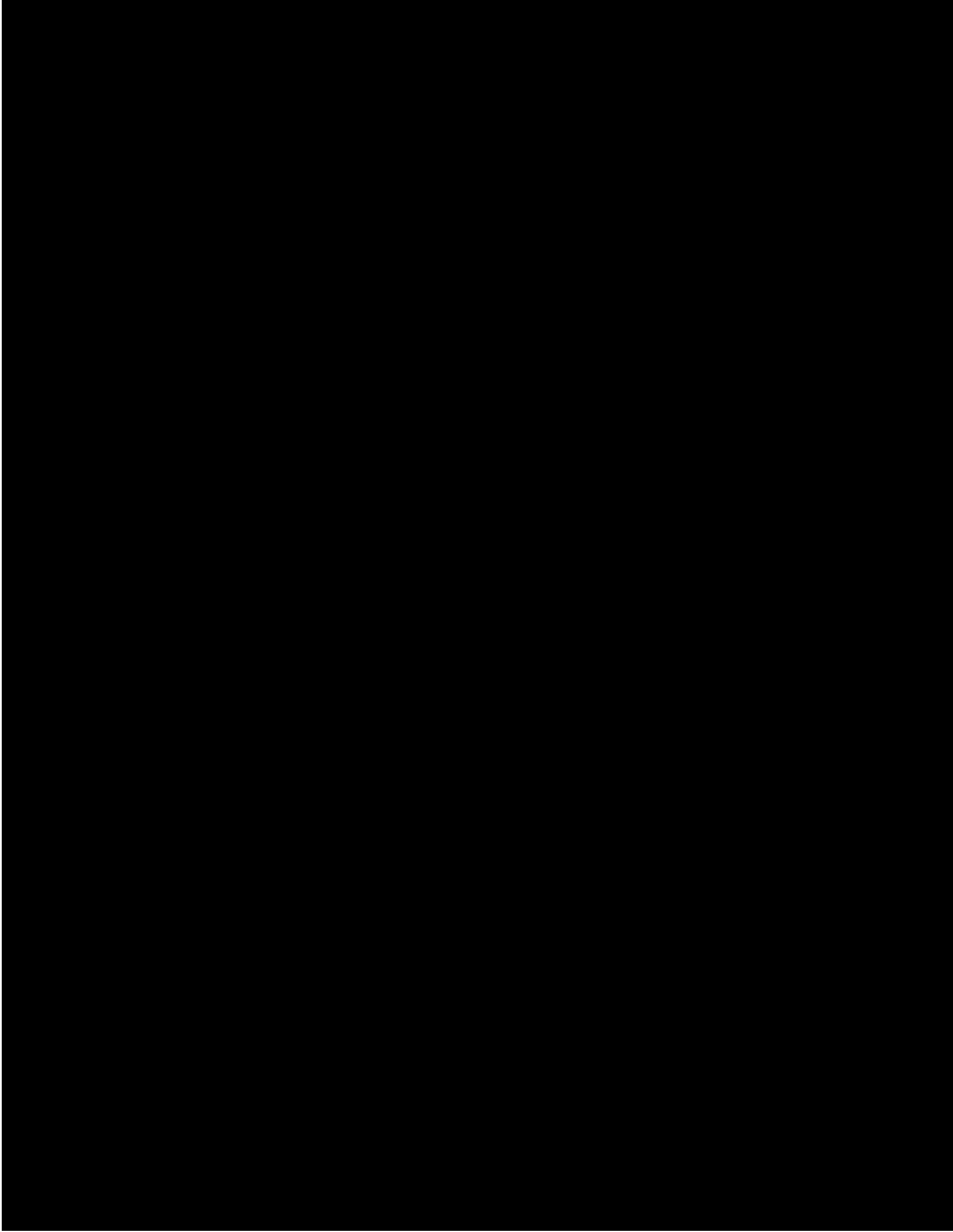
Scott W. Hatfield, CPA

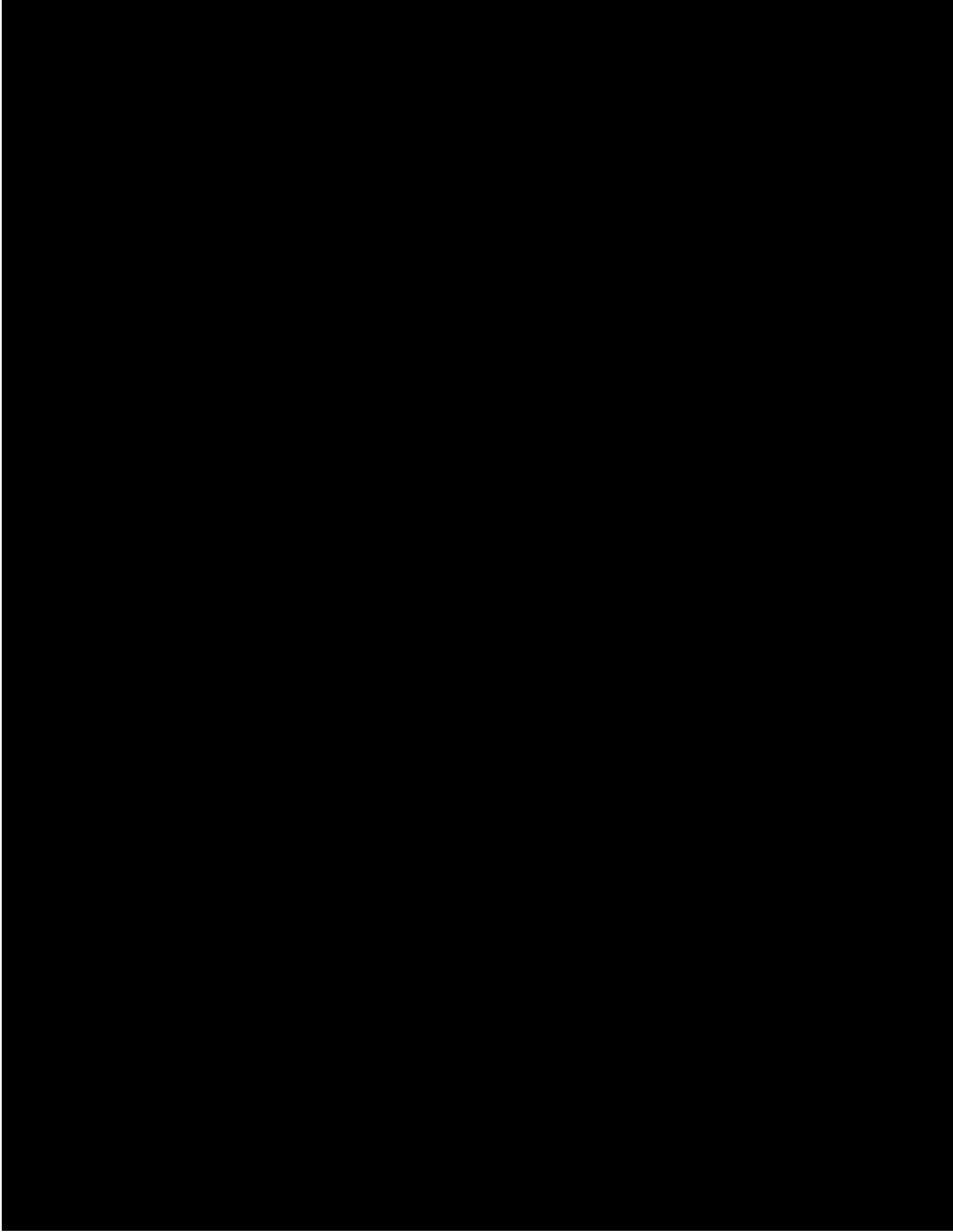
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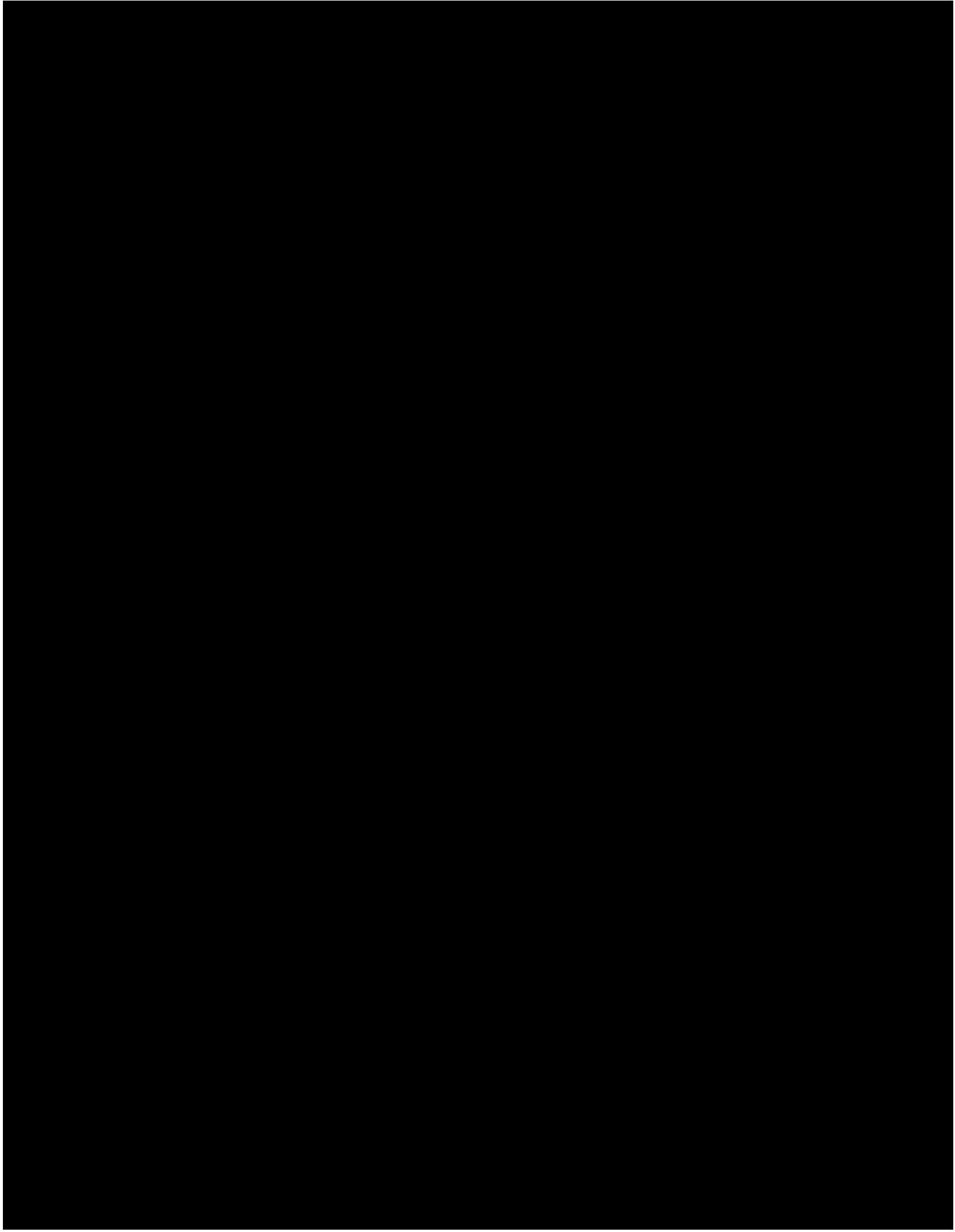
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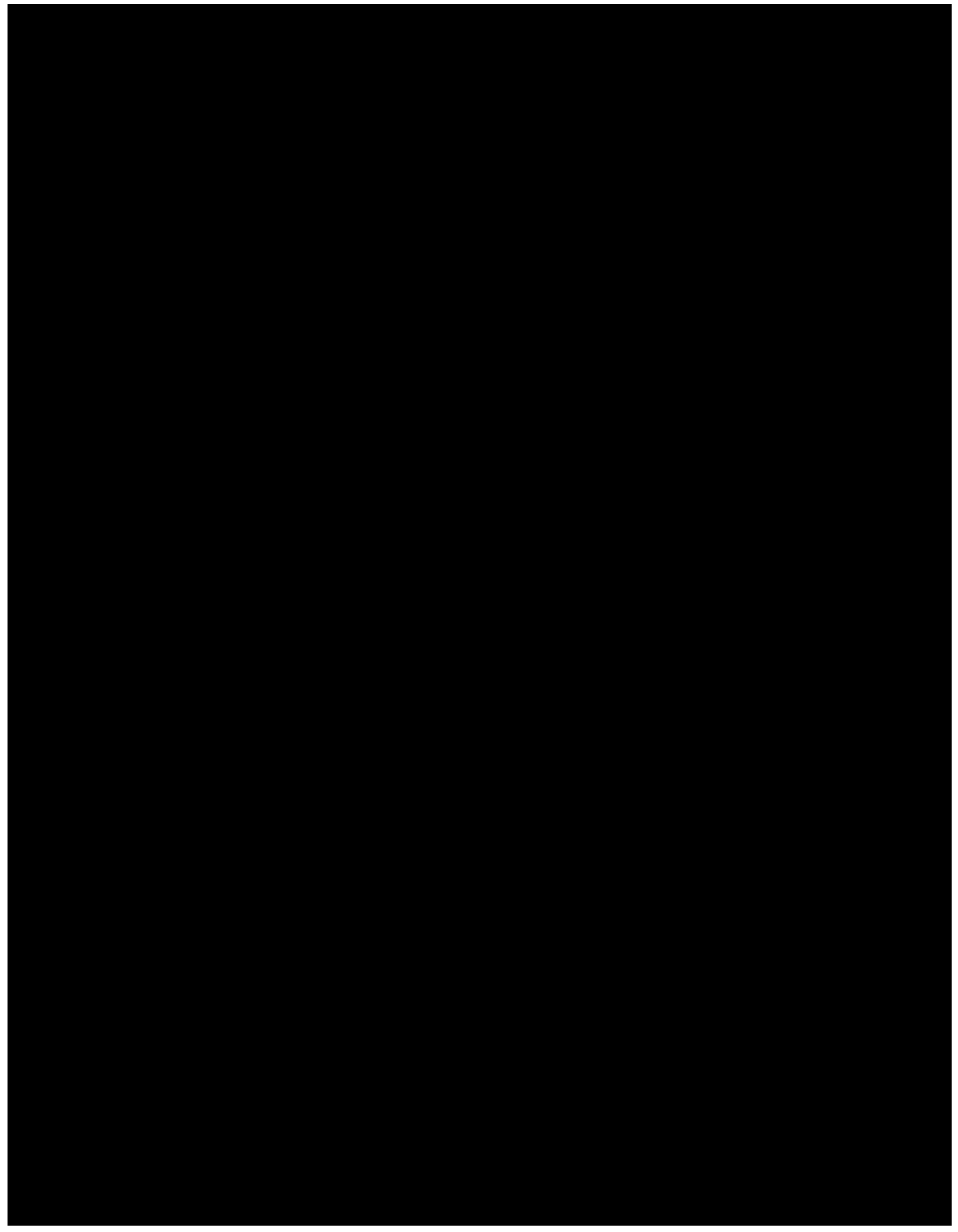


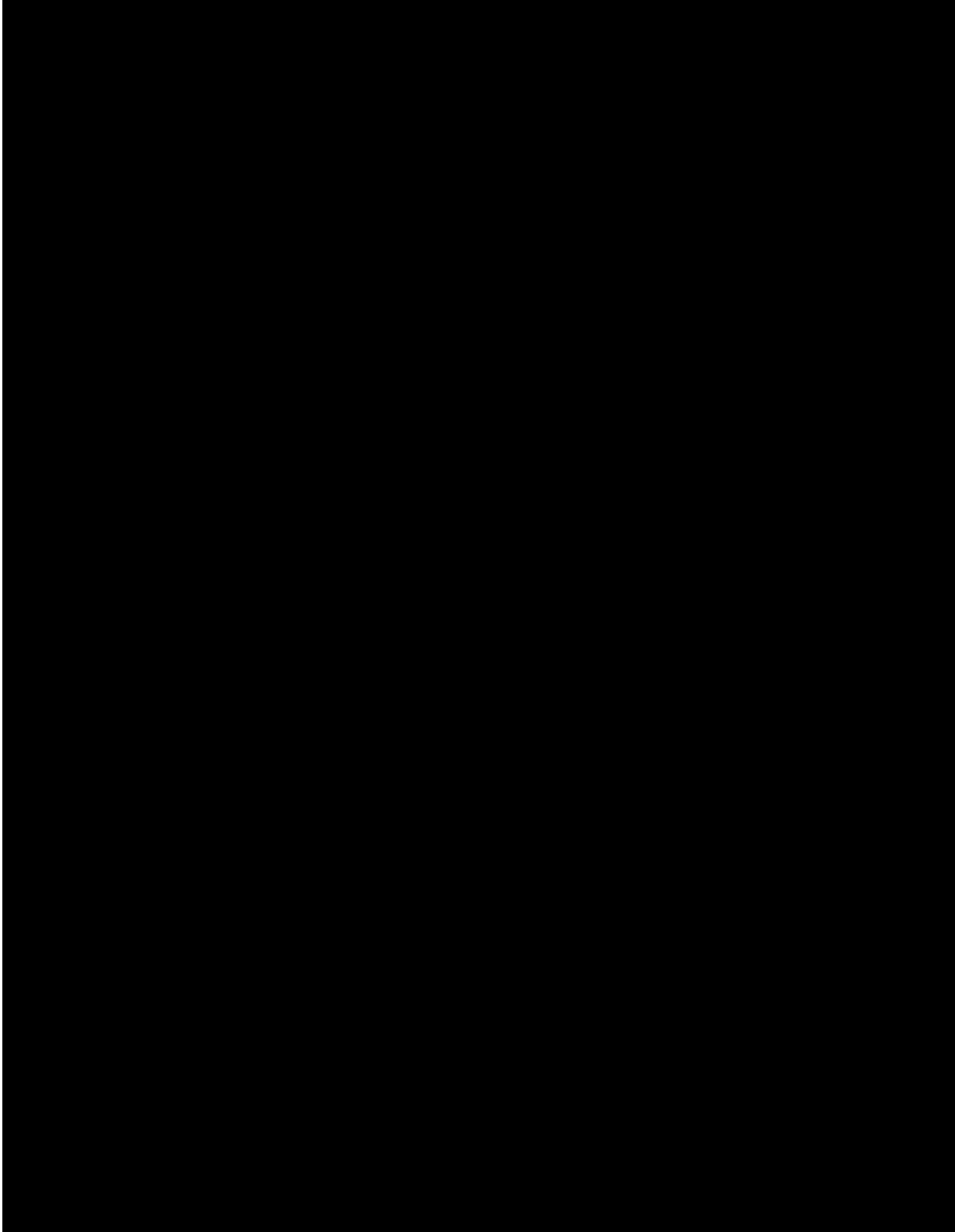












**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67793**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3415**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15012**

**In the Matter of**

**Scott W. Hatfield, CPA; and**  
**S. W. Hatfield, CPA**

**Respondents.**

**DIVISION OF ENFORCEMENT'S MOTION**  
**FOR SUMMARY DISPOSITION AND BRIEF IN**  
**SUPPORT**

Pursuant to Rule 250 of the Commission's Rules of Practice ("Rules of Practice"), the Division of Enforcement ("Division") of the United States Securities and Exchange Commission ("Commission") moves for summary disposition of this action because there exists no genuine issue with regard to any material fact and the Division is entitled to summary disposition as a matter of law. 17 C.F.R. § 201.250(b).

**I.**  
**INTRODUCTION**

The key questions in this case are:

- (1) whether S.W. Hatfield, CPA's ("SWH") license to provide certified public accounting services was expired between January 31, 2010 and May 19, 2011; and

- (2) whether Respondents issued audit reports for public company issuers while SWH's firm license was expired.

If so, the Division contends, Respondents violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder and should be ordered to cease and desist therefrom and should further be permanently barred from appearing before the Commission pursuant to Rule of Practice 102(e)(1)(i) and (iii).

In their Answer, Respondents admit that SWH's firm license was expired from January 31, 2010 until May 19, 2011. And while they deny issuing 38 audit reports while SWH's license was expired, indisputable records of Respondents' issuer clients, including registration statements and periodic reports filed with the Securities and Exchange Commission, demonstrate that they did.

**II.**  
**EVIDENCE SUPPORTING SUMMARY DISPOSITION**

The Division respectfully submits the following evidence in support of its Motion:

Exhibit 1: Excerpt of Respondents' September 20, 2012 Production of Documents to the Commission: March 8, 2010 TSBPA email string

Exhibit 2: Declaration of Division Staff Accountant David R. King

Exhibit A to King Dec: March 28, 2010 Letter to Respondents

Exhibit B to King Dec: April 10, 2010 Subpoena to Respondents

Exhibit C to King Dec: April 24, 2013 Letter to Respondents

Exhibit D to King Dec: TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy, November 2008, Volume 97 at p. 11; TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy January 2009, Vol. 101 at pp. 1, 6-7; and TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy, November 2012, Vol. 113 at p. 3

Exhibit E to King Dec: SWH's "Report[s] of Registered Independent Certified Public Accounting Firm"



Exhibit F to King. Dec: SWH Issuer Client Commission Filings

Exhibit G to King Dec: Appendix of Filings Including Audit Reports Issued By SWH while License Expired January 31, 2010 to May 19, 2011

Exhibit H to King Dec: SWH Form 2 for reporting periods April 1, 2009 – March 31, 2010 and April 1, 2010 – March 31, 2011

Exhibit I to King. Dec: Division of Enforcement’s Prejudgment Interest Calculator Report

Exhibit 3: Declaration of TSBPA Executive Director William Treacy

Exhibit A to Treacy Dec: October 9, 2009 TSBPA Letter to Respondents

Exhibit B to Treacy Dec: March 11, 2010 TSBPA Internal Email

Exhibit C to Treacy Dec: March 8, 2010 TSBPA Email to Respondents

Exhibit D to Treacy Dec: March 15, 2010 TSBPA Letter to Koepke

Exhibit E to Treacy Dec: July 8, 2010 TSBPA Letter to Koepke

Exhibit F to Treacy Dec: January 24, 2013 TSBPA Report of SWH Firm License Fee Payments

### **III.**

#### **PROCEDURAL BACKGROUND**

This proceeding was instituted on September 6, 2012 pursuant to Sections 4C and 21C of the Exchange Act and Rules of Practice 102(e)(1)(i) and (iii), to determine whether Respondents should (1) be ordered to cease and desist from committing or causing violations of Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (“Exchange Act”) and, if so, whether they should be ordered to pay civil penalties and disgorge their ill-gotten gains with prejudgment interest; and (2) be censured or denied, temporarily or permanently, the privilege of appearing or practicing before the Commission. The Commission issued corrected Orders Instituting Public

Administrative Proceedings on October 17 and November 15, 2012 to address formatting errors in the document, but did not alter the Division's substantive allegations.

Respondents were properly served with the Second Corrected OIP, which they answered on December 20, 2012. The Division made its entire non-privileged investigative file available to Respondents for inspection, and Respondents inspected the file on January 15, 2013. During the parties' January 7, 2013 prehearing conference with this Court, the Division was given leave to file the instant motion for summary disposition.

#### IV. STATEMENT OF UNDISPUTED FACTS

Defendants admit that SWH is a public accounting firm based in Dallas, Texas and registered with the Public Company Accounting Oversight Board ("PCAOB"). Respondents' Answer, at "Respondents" ¶ 1. Hatfield agrees that he has been a licensed certified public accountant in Texas since 1985. *Id.* at ¶ 2. Respondents do not dispute that Hatfield is SWH's sole officer, director, and accountant. *Id.* Respondents further admit that Hatfield obtained SWH's initial license to practice as a public accounting firm from the Texas State Board of Public Accountancy ("TSBPA") in 1994, and thereafter renewed SWH's license annually through January 2009. Respondents' Answer, at "Facts," ¶ 1.

Respondents freely admit in their Answer that SWH's firm license expired on January 31, 2010 and was not renewed until May 19, 2011.<sup>1</sup> *Id.* at ¶ 5. Furthermore, Respondents do not deny that Hatfield knew SWH's license had expired, but instead claim that they are not required to answer this allegation and, alternatively, "lack sufficient information" to admit it. *Id.* At the very

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<sup>1</sup> As will be shown below, TSBPA business records reflect that SWH's license was not renewed until May 25, 2011. However, the Division alleged, and Respondents admitted, that SWH's firm license was renewed on May 19, 2011. For purposes of this motion, the Division will indulge every doubt in Respondents' favor and continue to assert that SWH's firm license was successfully renewed on May 19, 2011.  
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least, Respondents have admitted that they knew SWH's firm license had expired no later than March 8, 2010, when SWH affiliate Ronald W. Johnson forwarded to Hatfield a TSBPA email addressing the expiration. See Excerpt of Respondents' September 20, 2012 Production of Documents to the Commission, March 8, 2010 TSBPA email string, attached hereto as Exhibit 1.

Respondents agree that each certified public accounting firm licensed by TSBPA that performs attest services must enroll and participate in a peer review program. *Id.* at ¶ 3. The parties agree that firms performing attest services only for issuer clients can meet this requirement through an inspection process carried out by the PCAOB. *Id.* The parties also agree that a firm that performs attest services for any non-issuer clients must also enroll in a peer review program for review of its non-public company attest work. *Id.*

V.

**REMAINING MATERIAL FACTS DEFENDANTS DO NOT ADMIT  
BUT FOR WHICH THERE IS NO GENUINE ISSUE IN DISPUTE**

**A. THE SECURITIES LAWS REQUIRED RESPONDENTS TO HAVE A VALID PUBLIC ACCOUNTANCY LICENSE TO PRACTICE AS A CPA FIRM IN TEXAS.**

Regulation S-X, which lays out the specific format and content for financial reports, requires audit reports to be prepared by "an independent public or certified public accountant." See SEC Reg. S-X at Rule 1-02(a), 17 C.F.R. § 210.1-02(a)(1). Rule 2-01 of the Regulation specifies that public accountants "are only those duly registered and in good standing" in the jurisdiction in which they reside, in this case, Texas. *Id.*, § 210.2-01.

Under the Texas Public Accountancy Act, a firm may not provide attest services or hold itself out as a certified public accounting firm unless it holds a validly issued firm license. See TEX. OCC. CODE § 901.351(a); TEX. ADMIN. CODE § 501.80. Attest services are defined in the Texas Public Accountancy Act to include audits. TEX. OCC. CODE § 901.002(a)(1). Furthermore,

only a license holder may perform an attest service or issue a report on a financial statement. *Id.* § 901.456.

A firm license must be renewed annually. *Id.* § 901.351(d). By statute, at least thirty days before the expiration of a license, the TSBPA provides written notice to a license holder of the impending license expiration. *Id.* § 901.404.

A licensee who has failed to pay the annual fee is not in good standing in the State of Texas and is not permitted to hold itself out as a CPA until all fees are paid. *See* Declaration of David King (“King Dec.”), attached hereto as Exhibit 2, at ¶ 10 and Exhibit D.

Hence, a firm that fails to maintain its CPA license in Texas is not in good standing and, therefore, is not recognized as a public accountant under Regulation S-X of the federal securities laws. Here, not only was SWH not in good standing in Texas between January 31, 2010 and May 19, 2011, Respondents knowingly issued audit reports for multiple issuers during this time, despite their awareness that doing so violated the law.

**B. RESPONDENTS WERE REPEATEDLY NOTIFIED ABOUT LICENSE EXPIRATION.**

Respondents cannot dispute that they were notified, on multiple occasions, that SWH’s firm license would expire, and had in fact expired due to non-payment of required fees and failure to complete required peer reviews.

By September 28, 2009, SWH was three years past-due on its obligation to complete peer review requirements. In a letter dated October 9, 2009, the TSBPA notified Respondents that SWH’s CPA license for 2010 had not been issued and that SWH had failed to report its peer review results for the years 2006 – 2010. Treacy Dec., ¶ 5. No later than December 31, 2009, the TSBPA sent Respondents written notification that SWH’s firm license would expire on January 31, 2010, as it was required to do by law. *See* TEX. OCC. CODE § 901.404; Treacy Dec., ¶ 6.

By no later than February 2010, Virginia Moher, an enforcement attorney for the TSBPA, was in regular contact with John Koepke, a Jackson Walker L.L.P. attorney engaged to represent Hatfield in a PCAOB investigation into his accountancy practices, regarding Respondents' licensing and peer review delinquency issues.<sup>2</sup> See Treacy Dec., ¶ 7.

In or before March 2010, the TSBPA again alerted Respondents, in a phone call with attorney Koepke, that SWH's firm license was expired, that it was three years delinquent in satisfying its peer review requirements, and that Respondents could be sanctioned for providing attest services without a valid firm license. Treacy Dec., at ¶ 8. According to the TSBPA, Respondents claimed that they did not provide attest services to non-issuer clients and, therefore, were exempt from peer review. *Id.* Based on that claim, the TSBPA sent a follow up letter to Respondents' counsel on March 15, 2010, notifying them that they were required to provide a PCAOB letter stating that all issues arising from its September 28, 2005 inspection had been "satisfactorily addressed" by SWH. *Id.*, ¶ 10.

On March 8, 2010, the TSBPA's Licensing Division notified SWH affiliate Ronald Johnston, by email, that SWH's firm license was delinquent and expired. *Id.*, ¶ 9. On the very same day, Mr. Johnson forwarded that email to Respondents. See Exhibit 1. In Respondents' September 20, 2012 production of documents to the Commission, they produced a document admitting their receipt of the TSBPA's email on March 8, 2010. *Id.* Hence, even if Respondents claim they were unaware SWH's license expired January 31, 2010, they have admitted that they knew of its expiration no later than March 8, 2010, yet they did not renew it until more than a year thereafter. *Id.*

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<sup>2</sup> The TSBPA first contacted Hatfield, through Jackson Walker counsel John Koepke, in Spring 2008. Koepke first responded to the TSBPA, on Hatfield's behalf, on May 14, 2008 to report his client's efforts to address the findings reached in a separate investigation of Hatfield's accountancy practices conducted by the PCAOB. See Treacy Dec., ¶ 7.

On July 8, 2010, the TSBPA sent another letter to Koepke advising that SWH's firm license would be blocked and that the firm could not (a) hold itself out as a CPA firm; or (b) perform audits or attestations because its firm license was delinquent and expired. *Id.*, ¶ 12.

Finally, on May 25, 2011, the TSBPA permitted SWH to obtain a firm license after the firm paid the required fee and after determining that the PCAOB had not issued final sanctions against Respondents and that SWH did not service non-issuer clients requiring the firm to submit to peer review.<sup>3</sup> *Id.*, ¶ 13.

Respondents cannot reasonably dispute that they knew SWH's firm license had expired on January 31, 2010 or, at the very latest, by March 8, 2010 as they've admitted in these proceedings. Having admitted that SWH's license expired and having admitted knowledge of its expiration no later than March 8, 2010 (though the Division contends Respondents were aware well before January 31, 2010), the only remaining issue to be determined is whether Respondents provided attest services and issued reports on financial statements while SWH's firm license was expired.

**C. RESPONDENTS ISSUED 38 AUDIT REPORTS FOR 21 PUBLIC COMPANY ISSUERS WHILE THEY KNEW SWH WAS UNLICENSED.**

Despite repeated notices and warnings from the TSBPA, Respondents admit that they did not renew SWH's license to practice public accounting in Texas until May 19, 2011, nearly sixteen months after it expired. *See* Respondents' Answer, ¶ 5. Nevertheless, SWH issued 38 audit reports for 21 issuers while its license was expired. *See* King Dec., ¶ 11. Those issuers included SWH's audit reports in registration statements and periodic reports they filed with the Commission. *Id.*, ¶ 12.

Respondents admit to issuing audit reports while SWH's license was expired in SWH's annual reports filed with the PCAOB on Form 2. *See* King Dec., ¶ 14. In SWH's Forms 2,

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<sup>3</sup> The Division is not satisfied that SWH does not provide attest services for non-issuer clients. In the Matter of Scott W. Hatfield, et al. Division of Enforcement's Motion for Summary Disposition and Brief in Support Page 8 of 26

Respondents list the audit reports it issued between January 31, 2010 and May 19, 2011. *Id.* Although registered firms report the audit report date, e.g. the date the audit is substantially complete, rather than the issue date, e.g., the date the auditor authorizes the issuer to include the audit report in a filing with the Commission, Respondents' Forms 2 demonstrate that Respondents issued audit reports while SWH's license was expired. *Id.*

SWH's audit reports were included in the public filings of issuer clients who issued, offered, and sold securities while SWH's license was expired. *Id.*, ¶ 15. Five of the 21 issuer clients for whom SWH issued audit reports while its license was expired were, at that time, quoted on the Pink Sheets, as reflected in the following chart summarizing the number of days traded, the average trading volume and the low, high, and average close price per issuer during the relevant period:

Issuer	No. Days Traded	Avg. Daily Volume	Close Price		
			Low	High	Average
8888 Acquisition Corp. (EGHA); (Registration withdrawn Aug. 17, 2011)	13	261	\$ 0.07	\$ 3.00	\$ 1.11
Eight Dragons Co. (EDRG)	26	213	\$ 0.07	\$ 1.70	\$ 0.57
HPC Acquisitions, Inc. (HPCQ)	23	8,665	\$ 0.01	\$ 0.75	\$ 0.15
Truwest Corp. (TRWS)	7	200	\$ 0.10	\$ 3.00	\$ 1.39
X-Change Corp. (XCHC)	128	9,268	\$ 0.20	\$ 1.58	\$ 0.47

*Id.* Another of the 21 issuer clients, SMSA Kerrville Acquisition Corp., issued securities while SWH's license was expired. *Id.*, ¶ 16. Specifically, on December 15, 2010, SMSA Kerrville issued 9.5 million shares of restricted, unregistered common stock in exchange for 100% of the outstanding common stock of another company. *Id.* Four other issuer clients of SWH – Signet

International Holdings, Inc., SMSA Crane Acquisition Corp., and SMSA Gainesville Acquisition Corp., and X-Change Corp. – issued securities while SWH’s firm license was expired. *Id.*, at ¶ 17.

Respondents charged \$187,222 as fees for audits conducted or completed while SWH’s license was expired. *Id.*, ¶ 18.

## VI. ARGUMENT AND AUTHORITY

### A. STANDARD FOR SUMMARY DISPOSITION

Rule of Practice 250(a) permits a party, with leave of the hearing officer, to move for summary disposition of any or all of the OIP’s allegations. 17 C.F.R. § 201.250(a). The Administrative Law Judge may grant such a motion if there is no genuine issue of material fact and the Division is entitled to summary disposition as a matter of law. 17 C.F.R. § 201.250(b).

*Accord, In re Renert*, Initial Decisions Rel. No. 254, 2004 § LEXIS 1579, at \*3 (July 27, 2004); *In re Lorsin, Inc.*, Initial Decisions Rel. No. 250, 2004 § LEXIS 961, at \*3 (May 11, 2004); *In re Crowder*, Initial Decisions Rel. No. 245, 2004 § LEXIS 205, at \*4-5 (Jan. 30, 2004). As one Administrative Law Judge explained,

By analogy to Rule 56 of the Federal Rules of Civil Procedure, a factual dispute between the parties will not defeat a motion for summary disposition unless it is both genuine and material. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). Once the moving party has carried its burden, ‘its opponent must do more than simply show that there is some metaphysical doubt as to the material facts.’ *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). The opposing party must set forth specific facts showing a genuine issue for a hearing and may not rest upon the mere allegations or denials of its pleadings. At the summary disposition stage, the hearing officer’s function is not to weigh the evidence and determine the truth of the matter, but rather to determine whether there is a genuine issue for resolution at a hearing.

*See Anderson*, 477 U.S. at 249. *Edward Becker*, Initial Decision Rel. No. 252, 2004 § LEXIS 1135, at \*5 (June 3, 2004).



Summary disposition is particularly appropriate in a case such as this, where Respondents admit many of the material facts and the plain language of their own documents establishes the essential elements of the Division's claims.

**B. RESPONDENTS WILLFULLY VIOLATED SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER AND SHOULD BE ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS OF THESE PROVISIONS.**

Exchange Act Section 10(b) and Rule 10b-5(b) prohibit an issuer or individual from making misstatements or omissions of material fact in connection with the purchase or sale of a security.<sup>4</sup> See 15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5(b). These provisions state that "it shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange

- (a) To employ any device, scheme, or artifice to defraud,
- (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security." *Id.*

**1. Materiality and Scienter under Section 10(b) and Rule 10b-5.**

For liability to attach under Section 10(b) and Rule 10b-5, omissions or misstatements must be material. The test for materiality is whether there is a substantial likelihood that a reasonable investor would consider the information important to his investment decision, and would view it as

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<sup>4</sup> The "in connection with" requirement of Section 10(b) is satisfied when a misrepresentation or omission occurs in a periodic report filed with the Commission. See *In re Ames Dep't. Stores Inc. Stock Litig.*, 991 F.2d 953, 962 (2d Cir. 1993); *In re Leslie Fay Cos, Inc., Sec. Litig.*, 871 F. Supp. 686, 699 (S.D.N.Y. 1995).  
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having significantly altered the total mix of available information. See *Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988); *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976).

In addition to proof of materiality, violations of Section 10(b) and Rule 10b-5 require proof of scienter. See *Aaron v. SEC*, 446 U.S. 680, 695 (1980); *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 (1976). The Supreme Court has defined scienter as “a mental state embracing intent to deceive, manipulate, or defraud.” *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976). The scienter requirement is also satisfied by showing that the respondent acted recklessly, defined as “an extreme departure from the standards of ordinary care . . . which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it.” *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7th Cir. 1977); *Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1568-69 (9th Cir. 1990); *Hackbart v. Holmes*, 675 F.2d 1114, 1117 (10th Cir. 1982); *Broad v. Rockwell Int’l Corp.*, 642 F.2d 929, 961-62 (5th Cir.), *cert. denied*, 454 U.S. 965 (1981). Proof of scienter need not be direct, but may be “a matter of inference from circumstantial evidence.” *Herman & Maclean v. Huddleston*, 459 U.S. 375, 390 n.30 (1983). The mental state of a corporation is established through the mental states of its officers. See *SEC v. Manor Nursing Ctrs., Inc.*, 458 F.2d 1082, 1088 n.3 (2d Cir. 1972).

## **2. Respondents’ misstatements, omissions, and conduct were material.**

The Commission has taken the position that inclusion of an audit report issued by a person not recognized as an accountant is a material misstatement. In *In the Matter of Ronald Effren, et al.*, the Commission held that an accountant willfully violated Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Exchange Act Section 10(b) when he held himself out as a CPA, audited an issuer’s financial statements, and consented to inclusion of his audit report in the issuer’s public filings while he was unlicensed and, therefore, not recognized by the Commission

as a certified public accountant. See *In the Matter of Ronald Effren, et al.*, 1996 SEC LEXIS 69 (January 16, 1996) (settled administrative proceeding).

Similarly, in *In the Matter of Alan S. Goldstein*, the Commission held that an accountant violated Securities Act Section 17(a) when he served as the auditor for two registered broker-dealers while his license to practice as a certified public accountant was expired due to non-payment of required fees. *In the Matter of Alan S. Goldstein*, 1994 SEC LEXIS 2787 (SEC 1994) (settled administrative proceeding).

Furthermore, in *SEC v. CoElco, Ltd.*, the Central District of California entered a permanent injunction against an accountant for violating, and aiding and abetting violations of, the antifraud provisions of the securities laws based on his issuance of audit reports, while unlicensed, that were included in an issuer's Commission filings. *SEC v. CoElco, Ltd., et al.*, Civil Action No. 86-7892 (C.D. Cal.) (October 25, 1988); 1988 SEC LEXIS 2184 (October 31, 1988).

In this case, the materiality of Respondents' decision to issue audit reports when SWH was not permitted to do so, or even to hold itself out as a CPA firm, and to omit disclosing that information to issuer clients or the public, cannot reasonably be disputed. Implicit in each of SWH's audit reports issued between January 31, 2010 and May 19, 2011 was the representation to each issuer that SWH was recognized as a CPA under the federal securities laws and qualified and permitted to issue audit reports on its clients' financial statements.

When each of the 21 separate issuers included SWH's audit reports in its Commission filings, investors in those companies were invited, and expected, to rely on the audited financials as complete, accurate, and reliable. The fact that the issuers' financial statements were prepared by a company not recognized by the Commission as suitable for performing audits surely would have been an important factor in an investor's decision to purchase or sell the issuers' securities. See

*SEC v. Murphy*, 626 F.2d 633, 653 (9th Cir. 1980); *SEC v. United Financial Group, Inc.*, 474 F.2d 354, 358 n. 9 (9th Cir. 1973); *SEC v. Universal Service Association*, 106 F.2d 232, 239 (7th Cir. 1939), *cert. denied*, 308 U.S. 622, 60 S. Ct. 378, 84 L. Ed. 519 (1940) (representations relating to financial condition are material); *SEC v. Rana Research, Inc.*, 8 F.3d 1358, 1362 (9th Cir. 1993); *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833, 860-62 (2d Cir. 1968) (a person violates Section 10(b) and Rule 10b-5 by making material misstatements in, or omitting material information from, a periodic report or other filing with the Commission).

**3. Respondents acted with the requisite scienter.**

Hatfield and SWH knowingly, or at least recklessly, violated Exchange Act Section 10(b) and Rule 10b-5 thereunder. Hatfield, a licensed CPA since 1985 and SWH's sole proprietor, was well aware of SWH's ongoing responsibility to maintain its TSBPA license, having previously renewed the firm's license in years prior to its January 31, 2010 expiration. *See* Respondents' Answer at "Facts," ¶ 1; *see also*, Treacy Dec. at Exhibit F.

Furthermore, Respondents knew from their communications with the TSBPA that SWH's firm license would – and did in fact – expire on January 31, 2010. *See* Treacy Dec. at Exhibit C. By their own admission in documents they produced to the Commission on September 20, 2012, Respondents knew of SWH's license expiration no later than March 8, 2010, and also knew that they would be subject to TSBPA sanctions if SWH issued audit reports without a license. *See* Exhibit 1, Respondents' March 8, 2012 email from TSBPA. Hatfield nevertheless signed, and SWH issued, 38 audit reports for 21 issuers while SWH lacked a valid TSBPA license between January 31, 2010 and May 19, 2011. *See* King Dec., ¶ 11. Respondents then knowingly consented to having SWH's reports included in the Commission filings of 21 public company issuers, fully

aware that SWH was unlicensed in Texas and, therefore, was not recognized as a public accountant or certified public accountant under Regulation S-X of the federal securities laws.

**4. Respondents' actions were made in connection with the purchase and sale of securities of the 21 issuers for whom they issued audit reports.**

It is well-settled that Section 10(b) and Rule 10b-5 should be broadly and flexibly construed in order to effectuate their remedial purposes. *SEC v. Zandford*, 535 U.S. 813, 819-820 (U.S. 2002). To that end, “[i]n its role enforcing the [Exchange] Act, the SEC has consistently adopted a broad reading of the phrase ‘in connection with the purchase or sale of any security.’”

*Id.*

As detailed above, five of the 21 issuers for whom SWH issued audit reports while its license was expired had securities traded on the OTCBB. *See King Dec.* at ¶ 15. Another issuer issued securities during the same period. *Id.* at ¶ 16. By signing SWH’s audit reports and consenting to their inclusion in public filings while knowing that SWH’s firm license was expired, Hatfield and SWH made material misstatements in connection with the offer, purchase, and sale of these issuers’ securities and thereby violated Section 10(b) and Rule 10b-5(b),<sup>5</sup> and should be ordered to cease and desist from violating, or causing violations, of these provisions.

**C. THE COMMISSION SHOULD ORDER RESPONDENTS TO CEASE AND DESIST FROM COMMITTING OR CAUSING FURTHER VIOLATIONS OF SECTION 10(B) AND RULE 10B-5.**

The Commission may impose a cease and desist order pursuant to Section 21C(a) of the Exchange Act if it finds that any person is violating, has violated, or is about to violate any rule or

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<sup>5</sup> In *Janus Capital Group, Inc. v. First Derivative Traders*, 131 S. Ct. 2296 (2011), the Supreme Court limited persons who may be held primarily liable for “making” a misleading statement under Section 10(b) and Rule 10b-5(b) to those “with ultimate authority over the statement, including its content and whether and how to communicate it.” *Id.*, at 2302. Accordingly, primary liability under Rule 10b-5(b) attaches only to the person with “ultimate authority” over the fraudulent statements. As SWH’s admitted sole proprietor and the only person with authority to sign audit reports issued by SWH or to consent to their inclusion in public filings, Hatfield qualifies as a “maker” under *Janus*. *See also SEC v. KPMG LLP*, 412 F.Supp. 2d 349, 372-74 (S.D.N.Y. 2006) (concluding that the facts and circumstances indicate that the audit engagement partners, who made “ultimate decision” of whether to issue firm’s audit opinion, were “makers” subject to primary liability under Section 10(b) and Rule 10b-5).

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regulation. 15 U.S.C. § 78u-3(a). Whether there is some reasonable likelihood of such violations in the future must be considered. See *KPMG Peat Marwick LLP*, Admin. Pro. No. 3-9500, 2001 WL 47245 \*1 (S.E.C.) (January 19, 2001).<sup>6</sup> When considering whether to issue a cease-and-desist order, the Commission considers “the egregiousness of the defendant’s actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the defendant’s assurances against future violations, the defendant’s recognition of the wrongful nature of his conduct, and the likelihood that his occupation will present opportunities for future violations,” collectively referred to as the “Steadman factors.” *Steadman v. SEC*, 603 F. 2d 1126, 1140 (5th Cir. 1979), *aff’d. on other grounds*, 450 U.S. 91 (1981); *KPMG Peat Marwick*, 74 SEC Docket 357 (2001), *aff’d sub nom. KPMG, LLP v. SEC*, 289 F.3d 109 (D.C. Cir. 2002) (applying Steadman factors to cease and desist proceedings).

All of the *Steadman* factors weigh in favor of ordering Respondents to cease and desist from violating, or causing violations of, Section 10(b) and Rule 10b-5. Respondents’ actions were clearly egregious and recurrent: they knowingly and repeatedly held SWH out as a CPA firm while its license was expired between January 31, 2010 and May 19, 2011 and during that time issued audit reports for multiple issuers they knew would be included in the issuers’ Commission filings. This is not an instance of a one-time lapse in memory or an isolated, inadvertent oversight by Respondents, but rather a pattern of repeated and intentional violations of the law for which they profited.

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<sup>6</sup>*KPMG*, 2001 SEC LEXIS 98 , (“though “some” risk is necessary, it need not be very great to warrant issuing a cease-and-desist order. Absent evidence to the contrary, a finding of violation raises a sufficient risk of future violation.”).

Additionally, Respondents acted with a high degree of scienter, having been notified numerous times by the TSBPA that SWH's license would expire, had in fact expired, and that Respondents could be sanctioned for carrying on public accountancy services with an expired license.

Furthermore, Respondents have offered no assurances against future violations or recognized the wrongful nature of their conduct; in fact, they utterly refused even to communicate with the Division during its underlying investigation, even failing to appear for testimony when properly subpoenaed. King Dec., ¶ 7.

Finally, there is a high likelihood that Respondents will continue to flout the securities laws and rules governing public accountancy because they continue to offer provide attest and other accounting services to public – and possibly non-public – companies.

For all of these reasons, and because there are no material facts in dispute, the Court should grant the Division's Motion for Summary Disposition and enter an order requiring Respondents to permanently cease and desist from violating, or causing violations of, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**D. RESPONDENTS SHOULD BE REQUIRED TO DISGORGE THEIR ILL-GOTTEN GAINS AND PAY PREJUDGMENT INTEREST PURSUANT TO SECTION 21C(E) OF THE EXCHANGE ACT.**

Respondents charged a total of \$187,222 in fees for audits conducted or completed while SWH's firm license was expired, the sum of which constitute ill-gotten gains as the monies were obtained as the direct result of Respondents' fraud. See King Dec., ¶ 18. The Division respectfully requests that this Court enter an order requiring Respondents to disgorge, jointly and severally, \$187,222 as ill-gotten gains obtained in connection with their violations of the federal securities laws.

In a cease-and-desist proceeding, the Commission may enter an order requiring disgorgement of ill-gotten gains, including reasonable interest. Disgorgement is an equitable remedy that requires a violator to give up wrongfully-obtained profits causally related to the proven wrongdoing. *See SEC v. First City Fin. Corp., Ltd.*, 890 F.2d 1215, 1230-32 (D.C. Cir. 1989); *see also Hateley v. SEC*, 8 F.3d 653, 655-56 (9th Cir. 1993). Disgorgement returns the violator to where he would have been absent the violative activity. The amount of the disgorgement ordered need only be a reasonable approximation of profits causally connected to the violation. *See Laurie Jones Canady*, Exchange Act Release No. 41250 (Apr. 5, 1999), 69 SEC Docket 1468, 1487 n.35 (quoting *SEC v. First Jersey Sec., Inc.*, 101 F.3d 1450, 1475 (2d Cir. 1996)), *petition for review denied*, 230 F.3d 362 (D.C. Cir. 2000); *see also SEC v. First Pac. Bancorp*, 142 F.3d 1186, 1192 n.6 (9th Cir. 1998) (holding disgorgement amount only needs to be a reasonable approximation of ill-gotten gains); *accord First City Fin. Corp.*, 890 F.2d at 1230-31.

Once the Division presumptively shows that its disgorgement figure reasonably approximates the amount of unjust enrichment, the burden shifts to Respondents to clearly demonstrate that the disgorgement figure is not a reasonable approximation. *SEC v. Lorin*, 76 F.3d 458, 462 (2d Cir. 1996); *SEC v. Patel*, 61 F.3d 137, 140 (2d Cir. 1995); *First City*, 890 F.2d at 1232. Any risk of uncertainty as to the disgorgement amount “should fall on the wrongdoer whose illegal conduct created that uncertainty.” *First City*, 890 F.2d 1232. In cases where an individual respondent’s actions are inextricably interwoven with those of a business entity, joint and several liability is appropriate. *SEC v. Great Lakes*, 775 F. Supp. 211 at 214-15 (E.D. Mich.1991), *SEC v. R.J. Allen & Assocs., Inc.*, 386 F. Supp. 866, 881 (S.D. Fla. 1974).

In this case, the Division has reasonably approximated the amount Respondents should be ordered to disgorge, because it is equal to the sum they charged for audit services SWH provided



while its license was expired, as established by the issuers' disclosures of audit fees in Commission filings. See King Dec. at ¶ 18. Respondents have produced no evidence suggesting they collected some smaller sum for their work.

Furthermore, disgorgement of fees for audits conducted while SWH's license was expired is consistent with the Commission's prior actions requiring unregistered auditors to disgorge fees received for audit work performed in violation of Section 102(a) of the Sarbanes-Oxley Act of 2002. See, e.g., *In the Matter of Halt, Buzas & Powell, Ltd.*, Exchange Act Rel. No. 57179 (Jan. 22, 2008) (auditor who issued reports on public company financial statements while not registered with the PCAOB ordered to disgorge fees from those engagements); *In the Matter of Charles J. Birnberg, CPA*, Exchange Act Rel. No. 56405 (Sept. 13, 2007) (same).

**E. RESPONDENTS SHOULD BE ORDERED TO PAY PREJUDGMENT INTEREST.**

This Court may add prejudgment interest to Respondents' disgorgement amount to prevent them from benefitting from the use of their ill-gotten gains interest free. *SEC v. Blatt*, 583 F.2d 1325 (5th Cir. 1978). Whether to award prejudgment interest is a matter of discretion. *SEC v. United Energy Partners, Inc.*, 88 F. App'x 744, 747 (5th Cir.) (per curiam), *cert. denied sub nom. Quinn v. SEC*, 543 U.S. 1034 (2004); *SEC v. Gunn*, 2010 U.S. Dist. LEXIS 88164 (N.D. Tex. 2010).

When, as here, wrongdoers enjoyed access to ill-gotten funds over a period of time as a result of the wrongdoing, ordering the wrongdoer to pay prejudgment interest is consistent with the equitable purpose of the remedy of disgorgement. See *Hughes*, 917 F. Supp. at 1090. In *Hughes Capital*, the court explained its decision to require prejudgment interest as part of the disgorgement amount:

It comports with the fundamental notions of fairness to award prejudgment interest. The defendants had the benefit of nearly \$2 million dollars [sic] for the nine and one-half years  
In the Matter of Scott W. Hatfield, et al.  
Division of Enforcement's Motion for Summary Disposition and Brief in Support  
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between the fraud and today's disgorgement order. In order to deprive the defendants of their unjust enrichment, the court orders the defendants to disgorge . . . prejudgment interest.

*Id.*

An order for prejudgment interest against Respondents is proper in this case for the same reasons. By violating the securities laws, Respondents wrongfully obtained \$187,222 and thereafter used and benefited from those funds from the time of the misappropriation to the present, offending basic principles of justice and equity.

The IRS underpayment of federal income tax rate as set forth in 26 U.S.C. § 6621(a)(2) is appropriate for calculating prejudgment interest in enforcement actions such as this. That rate of interest "reflects what it would have cost to borrow the money from the government and therefore reasonably approximates one of the benefits the defendant derived from its fraud." *First Jersey*, 101 F.3d at 1476. For Respondents, based on a principal amount of \$187,222, application of the tax underpayment rate from May 19, 2011 (the date on which Respondents renewed SWH's firm license and by which they had billed for all services provided while license was expired) through January 31, 2013 results in a total prejudgment interest amount of \$9,743.84. *See King Dec.* at ¶¶ 19-20. *SEC v. Razmilovic*, 2011 U.S. Dist. LEXIS 113447 (E.D.N.Y. 2011) (because defendant "had the use of [the] unlawful profits for the entire period," he was liable for prejudgment interest on the entire amount of his ill-gotten gains for the entire period from the time of his unlawful gains to the entry of judgment). Combining disgorgement and prejudgment interest, Respondents should be ordered to pay \$196,965.84, jointly and severally.

**F. CIVIL MONEY PENALTIES SHOULD BE LEVIED AGAINST RESPONDENTS PURSUANT TO SECTION 21B OF THE EXCHANGE ACT.**

Section 21B of the Exchange Act authorizes the Commission to impose civil money penalties for willful violations of the Act or rules thereunder. In addition, Section 929P of the Dodd-Frank Act, which added monetary penalties to cease-and-desist proceedings.

In considering whether a penalty is in the public interest, the Commission may consider six factors: (1) fraud; (2) harm to others; (3) unjust enrichment; (4) previous violations; (5) deterrence; and (6) such other matters as justice may require. See Sections 21B(c) of the Exchange Act, *New Allied Dev. Corp.*, Exchange Act Release No. 37990 (Nov. 26, 1996), 52 S.E.C. 1119, 1130 n.33; *First Sec. Transfer Sys., Inc.*, 52 S.E.C. 392, 395-96 (1995); *see also Jay Houston Meadows*, Exchange Act Release No. 37156 (May 1, 1996), 52 S.E.C. at 787-88, *aff'd*, 119 F.3d 1219 (5th Cir. 1997); *Consol. Inv. Servs., Inc.*, 52 S.E.C. 582, 590-91 (1996).

Respondents' actions in violation of Section 10(b) and Rule 10b-5 clearly involved fraud, or at least recklessness, for which they were unjustly enriched by nearly \$200,000. Further, deterrence requires substantial penalties against Respondents because they flagrantly ignored the laws governing their practice but continue to do work in the accounting and auditing field, putting other issuers and investors at risk.

The federal securities laws establish a three-tiered system of civil penalties, setting three levels of maximum monetary penalties, depending upon the gravity of the violation. The Division requests that Respondents be ordered to pay second-tier penalties, without specifying dollar amounts or units of violation. A second-tier penalty is appropriate because Respondents' violative acts involved fraud and deceit, or at least the reckless disregard of a regulatory requirement. *See* Section 21B(b)(2) of the Exchange Act. Under this provision, for each violative act or omission,

the maximum third-tier penalty the Court may order is \$75,000 for Hatfield and \$375,000 for In the Matter of Scott W. Hatfield, et al.

Division of Enforcement's Motion for Summary Disposition and Brief in Support  
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SWH. *See* 15 U.S.C. 78u-2(b)(2); 17 C.F.R. § 201.1004 (Adjustment of civil money penalties).

The Division does not recommend a specific penalty amount. Rather, the Division asks the Court to use its discretion to impose civil penalties in appropriate amounts against Hatfield and SWH.

**G. RESPONDENTS DO NOT POSSESS THE REQUISITE QUALIFICATIONS TO REPRESENT OTHERS AND SHOULD BE PERMANENTLY DENIED THE PRIVILEGE OF APPEARING OR PRACTICING BEFORE THE COMMISSION AS ACCOUNTANTS.**

Rule of Practice 102(e) is the primary tool available to the Commission to preserve the integrity of its processes and ensure the competence of the professionals who appear and practice before it. *In the Matter of Michael C. Pattison, CPA*, 2012 SEC LEXIS 2973, 15-16 (SEC 2012) (citing *Marrie v. SEC*, 374 F.3d 1196, 1200 (D.C. Cir. 2004) (stating that Rule of Practice 102(e) “is directed at protecting the integrity of the Commission's processes, as well as the confidence of the investing public in the integrity of the financial reporting process”).

Section 4C(a)(1) and (3) and Rule of Practice 102(e)(1)(i) and (iii) both provide that the Commission may “censure any person, or deny, temporarily or permanently,” the privilege of appearing or practicing before the Commission in any way if that person is found “not to possess the requisite qualifications to represent others” or “to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.”<sup>7</sup> Ultimately, in establishing the merits of its case, the Division is required to show that Respondents are incompetent to practice before the Commission as accountants.

Due to their knowing and repeated violations of Section 10(b) and Rule 10b-5; *i.e.*, issuing audit reports while SWH’s license was expired and consenting to the inclusion of the audit reports in issuers’ registration statements and periodic reports filed with the Commission,

<sup>7</sup> According to Rule of Practice 102(f), “practicing before the Commission” includes, but is not be limited to, “[t]ransacting any business with the Commission,” and “[t]he preparation of any statement, opinion or other paper by any attorney, accountant, engineer or other professional or expert, filed with the Commission in any registration statement, notification, application, report or other document with the consent of such attorney, accountant, engineer or other professional or expert.” 17 C.F.R. § 201.102(f).

*In the Matter of Scott W. Hatfield, et al.*

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Respondents lack the requisite qualifications to represent other issuers before the Commission. The Commission has previously sanctioned accountants who continued to issue audit reports even after their licenses had lapsed, concluding that they lacked the requisite qualifications to represent others. *See In the Matter of Robert W. Armstrong III*, Exchange Act Rel. No. 51920 at fn. 69 (“This reading of the Rule also conforms with past settled cases in which we have suspended accountants under Rule 102(e)(1)(iii) who either were not licensed or who had allowed their licenses to lapse at the time of their misconduct.”); *see also In the Matter of Gerald M. Kudler*, Admin. File No. 3-8896 (Dec. 18, 1995) (barring, under Rule 102(e)(3), a respondent who never held a CPA license for preparing false and misleading annual and quarterly reports); *In the Matter of Stumacher*, Admin. File No. 3-9432 (Sept. 24, 1997) (barring, under subparagraphs (i) and (iii) of Rule 102(e)(1), a respondent who never held a CPA license for, among other things, falsely holding himself out as a CPA when signing audit reports).

Given the many notices provided to Respondents concerning the expiration of SWH’s license, at least one of which Respondents have previously admitted, their violations can only be considered willful, knowing, and intentional. Respondents’ repeated and intentional, or at least reckless, conduct demonstrates that they are incompetent and undeserving to practice before the Commission. *See U.S. v. Arthur Young & Co.*, 465 U.S. 805, 817-18 (1984) (accountant who disregards professional obligations lacks competence to discharge “‘public watchdog’ function” demanding “total independence from the client at all times”). Notwithstanding their unsuitability to practice before the Commission, Respondents are currently licensed CPAs who continue to provide attest services to public – and possibly non-public – companies. They therefore pose a continuing threat to the Commission’s processes and to the investing public. *See Matter of James Thomas McCurdy, CPA*, Exchange Act Rel. No. 49182, 82 SEC Docket 282, 2004 WL 210606 \* 9

(Feb. 4, 2004) (“McCurdy is an actively licensed CPA, and we anticipate that he will continue to conduct audits of public companies.”); *In re Marrie*, Securities Act Rel. No. 1823, Exchange Act Rel. No. 48246, 80 SEC Docket 2163, 2003 WL 21741785 \* 19 & n.51 (July 29, 2003) (accountants who are “actively licensed CPAs create a significant risk that they may return to that profession and again conduct audits of public companies”). Thus, under the *Steadman* factors, discussed *infra* at § V(C), Respondents should be permanently barred from appearing before the Commission in accordance with Rule 102(e)(1)(i) and (iii).<sup>8</sup>

### VIII. CONCLUSION

For the foregoing reasons, the Division respectfully requests that its motion for summary disposition be granted, and that an order issue

- (a) requiring Scott W. Hatfield and S.W. Hatfield, CPA to cease and desist from violating or causing violations of Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 thereunder;
- (b) requiring Respondents to pay \$187,222 in disgorgement, jointly and severally;
- (c) requiring Respondents to pay \$9,743.84 in prejudgment interest, jointly and severally;
- (d) requiring Scott W. Hatfield to pay a civil penalty of no more than \$75,000 per violation, in an amount to be determined by the Court;
- (e) requiring S.W. Hatfield CPA to pay a civil penalty of no more than \$375,000 per violation, in an amount to be determined by the Court; and

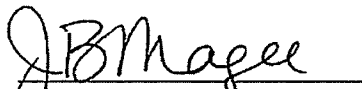
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<sup>8</sup> Respondents cannot in good faith argue that Rule 102(e) sanctions are “punitive,” as to do so would place undue emphasis on the implications for Hatfield’s own career. *See Decker v. SEC*, 631 F.2d 1380, 1384 (10<sup>th</sup> Cir. 1980) (SEC disciplinary actions are “remedial in character, with the primary function of protecting the public,” even though they “portend serious consequences for the individuals involved”). Indeed, if sanctions were to be viewed from a subjective perspective, every sanction could constitute a “penalty.” *See Johnson v. SEC*, 87 F.3d 484, 488 (D.C. Cir. 1996) (adopting “objective” standard, since “even remedial sanctions carry the sting of punishment”). Thus, 102(e) sanctions, including those sought to be imposed against Respondents are remedial.

(f) permanently barring Respondents from appearing or practicing before the Commission pursuant to Rule of Practice 102(e)(1)(i) and 102(e)(1)(iii).

Dated: January 30, 2013.

Respectfully submitted,

  
Jessica B. Magee  
Texas Bar No. 24037757  
Toby M. Galloway  
Texas Bar No. 00790733

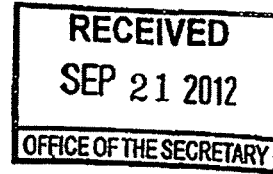
Securities and Exchange Commission  
Fort Worth Regional Office  
Division of Enforcement  
801 Cherry Street, 18th Floor  
Fort Worth, Texas 76102  
E-mail: [mageej@sec.gov](mailto:mageej@sec.gov)  
Phone: (817) 978-6465 (Magee)  
Fax: (817) 978-4927  
Fort Worth, Texas 76102-6882

# EXHIBIT 1





September 20, 2012



U. S. Securities and Exchange Commission  
MAIL STOP 1090  
100 F Street, NE  
Washington, DC 20549

U. S. Securities and Exchange Commission  
801 Cherry Street  
Ft. Worth, TX 76102

RE: S. W. Hatfield, CPA and/or Scott W. Hatfield, CPA

To Whom It May Concern:

With regard to recent correspondence related to potential firm licensing issues for the Certified Public Accounting Firm of S. W. Hatfield, CPA (SWHCPA) and the individual licensing issues for Scott W. Hatfield, CPA (SWH); we attach the following items for your file:

- 1) Office renewal form for S. W. Hatfield, CPA for the following periods:  
February 2008 - January 2009  
February 2010 - January 2012  
February 2012 - January 2013  
We note that our files are incomplete for the renewal form for the period February 2009 - January 2010 and we are unable to identify a cancelled check for the payment of the required fees.
- 2) Individual license certificates for Scott W. Hatfield for the following periods:  
April 2008 - March 2009  
April 2009 - March 2010  
April 2010 - March 2011  
April 2011 - March 2012  
April 2012 - March 2013
- 3) Copy of March 8, 2010 e-mail from Texas State Board of Public Accountancy to Ron Johnston, CPA
- 4) March 16, 2011 correspondence to the Texas State Board of Public Accountancy
- 5) March 15, 2010 correspondence from the Texas State Board of Public Accountancy
- 6) September 22, 2009 correspondence from Public Company Accounting Oversight Board
- 7) November 5, 2009 correspondence to Public Company Accounting Oversight Board
- 8) October 29, 2010 correspondence from Public Company Accounting Oversight Board

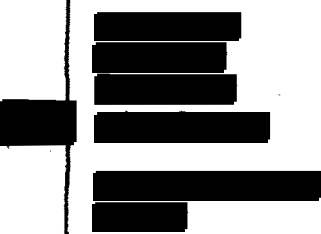
SWHCPA was unaware that any licensing issue existed until the Texas State Board of Public Accountancy (TSBPA) notified an affiliate of the Firm, Ronald Johnston, CPA, via e-mail of a problem on March 8, 2010. No notices or correspondence, including license renewal notices, were received by SWHCPA prior to this date. Mr. Johnston forwarded said e-mail to SWHCPA and SWH. Upon receipt, SWHCPA notified legal counsel, Mr. John Koepke of Jackson Walker, LLP in Dallas. Immediate communication and correspondence with the TSBPA commenced.

SWHCPA did request the noted renewal forms as noted in the March 8, 2010 e-mail sent to an affiliated 3<sup>rd</sup> party and said forms were never received. SWHCPA is of the belief that the attached correspondence documents the issues at hand and that there was no attempt or disregard for the licensing process by either SWHCPA or SWH.

Respectfully submitted,  
S. W. Hatfield, CPA

  
Scott W. Hatfield, CPA

SWH/



Dallas, Texas 75243-7912

Subj: Fw: Firm Status of T02004 S.W. Hatfield  
Date: 3/8/2010 6:05:37 P.M. Central Standard Time  
From: [REDACTED]

What is up with this?

— On Mon, 3/8/10, Micaela J. Hernandez <MHernandez@tsbpa.state.tx.us> wrote:

From: Micaela J. Hernandez <MHernandez@tsbpa.state.tx.us>  
Subject: Firm Status of T02004 S.W. Hatfield  
To: [REDACTED]  
Date: Monday, March 8, 2010, 11:02 PM

Hello Mr. Hatfield,

A staff audit has identified your firm [REDACTED] **S.W. Hatfield** to be Delinquent/Expired for one or more years. Please confirm if the firm has dissolved or if a renewal notice is needed to renew the firm license.

If the firm license has dissolved, please respond to this email by indicating the name of the firm, the firm ID, the dissolve date, your individual license ID and the last four of your SS# so we may process your request.

If you require a renewal notice to be printed and mailed, please indicate the mailing address so we may issue the renewal notice packet for the firm license listed above.

Should you have any questions, please feel free to contact me directly. I would be more than happy to assist.

Thank you for your immediate attention to this matter and have a great day.

Best regards,  
Micaela J. Hernandez  
Inspector  
Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3, Ste 900  
Austin, TX 78701  
Phone: 512.305.7828  
Fax: 512.305.7875

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Thursday, September 20, 2012 AOL: SWHCPA

SEC APP 0111

**EXHIBIT 2:**  
**King**  
**Declaration**

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 67793

ACCOUNTING AND AUDITING ENFORCEMENT  
Release No. 3415

ADMINISTRATIVE PROCEEDING  
File No. 3-15012

In the Matter of

Scott W. Hatfield, CPA; and  
S. W. Hatfield, CPA

Respondents.

DECLARATION OF DAVID R. KING

I, David R. King, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and that I am competent to testify as to the matters stated herein:

1. I am over 21 years of age.
2. I am a Certified Public Accountant licensed in the State of Texas, a Certified Fraud Examiner, and a Certified Management Accountant. In 1982, I received a Bachelor of Science degree in Accounting from Louisiana State University in Baton Rouge, Louisiana.
3. Between 1982 and 2003, I was employed by international accounting firm Ernst & Young, LLP. During that time, I was responsible for planning, executing, and supervising audits of private and public company financial statements and for conducting fraud investigations and performing other litigation services.

4. Since 2003, I have been employed as a Staff Accountant by the Enforcement Division ("Division") of the United States Securities and Exchange Commission ("Commission") in the Fort Worth Regional Office. My official duties within the Division include participating in fact-finding inquiries and investigations to determine whether the federal securities laws have been violating and assisting in the Commission's litigation of securities laws violations. As part of my duties within the Division, I conduct investigations, analyze financial records, subpoena records, take sworn testimony, prepare reports summarizing my findings, and am available to testify about such things at hearings or in other legal proceedings.

5. I have personal knowledge of the facts and circumstances of the Division's investigation of Scott W. Hatfield ("Hatfield") and S.W.Hatfield CPA ("SWH"), as I personally conducted the investigation which led to the above-captioned administrative proceedings.

6. Respondents refused to participate or cooperate in the Division's underlying investigation. They repeatedly ignored voluntary requests and subpoenas for the production of documents. For instance, on March 28, 2012 I sent Respondents a litigation hold notification and voluntary request for documents including, but not limited to, communications with the Texas State Board of Public Accountancy ("TSBPA"). Respondents never provided responsive documents to the Division and I am unaware of whether they properly preserved and retained documents as instructed. See March 28, 2012 Letter, attached hereto as Exhibit A and incorporated herein.

7. In addition, on April 10, 2012, the Division subpoenaed Respondents to (a) produce the documents they previously failed to produce voluntarily; and (b) appear before the Division and give sworn testimony on April 24, 2012. See April 10, 2012 Subpoena to Respondents, attached hereto as Exhibit B and incorporated herein.

8. Respondents ignored the April 10, 2012 subpoena and failed to produce documents or appear for testimony. *See* Letter of April 24, 2012, attached hereto as Exhibit C and incorporated herein.

9. Despite Respondents refusal to cooperate with the Division during its investigation, I determined, by confirming directly with TSBPA staff, that SWH's firm license expired on January 31, 2010 and was not renewed until May 19, 2011.

10. A licensee who has failed to pay the annual fee is not in good standing in the State of Texas and is not permitted to hold itself out as a CPA until all fees are paid. *See* (a) TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy, November 2008, Volume 97 at p. 11; (b) TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy November 2009, Vol. 101 at pp. 1, 6-7; and (c) TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy, November 2012, Vol. 113 at p. 3, attached hereto, collectively, as Exhibit D and incorporated herein. The Texas State Board Report is an industry publication for accountants in the State of Texas distributed to TSBPA license holders.

11. In 2010 and 2011, Hatfield was SWH's sole proprietor. Together Respondents caused SWH to issue 38 audit reports for 21 public company issuers while SWH's firm license was expired. *See* SWH "Report[s] of Registered Independent Certified Public Accounting Firm," attached hereto, collectively, as Exhibit E and incorporated herein.

12. Each of those issuers included SWH's audit reports in registration statements and periodic reports they filed with the Commission. *See* Commission filings of SWH audit clients, attached hereto, collectively, as Exhibit F and incorporated herein.

13. I prepared an Appendix summarizing, in a single table, the issuer filings that included audit reports issued by Respondents while SWH's firm license was expired. *See* Appendix of

Filings Including Audit Reports Issued by S.W. Hatfield, CPA while License Expired January 31, 2010 to May 19, 2011, attached hereto as Exhibit G and incorporated herein.

14. SWH's annual reports filed with the PCAOB on Form 2 acknowledge that Respondents issued audit reports while SWH's firm license was expired. See SWH Form 2 for reporting periods April 1, 2009 – March 31, 2010 and April 1, 2010 – March 31, 2011, attached hereto, collectively, as Exhibit H and incorporated herein. Hatfield has not filed SWH's annual report for the reporting period April 1, 2011 to March 31, 2012, which was due by June 30, 2012. Consequently, SWH is in violation of Section 102(d) of the Sarbanes-Oxley Act of 2002 and PCAOB Rule 2200, *Annual Report*, which provides that "[e]ach registered public accounting firm must file with the Board an annual report on Form 2..." PCAOB Rule 2201, *Time for Filing Annual Report*, sets June 30 of each year as the filing deadline.

15. SWH's audit reports were included in the public filings of issuer clients who issued, offered, and sold securities while SWH's license was expired. During my investigative work, I performed online research on OTC Markets and Yahoo! Finance websites and personally determined that five of the 21 issuer clients for whom SWH issued audit reports while its license was expired were, at that time, quoted on the OTC Bulletin Board and/or Pink Sheets, as reflected in the following chart I prepared summarizing the number of days traded, the average trading volume and the low, high, and average close price per issuer during the relevant period:

Issuer	No. Days Traded	Avg. Daily Volume	Close Price		
			Low	High	Average
8888 Acquisition Corp. (EGHA); (Registration withdrawn Aug. 17, 2011)	13	261	\$ 0.07	\$ 3.00	\$ 1.11
Eight Dragons Co. (EDRG)	26	213	\$ 0.07	\$ 1.70	\$ 0.57

Issuer	No. Days Traded	Avg. Daily Volume	Close Price		
			Low	High	Average
HPC Acquisitions, Inc. (HPCQ)	23	8,665	\$ 0.01	\$ 0.75	\$ 0.15
Truewest Corp. (TRWS)	7	200	\$ 0.10	\$ 3.00	\$ 1.39
X-Change Corp. (XCHC)	128	9,268	\$ 0.20	\$ 1.58	\$ 0.47

16. I also personally determined, by reviewing the issuers' filings with the Commission, that another of the 21 issuer clients, SMSA Kerrville Acquisition Corp., issued securities while SWH's license was expired. Specifically, I know that on December 15, 2010, SMSA Kerrville issued 9.5 million shares of restricted, unregistered common stock in exchange for 100% of the outstanding common stock of another company. See Exhibit F.

17. I also personally determined, by reviewing the issuers' filings with the Commission, that four other issuer clients of SWH – Signet International Holdings, Inc., SMSA Crane Acquisition Corp., and SMSA Gainesville Acquisition Corp., and X-Change Corp. – issued securities while SWH's firm license was expired. *Id.*

18. Respondents charged \$187,222 as fees for audits conducted or completed while SWH's license was expired. See Exhibits F and G.

19. As part of my regular work for the Division of Enforcement, I calculate the amount of prejudgment interest the Division contends a Respondent is liable to pay on ill-gotten gains it obtained. The IRS underpayment of federal income tax rate as set forth in 26 U.S.C. § 6621(a)(2).

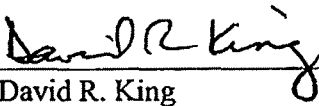
20. Based on a principal amount of \$187,222, application of the tax underpayment rate from May 19, 2011 through January 1, 2013 results in a total prejudgment interest amount of \$9,743.84. See Division of Enforcement Prejudgment Interest Calculator Report, attached hereto as Exhibit I and incorporated herein. May 19, 2011, the date on which Respondents renewed



SWH's license, is a reasonable estimate of the average date on which SWH collected amounts billed in connection with audit reports issued between January 31, 2010 and May 19, 2011. Accordingly I used May 19, 2011 as the date on which to begin accruing interest. Consistent with Commission policy, no interest accrues in the calendar month in which the disgorgement period begins and ends.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed this 29th day of January 2013.

  
\_\_\_\_\_  
David R. King

# **Exhibit King-A**



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
FORT WORTH REGIONAL OFFICE  
801 CHERRY STREET, UNIT #18  
FORT WORTH, TEXAS 76102-6882  
PHONE: (817) 978-3821 FAX: (817) 978-2700

IN REPLYING  
PLEASE QUOTE  
MEW 3711

March 28, 2012

**VIA UPS and email to** [REDACTED]

Mr. Scott W. Hatfield, CPA  
S. W. Hatfield, CPA

[REDACTED]  
Dallas, Texas 75243-7212

Re: S. W. Hatfield, CPA ([REDACTED])

Dear Mr. Hatfield:

The staff of the United States Securities and Exchange Commission is conducting an inquiry in the above-referenced matter. To discharge its responsibilities under the federal securities laws, the staff requests that you voluntarily assist in this matter. In connection with this inquiry, the staff requests that you preserve and retain, until further notice, all documents and electronic data in its possession or control pertaining to the matters described below. For the purpose of preserving those documents, the staff specifically requests that you suspend, with respect to all its financial accounting documents, its normal policies and procedures concerning the destruction and disposal of documents.

We also request that you provide the following information to the Fort Worth Regional Office of the Commission, at the address above, by **Friday, April 6, 2012**.

1. All communications with the Texas State Board of Public Accountancy ("TSBPA") since January 31, 2009 regarding S. W. Hatfield, CPA (License No. [REDACTED]), including but not limited to peer review requirements, participation in peer reviews, licensing matters, license renewal, license expiration, and license reinstatement.
2. All communications since January 31, 2009 regarding S. W. Hatfield, CPA's ability to practice public accountancy, including performing reviews and issuing audit reports for public companies during any period in which S. W. Hatfield, CPA's license was expired, lapsed or otherwise not in good standing with the TSBPA.
3. Documents sufficient to quantify the dollar amount of fees collected for engagements conducted during or completed during the period from January 31, 2010 through May 19, 2011 or any other any period in which S. W. Hatfield, CPA's license was expired, lapsed or otherwise not in good standing with the TSBPA since January 31, 2009.

Mr. Scott W. Hatfield, CPA  
S. W. Hatfield, CPA  
March 28, 2012

4. A list, or documents sufficient to identify for each of S. W. Hatfield, CPA's public company audit engagements since January 31, 2010, the name, address, telephone numbers and e-mail address for persons serving as the concurring partner or engagement quality review partner.

A copy of SEC Form 1662 is attached. Form 1662 contains important supplemental information concerning, among other things, the voluntary submission of information to the Commission.

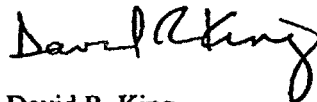
I have also enclosed the SEC Data Delivery Standards; however, I am willing to accept paper copies if easier or more expedient for you to produce.

Lastly, you should complete and send to us the executed Declaration Certifying Records of Regularly Conducted Business Activity with any documents you produce.

This inquiry is confidential and should not be construed as an indication by the Commission or its staff that any violation of the federal securities laws has in fact occurred, or as a reflection of the merits of any security involved.

If you have any questions concerning this matter, please call me at (817) 900-2604.

Sincerely,



David R. King  
Enforcement Accountant

Enclosure: SEC Form 1662  
Data Delivery Standards  
Declaration Certifying Records of Regularly Conducted Business Activity

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Supplemental Information for Persons Requested to Supply  
Information Voluntarily or Directed to Supply Information  
Pursuant to a Commission Subpoena

A. False Statements and Documents

Section 1001 of Title 18 of the United States Code provides as follows:

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

B. Testimony

If your testimony is taken, you should be aware of the following:

1. *Record.* Your testimony will be transcribed by a reporter. If you desire to go off the record, please indicate this to the Commission employee taking your testimony, who will determine whether to grant your request. The reporter will not go off the record at your, or your counsel's, direction.
2. *Counsel.* You have the right to be accompanied, represented and advised by counsel of your choice. Your counsel may advise you before, during and after your testimony; question you briefly at the conclusion of your testimony to clarify any of the answers you give during testimony; and make summary notes during your testimony solely for your use. If you are accompanied by counsel, you may consult privately.

If you are not accompanied by counsel, please advise the Commission employee taking your testimony if, during the testimony, you desire to be accompanied, represented and advised by counsel. Your testimony will be adjourned once to afford you the opportunity to arrange to be so accompanied, represented or advised.

You may be represented by counsel who also represents other persons involved in the Commission's investigation. This multiple representation, however, presents a potential conflict of interest if one client's interests are or may be adverse to another's. If you are represented by counsel who also represents other persons involved in the investigation, the Commission will assume that you and counsel have discussed and resolved all issues concerning possible conflicts of interest. The choice of counsel, and the responsibility for that choice, is yours.

3. *Transcript Availability.* Rule 6 of the Commission's Rules Relating to Investigations, 17 CFR 203.6, states:

A person who has submitted documentary evidence or testimony in a formal investigative proceeding shall be entitled, upon written request, to procure a copy of his documentary evidence or a transcript of his testimony on payment of the appropriate fees: *Provided, however,* That in a nonpublic formal investigative proceeding the Commission may for good cause deny such request. In any event, any witness, upon proper identification, shall have the right to inspect the official transcript of the witness' own testimony.

If you wish to purchase a copy of the transcript of your testimony, the reporter will provide you with a copy of the appropriate form. Persons requested to supply information voluntarily will be allowed the rights provided by this rule.

4. *Perjury.* Section 1621 of Title 18 of the United States Code provides as follows:

Whoever . . . having taken an oath before a competent tribunal, officer, or person, in any case in which a law of the United States authorizes an oath to be administered, that he will testify, declare, depose, or certify truly . . . willfully and contrary to such oath states or subscribes any material matter which he does not believe to be true . . . is guilty of perjury and shall, except as otherwise expressly provided by law, be fined under this title or imprisoned not more than five years or both . . .

5. *Fifth Amendment and Voluntary Testimony.* Information you give may be used against you in any federal, state, local or foreign administrative, civil or criminal proceeding brought by the Commission or any other agency.

SEC 1662 (09-11)

You may refuse, in accordance with the rights guaranteed to you by the Fifth Amendment to the Constitution of the United States, to give any information that may tend to incriminate you.

If your testimony is not pursuant to subpoena, your appearance to testify is voluntary, you need not answer any question, and you may leave whenever you wish. Your cooperation is, however, appreciated.

6. *Formal Order Availability.* If the Commission has issued a formal order of investigation, it will be shown to you during your testimony, at your request. If you desire a copy of the formal order, please make your request in writing.

#### C. Submissions and Settlements

Rule 5(c) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(c), states:

Persons who become involved in . . . investigations may, on their own initiative, submit a written statement to the Commission setting forth their interests and position in regard to the subject matter of the investigation. Upon request, the staff, in its discretion, may advise such persons of the general nature of the investigation, including the indicated violations as they pertain to them, and the amount of time that may be available for preparing and submitting a statement prior to the presentation of a staff recommendation to the Commission for the commencement of an administrative or injunction proceeding. Submissions by interested persons should be forwarded to the appropriate Division Director or Regional Director with a copy to the staff members conducting the investigation and should be clearly referenced to the specific investigation to which they relate. In the event a recommendation for the commencement of an enforcement proceeding is presented by the staff, any submissions by interested persons will be forwarded to the Commission in conjunction with the staff memorandum.

The staff of the Commission routinely seeks to introduce submissions made pursuant to Rule 5(c) as evidence in Commission enforcement proceedings, when the staff deems appropriate.

Rule 5(f) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(f), states:

In the course of the Commission's investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner. It is the policy of the Commission, however, that the disposition of any such matter may not, expressly or impliedly, extend to any criminal charges that have been, or may be, brought against any such person or any recommendation with respect thereto. Accordingly, any person involved in an enforcement matter before the Commission who consents, or agrees to consent, to any judgment or order does so solely for the purpose of resolving the claims against him in that investigative, civil, or administrative matter and not for the purpose of resolving any criminal charges that have been, or might be, brought against him. This policy reflects the fact that neither the Commission nor its staff has the authority or responsibility for instituting, conducting, settling, or otherwise disposing of criminal proceedings. That authority and responsibility are vested in the Attorney General and representatives of the Department of Justice.

#### D. Freedom of Information Act

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgment of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self addressed envelope.

#### E. Authority for Solicitation of Information

*Persons Directed to Supply Information Pursuant to Subpoena.* The authority for requiring production of information is set forth in the subpoena. Disclosure of the information to the Commission is mandatory, subject to the valid assertion of any legal right or privilege you might have.

*Persons Requested to Supply Information Voluntarily.* One or more of the following provisions authorizes the Commission to solicit the information requested: Sections 19 and/or 20 of the Securities Act of 1933; Section 21 of the Securities Exchange Act of 1934; Section 321 of the Trust Indenture Act of 1939; Section 42 of the Investment

Company Act of 1940; Section 209 of the Investment Advisers Act of 1940; and 17 CFR 202.5. Disclosure of the requested information to the Commission is voluntary on your part.

#### F. Effect of Not Supplying Information

*Persons Directed to Supply Information Pursuant to Subpoena.* If you fail to comply with the subpoena, the Commission may seek a court order requiring you to do so. If such an order is obtained and you thereafter fail to supply the information, you may be subject to civil and/or criminal sanctions for contempt of court. In addition, if the subpoena was issued pursuant to the Securities Exchange Act of 1934, the Investment Company Act of 1940, and/or the Investment Advisers Act of 1940, and if you, without just cause, fail or refuse to attend and testify, or to answer any lawful inquiry, or to produce books, papers, correspondence, memoranda, and other records in compliance with the subpoena, you may be found guilty of a misdemeanor and fined not more than \$1,000 or imprisoned for a term of not more than one year, or both.

*Persons Requested to Supply Information Voluntarily.* There are no direct sanctions and thus no direct effects for failing to provide all or any part of the requested information.

#### G. Principal Uses of Information

The Commission's principal purpose in soliciting the information is to gather facts in order to determine whether any person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings. Unless the Commission or its staff explicitly agrees to the contrary in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

#### H. Routine Uses of Information

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To appropriate agencies, entities, and persons when (a) it is suspected or confirmed that the security or confidentiality of information in the system of records has been compromised; (b) the SEC has determined that, as a result of the suspected or confirmed compromise, there is a risk of harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the SEC or another agency or entity) that rely upon the compromised information; and (c) the disclosure made to such agencies, entities, and persons is reasonably necessary to assist in connection with the SEC's efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.
2. To other federal, state, local, or foreign law enforcement agencies; securities self-regulatory organizations; and foreign financial regulatory authorities to assist in or coordinate regulatory or law enforcement activities with the SEC.
3. To national securities exchanges and national securities associations that are registered with the SEC, the Municipal Securities Rulemaking Board; the Securities Investor Protection Corporation; the Public Company Accounting Oversight Board; the federal banking authorities, including, but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation; state securities regulatory agencies or organizations; or regulatory authorities of a foreign government in connection with their regulatory or enforcement responsibilities.
4. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.
5. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.
6. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).

7. To a bar association, state accountancy board, or other federal, state, local, or foreign licensing or oversight authority; or professional association or self-regulatory authority to the extent that it performs similar functions (including the Public Company Accounting Oversight Board) for investigations or possible disciplinary action.
8. To a federal, state, local, tribal, foreign, or international agency, if necessary to obtain information relevant to the SEC's decision concerning the hiring or retention of an employee; the issuance of a security clearance; the letting of a contract; or the issuance of a license, grant, or other benefit.
9. To a federal, state, local, tribal, foreign, or international agency in response to its request for information concerning the hiring or retention of an employee; the issuance of a security clearance; the reporting of an investigation of an employee; the letting of a contract; or the issuance of a license, grant, or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.
10. To produce summary descriptive statistics and analytical studies, as a data source for management information, in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies; may also be used to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act.
11. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction, or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or pursuant to the Commission's Rules of Practice, 17 CFR 201.100 - 900 or the Commission's Rules of Fair Fund and Disgorgement Plans, 17 CFR 201.1100-1106, or otherwise, where such trustee, receiver, master, special counsel, or other individual or entity is specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice or the Rules of Fair Fund and Disgorgement Plans.
12. To any persons during the course of any inquiry, examination, or investigation conducted by the SEC's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.
13. To interns, grantees, experts, contractors, and others who have been engaged by the Commission to assist in the performance of a service related to this system of records and who need access to the records for the purpose of assisting the Commission in the efficient administration of its programs, including by performing clerical, stenographic, or data analysis functions, or by reproduction of records by electronic or other means. Recipients of these records shall be required to comply with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a.
14. In reports published by the Commission pursuant to authority granted in the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), which authority shall include, but not be limited to, section 21(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78u(a)).
15. To members of advisory committees that are created by the Commission or by Congress to render advice and recommendations to the Commission or to Congress, to be used solely in connection with their official designated functions.
16. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 200.735-18, and who assists in the investigation by the Commission of possible violations of the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.
17. To a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.
18. To members of Congress, the press, and the public in response to inquiries relating to particular Registrants and their activities, and other matters under the Commission's jurisdiction.
19. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78c(a)(47)), as amended.
20. To respond to subpoenas in any litigation or other proceeding.



21. To a trustee in bankruptcy.

22. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

\* \* \* \* \*

*Small Business Owners:* The SEC always welcomes comments on how it can better assist small businesses. If you have comments about the SEC's enforcement of the securities laws, please contact the Office of Chief Counsel in the SEC's Division of Enforcement at 202-551-4933 or the SEC's Small Business Ombudsman at 202-551-3460. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory Enforcement Ombudsman at <http://www.sba.gov/ombudsman> or toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.



U.S. Securities and Exchange Commission

Data Delivery Standards

The following outlines the technical requirements for producing scanned paper collections, email and electronic document/native file collections to the Securities and Exchange Commission. The SEC uses *Concordance*® 2007 v9.58 and *Concordance Image*® v4.53 software to search, review and retrieve documents produced to us in electronic format. Any proposed production in a format other than those identified below must be discussed with and approved by the legal and technical staff of the Division of Enforcement. We appreciate your efforts in assisting us by preparing data in a format that will enable our staff to use the data efficiently.

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**General Instructions**

1. A cover letter should be included with each production. *This letter MUST be imaged and provided as the first record in the load file.*  
 The following information should be included in the letter:
  - a. List of each piece of media (hard drive, thumb drive, DVD or CD) included in the production by the unique number assigned to it, and readily apparent on the physical media.
  - b. List of custodians, identifying:
    - 1) The Bates range (and any gaps therein) for each custodian
    - 2) Total number of records for each custodian
    - 3) Total number of images for each custodian
    - 4) Total number of native files for each custodian
  - c. List of fields in the order in which they are listed in the data file.
  - d. Time zone in which emails were standardized during conversion (email collections only).
2. Documents created or stored electronically **MUST** be produced in their original electronic format, not printed to paper or PDF.
3. Data can be produced on CD, DVD or hard drive; *use the media requiring the least number of deliverables.*
4. Label all media with the following:
  - a. Case number
  - b. Production date
  - c. Bates range

- d. Disk number (1 of X), if applicable
5. Organize productions by custodian, unless otherwise instructed. All documents from an individual custodian should be confined to a single load file.
6. All productions should be checked and produced free of computer viruses.
7. All produced media should be encrypted.
8. Passwords for documents, files, compressed archives and encrypted media should be provided separately either via email or in a separate cover letter from the data.

## Delivery Formats

### I. *Concordance*® Production

All scanned paper, email and native file collections should be converted/processed to TIFF files, Bates numbered, and include fully searchable text. Additionally, email and native file collections should include linked native files.

Bates numbering documents:

The Bates number must be a unique, consistently formatted identifier, i.e., an alpha prefix along with a fixed length number for EACH custodian., i.e., ABC0000001. This format MUST remain consistent across all production numbers for each custodian. The number of digits in the numeric portion of the format should not change in subsequent productions, nor should spaces, hyphens, or other separators be added or deleted.

The following describes the specifications for producing image-based productions to the SEC and the load files required for *Concordance*® and *Concordance Image*®.

#### 1. Images

- a. Images should be single-page, Group IV TIFF files, scanned at 300 dpi.
- b. File names cannot contain embedded spaces.
- c. Bates numbers should be endorsed on the lower right corner of all images.
- d. The number of TIFF files per folder should not exceed 500 files.
- e. Rendering to images PowerPoint, AUTOCAD/ photographs and Excel files:
  - 1) PowerPoint: All pages of the file should be scanned in full slide image format, with any speaker notes following the appropriate slide image.
  - 2) AUTOCAD/ photographs: If possible, files should be scanned to single page JPEG (.JPG) file format.
  - 3) Excel: TIFF images of spreadsheets are not useful for review purposes; because the imaging process can often generate thousands of pages per file, a placeholder image, named by the *IMAGEID* of the file, may be used instead.

#### 2. *Concordance Image*® Cross-Reference File

The image cross-reference file is needed to link the images to the database. It is a comma-delimited file consisting of seven fields per line. There must be a line in the cross-reference file for every image in the database.

The format is as follows:

*ImageID, VolumeLabel, ImageFilePath, DocumentBreak, FolderBreak, BoxBreak, PageCount*

*ImageID:* The unique designation that *Concordance*® and *Concordance Image*® use to identify an image.  
*Note: This imageID key must be a unique and fixed length number. This number will be used in the .DAT file as the ImageID field that links the database to the images. The format of this image key must be consistent across all productions. We recommend that the format be a 7 digit number to allow for the possible increase in the size of a production.*

*VolumeLabel:* Optional

*ImageFilePath:* The full path to the image file.

*DocumentBreak:* The letter "Y" denotes the first page of a document. If this field is blank, then the page is not the first page of a document.

*FolderBreak:* Leave empty

*BoxBreak:* Leave empty

*PageCount:* Optional

Sample

```
IMG0000001, ,E:\001\IMG0000001.TIF,Y,,,  
IMG0000002, ,E:\001\IMG0000002.TIF,,,,  
IMG0000003, ,E:\001\IMG0000003.TIF,,,,  
IMG0000004, ,E:\001\IMG0000003.TIF,Y,,,  
IMG0000005, ,E:\001\IMG0000003.TIF,Y,,,  
IMG0000006, ,E:\001\IMG0000003.TIF,,,,
```

3. **Data File**

The data file (.DAT) contains all of the fielded information that will be loaded into the *Concordance*® database.

- a. The first line of the .DAT file must be a header row identifying the field names.
- b. The .DAT file must use the following *Concordance*® default delimiters:
  - Comma , ASCII character (020)
  - Quote ¨ ASCII character (254)
  - Newline ® ASCII character (174)
- c. Date fields should be provided in the format: mm/dd/yyyy
- d. All attachments should sequentially follow the parent document/email.
- e. All metadata associated with email, audio files, and native electronic document collections must be produced (see pages 4-5).
- f. The .DAT file for scanned paper collections must contain, at a minimum, the following fields:
  - 1) FIRSTBATES: Beginning Bates number
  - 2) LASTBATES: Ending Bates number
  - 3) IMAGEID: Image Key field
  - 4) CUSTODIAN: Individual from whom the document originated
  - 5) OCRTEXT: Optical Character Recognition text

Sample

```
¨FIRSTBATES¨¨LASTBATES¨¨IMAGEID¨¨CUSTODIAN¨¨  
¨PC00000001¨¨PC00000002¨¨IMG0000001¨¨Smith, John¨  
¨PC00000003¨¨PC00000003¨¨IMG0000003¨¨Smith, John¨  
¨PC00000004¨¨PC00000005¨¨IMG0000004¨¨Smith, John¨
```

Sample of .DAT file:

```
¨FIRSTBATES¨¨LASTBATES¨¨IMAGEID¨¨CUSTODIAN¨¨OCRTEXT¨  
¨PC00000001¨¨PC00000002¨¨IMG0000001¨¨Smith, John¨¨*** IMG0000001 ***¨¨The world of investing is  
fascinating and complex, and it can be very fruitful. But unlike the banking world, where deposits are guaranteed  
by the federal government, stocks, bonds and other securities can lose value. There are no guarantees. That's why  
investing is not a spectator sport. By far the best way for investors to protect the money they put into the securities  
markets is to do research and ask questions.¨¨*** IMG0000002 ***¨¨The laws and rules that govern the  
securities industry in the United States derive from a simple and straightforward concept: all investors, whether  
large institutions or private individuals, should have access to certain basic facts about an investment prior to  
buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful  
financial and other information to the public. This provides a common pool of knowledge for all investors to use  
to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely,  
comprehensive, and accurate information can people make sound investment decisions.¨  
¨PC00000003¨¨PC00000003¨¨IMG0000003¨¨Smith, John¨¨***IMG0000003 ***¨¨The result of this  
information flow is a far more active, efficient, and transparent capital market that facilitates the capital formation  
so important to our nation's economy.¨  
¨PC00000004¨¨PC00000005¨¨IMG0000004¨¨Smith, John¨¨*** IMG0000004 ***¨¨To insure that this  
objective is always being met, the SEC continually works with all major market participants, including especially  
the investors in our securities markets, to listen to their concerns and to learn from their experience.¨¨***  
IMG0000005 ***¨¨The SEC oversees the key participants in the securities world, including securities  
exchanges, securities brokers and dealers, investment advisors, and mutual funds. Here the SEC is concerned  
primarily with promoting the disclosure of important market-related information, maintaining fair dealing, and  
protecting against fraud.¨
```

The text and metadata of Email and the attachments, and native file document collections should be extracted and provided in a .DAT file using the field definition and formatting described below:

Field Name	Sample Data	Description
FIRSTBATES	EDC0000001	First Bates number of native file document/email
LASTBATES	EDC0000001	Last Bates number of native file document/email **The LASTBATES field should be populated for single page documents/emails.
ATTACHRANGE	EDC0000001 - EDC0000015	Bates number of the first page of the parent document to the Bates number of the last page of the last attachment "child" document
BEGATTACH	EDC0000001	First Bates number of attachment range
ENDATTACH	EDC0000015	Last Bates number of attachment range
PARENT_BATES	EDC0000001	First Bates number of parent document/Email **This PARENT_BATES field should be populated in each record representing an attachment "child" document
CHILD_BATES	EDC0000002; EDC0000014	First Bates number of "child" attachment(s); can be more than one Bates number listed depending on the number of attachments **The CHILD_BATES field should be populated in each record representing a "parent" document
CUSTODIAN	Smith, John	Email: mailbox where the email resided Native: Individual from whom the document originated
FROM	John Smith	Email: Sender Native: Author(s) of document **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto:frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of document (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT	07:05 PM	Email: Time the email was sent Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
LINK	D:\001\EDC0000001.msg	Hyperlink to the email or native file document **The linked file must be named per the FIRSTBATES number
FILE_EXTEN	MSG	The file type extension representing the Email or native file document; will vary depending on the email format
AUTHOR	John Smith	Email: (empty) Native: Author of the document
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the document was created

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TIME_CREATED	10:25 AM	Email: (empty) Native: Time the document was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the document was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the document was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the document was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the document was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the document was last printed
FILE_SIZE	5,952	Size of native file document/email in KB
PGCOUNT	1	Number of pages in native file document/email
PATH	J:\Shared\Smith\October Agenda.doc	Email: (empty) Native: Path where native file document was stored including original file name.
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name. Native: (empty)
INTMSGID	<000805c2c71b\$75977050\$cb8306d1@MSN>	Email: Unique Message ID Native: (empty)
TEXT	From: Smith, John Sent: Tuesday, October 12, 2010 07:05 PM To: Coffman, Janice Subject: Board Meeting Minutes  Janice; Attached is a copy of the September Board Meeting Minutes and the draft agenda for October. Please let me know if you have any questions.  John Smith Assistant Director Information Technology Phone: (202) 555-1111 Fax: (202) 555-1112 Email: jsmith@xyz.com	Extracted text of the native file document/email

4. Text

Searchable text of the entire document must be provided for every record, at the document level.

- a. Extracted text must be provided for all documents that originated in electronic format. The text files should include page breaks that correspond to the 'pagination' of the image files. Note: Any document in which text cannot be extracted must be OCR'd, particularly in the case of PDFs without embedded text.

- b. OCR text must be provided for all documents that originated in hard copy format. A page marker should be placed at the beginning, or end, of each page of text, e.g. \*\*\* IMG0000001 \*\*\* whenever possible. The data surrounded by asterisks is the *Concordance®* ImageID.

Sample page markers with OCR text:

\*\*\* IMG0000001 \*\*\*

The world of investing is fascinating and complex, and it can be very fruitful. But unlike the banking world, where deposits are guaranteed by the federal government, stocks, bonds and other securities can lose value. There are no guarantees. That's why investing is not a spectator sport. By far the best way for investors to protect the money they put into the securities markets is to do research and ask questions.

\*\*\* IMG0000002 \*\*\*

The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful financial and other information to the public. This provides a common pool of knowledge for all investors to use to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions.

- c. For redacted documents, provide the full text for the redacted version.

d. Delivery

The text can be delivered two ways:

- 1) As multi-page ASCII text files with the files named the same as the ImageID field. Text files can be placed in a separate folder or included with the .TIF files. The number of files per folder should be limited to 500 files.
- 2) Included in the .DAT file.

5. **Linked Native Files**

Copies of original email and native file documents/attachments must be included for all electronic productions.

- a. Native file documents must be named per the FIRSTBATES number.
- b. The full path of the native file must be provided in the .DAT file for the LINK field.
- c. The number of native files per folder should not exceed 500 files.

II. **Audio Files**

Audio files from telephone recording systems must be produced in a format that is playable using Microsoft Windows Media Player™. Additionally, the call information (metadata) related to each audio recording **MUST** be provided. The metadata file must be produced in a delimited text format. Field names must be included in the first row of the text file. The metadata must include, at a minimum, the following fields:

- |                              |  |
|------------------------------|--|
| 1) CALLER_NAME or CALLER_ID: | Caller's name or identification number |
| 2) CALLING_NUMBER:           | Caller's phone number                  |
| 3) DATE:                     | Date of call                           |
| 4) TIME:                     | Time of call                           |
| 5) CALLED_PARTY:             | Name of the party called               |
| 6) CALLED_NUMBER:            | Called party's phone number            |
| 7) FILENAME:                 | Filename of audio file                 |

III. **Video Files**

Video files must be produced in a format that is playable using Microsoft Windows Media Player™.

IV. **Electronic Trade and Bank Records**

When producing electronic trade and bank records, provide the files in one of the following formats:

1. Delimited text file with header information detailing the field structure. The preferred delimiter is a vertical bar "|". If any special codes exist in the dataset, a separate document must be provided that details all such codes. If details of the field structure do not fit in the header, a separate document must be provided that includes such details.
2. MS Excel spreadsheet with header information detailing the field structure. If any special codes exist in the dataset, a separate document must be provided that details all such codes. If details of the field structure do not fit in the header, a separate document must be provided that includes such details.

**V. Electronic Phone Records**

1. Delimited text file with header information detailing the field structure.
2. Comma Separated Value file (.csv) with header information detailing the field structure.
3. MS Excel spreadsheet with header information detailing the field structure.

The metadata must include, at a minimum, the following fields:

- |                    |                                   |
|--------------------|-----------------------------------|
| 1) ACCT_NUMBER:    | Caller's telephone account number |
| 2) CALLING_NUMBER: | Caller's phone number             |
| 3) CALLED_NUMBER:  | Called party's phone number       |
| 4) DATE:           | Date of call                      |
| 5) START_TIME:     | Start time of call                |
| 6) END_TIME:       | End time of call                  |
| 7) DURATION:       | Duration in minutes of the call   |

**VI. Adobe PDF File Production**

When approved, Adobe PDF files may be produced in native file format.

1. PDF files should be produced in separate folders named by the Custodian.
2. All PDFs must be unitized at the document level, i.e. each PDF should represent a discrete document; a single PDF cannot contain multiple documents.
3. All PDF files must contain embedded text that includes all discernable words within the document, not selected text only. This requires all layers of the PDF to be flattened first.
4. If PDF files are Bates endorsed, the PDF files must be named by the Bates range.

**VII. Email Native File Production**

When approved, Outlook (.PST) and Lotus Notes (.NSF) email files may be produced in native file format. A separate folder should be provided for each custodian.



**DECLARATION OF SCOTT W. HATFIELD CERTIFYING RECORDS  
OF REGULARLY CONDUCTED BUSINESS ACTIVITY**

I, the undersigned, Scott W. Hatfield, pursuant to 28 U.S.C. § 1746, declare that:

1. I am the owner and sole proprietor of S. W. Hatfield, CPA and by reason of my position am authorized and qualified to make this declaration.
2. I further certify that the documents [*attached hereto or submitted herewith*] and stamped [*insert bates range*] are true copies of records that were:
  - (a) made at or near the time of the occurrence of the matters set forth therein, by, or from information transmitted by, a person with knowledge of those matters;
  - (b) kept in the course of regularly conducted business activity; and
  - (c) made by the regularly conducted business activity as a regular practice.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on April \_\_, 2012.

\_\_\_\_\_  
Scott W. Hatfield, CPA



**Delivery Notification**

Dear Customer,

This notice serves as proof of delivery for the shipment listed below.

Tracking Number: 1Z A37 81X A2 9008 861 6  
Reference Number(s): 66211, MFW-3711  
Service: NEXT DAY AIR  
Special Instructions: ADULT SIGNATURE REQUIRED  
Shipped/Billed On: 03/28/2012  
Delivered On: 03/29/2012 10:10 A.M.  
Delivered To: [REDACTED]

Signed By: HATFIELD  
[Signature]

Location: RESIDENTIAL

Thank you for giving us this opportunity to serve you.

Sincerely,  
UPS

Tracking results provided by UPS: 04/02/2012 8:56 A.M. ET

# **Exhibit King-B**



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
FORT WORTH REGIONAL OFFICE  
801 CHERRY STREET, UNIT #18  
FORT WORTH, TEXAS 76102-6882  
PHONE: (817) 978-3821 FAX: (817) 978-2700

IN REPLYING  
PLEASE QUOTE  
FW 3711

April 10, 2012

**VIA UPS and email to [swhcpa@gmail.com](mailto:swhcpa@gmail.com)**

Mr. Scott W. Hatfield, CPA  
S. W. Hatfield, CPA  
[REDACTED]  
Dallas, Texas 75243-7212

*Re: S. W. Hatfield, CPA (FW-3711)*

Dear Mr. Hatfield:

The staff of the Securities and Exchange Commission is conducting an investigation in the matter identified above. The enclosed subpoena has been issued to you as part of this investigation. The subpoena requires you to give us documents and provide sworn testimony.

Please read the subpoena and this letter carefully. This letter answers some questions you may have about the subpoena. You should also read the enclosed SEC Form 1662. You must comply with the subpoena. You may be subject to a fine and/or imprisonment if you do not.

**Producing Documents**

*What materials do I have to produce?*

The subpoena requires you to give us the documents described in the attachment to the subpoena. The request is essentially the same as the request made in the staff's letter to you dated March 28, 2012, except that request number three has been split into two requests to clarify that the staff is seeking only information related to engagements for public companies and to clarify the documents requested. The subpoena requires you to produce responsive documents by **Friday, April 20, 2012**, based on the date you proposed in your extension request letter dated April 6, 2012. The attachment to the subpoena defines some terms (such as "document") before listing what you must provide.

Please note that if copies of a document differ in any way, they are considered separate documents and you must send each one. For example, if you have two copies of the same letter, but only one of them has handwritten notes on it, you must send both the clean copy and the one with notes.

If you prefer, you may send us photocopies of the originals. The Commission cannot reimburse you for the copying costs. The copies must be identical to the originals, including even faint marks or print. If you choose to send copies, you must keep the originals in a safe place. The staff will accept the copies for now, but may require you to produce the originals later.

Mr. Scott W. Hatfield  
April 10, 2012  
Page 2

If you do send us photocopies, please put an identifying notation on each page of each document to indicate that it was produced by you, and number the pages of all the documents submitted. (For example, if Jane Doe sends documents to the staff, she may number the pages JD-1, JD-2, JD-3, etc., in a blank corner of the documents.) Please make sure the notation and number do not conceal any writing or marking on the document. If you send us originals, please do not add any identifying notations.

*Do I need to send anything else?*

You should complete the enclosed declaration stating that the documents produced are true copies of records that were made at or near the time of the occurrence of the matters set forth therein, by, or from information transmitted by, a person with knowledge of those matters kept in the course of regularly conducted business activity; and made by the regularly conducted business activity as a regular practice.

Additionally, you should enclose a list briefly describing each item you send. The list should state which paragraph(s) in the subpoena attachment each item responds to.

Please include a cover letter stating whether you believe you have met your obligations under the subpoena by searching carefully and thoroughly for everything called for by the subpoena, and sending it all to us.

*What if I do not send everything described in the attachment to the subpoena?*

The subpoena requires you to send all the materials described in it. If, for any reason -- including a claim of attorney-client privilege -- you do not produce something called for by the subpoena, you should submit a list of what you are not producing. The list should describe each item separately, noting:

- its author(s);
- its date;
- its subject matter;
- the name of the person who has the item now, or the last person known to have it;
- the names of everyone who ever had the item or a copy of it, and the names of everyone who was told the item's contents; and
- the reason you did not produce the item.

If you withhold anything on the basis of a claim of attorney-client privilege or attorney work product protection, you should also identify the attorney and client involved.

Mr. Scott W. Hatfield  
April 10, 2012  
Page 3

*Where should I send the materials?*

Please send the materials to:

David R. King  
U.S. Securities and Exchange Commission  
Division of Enforcement  
801 Cherry Street, Suite 1900  
Fort Worth, TX 76102

**Testifying**

*Where and when do I testify?*

The subpoena requires you to come to the Commission's offices at 801 Cherry Street, Suite 1900; Fort Worth, Texas on **Tuesday, April 24, 2012**, to testify under oath in the matter identified on the subpoena. You must contact us immediately if you are unable to appear on this date.

**Other Important Information**

*May I have a lawyer help me respond to the subpoena?*

Yes. You have the right to consult with and be represented by your own lawyer in this matter. We cannot give you legal advice.

*What will the Commission do with [the materials I send and/or the testimony I provide]?*

The enclosed SEC Form 1662 includes a List of Routine Uses of information provided to the Commission. This form has other important information for you. Please read it carefully.

*Has the Commission determined that anyone has done anything wrong?*

This investigation is a non-public, fact-finding inquiry. We are trying to determine whether there have been any violations of the federal securities laws. The investigation and the subpoena do not mean that we have concluded that you or anyone else has broken the law. Also, the investigation does not mean that we have a negative opinion of any person, entity or security.

**Important Policy Concerning Settlements**

Please note that, in any matter in which enforcement action is ultimately deemed to be warranted, the Division of Enforcement will not recommend any settlement to the Commission unless the party wishing to settle certifies, under penalty of perjury, that all documents responsive to Commission subpoenas and formal and informal document requests in this matter have been produced.

Mr. Scott W. Hatfield  
April 10, 2012  
Page 4

*I have read this letter, the subpoena, and the SEC Form 1662, but I still have questions. What should I do?*

If you have any other questions, you may call me at (817) 900-2604. If you are represented by a lawyer, you should have your lawyer contact me.

Sincerely,



David R. King  
Enforcement Accountant

Enclosures: Subpoena  
SEC Data Delivery Standards  
Declaration Certifying Records of Regularly Conducted Business Activity  
SEC Form 1662



**SUBPOENA**  
**UNITED STATES OF AMERICA**  
**SECURITIES AND EXCHANGE COMMISSION**

**In the Matter of S.W. Hatfield, CPA (FW-3711)**

To: Mr. Scott W. Hatfield  
S. W. Hatfield, CPA  
[REDACTED]  
Dallas, Texas 75243-7212

**YOU MUST PRODUCE** everything specified in the Attachment to this subpoena to officers of the Securities and Exchange Commission, at the place, date and time specified below.

**Burnett Plaza, Suite 1900; 801 Cherry Street; Fort Worth, TX 76102**  
**April 20, 2012 by 10:30 a.m.**

**YOU MUST TESTIFY** before officers of the Securities and Exchange Commission, at the place, date and time specified below.

**Burnett Plaza, Suite 1900; 801 Cherry Street; Fort Worth, TX 76102**  
**April 24, 2012 at 9:00 a.m.**

**FEDERAL LAW REQUIRES YOU TO COMPLY WITH THIS SUBPOENA.**  
Failure to comply may subject you to a fine and/or imprisonment.

By: David R King  
David R King, Enforcement Accountant  
U.S. Securities and Exchange Commission  
801 Cherry Street, 19th Floor  
Ft. Worth, TX 76102  
817-900-2604

Date: April 10, 2012

I am an officer of the Securities and Exchange Commission authorized to issue subpoenas in this matter. The Securities and Exchange Commission has issued a formal order authorizing this investigation under Section 21(a) of the Securities Exchange Act of 1934.

NOTICE TO WITNESS: If you claim a witness fee or mileage, submit this subpoena with the claim voucher.



**ATTACHMENT TO APRIL 10, 2012 SUBPOENA TO S.W. HATFIELD, CPA**

**A. Definitions and Instructions**

1. The terms "S. W. Hatfield, CPA," "you" or "your" mean S. W. Hatfield, CPA and all of its parents, subsidiaries, divisions, affiliates, predecessors, successors, officers, directors, partners, limited partners, employees, agents, independent contractors, and individuals and entities used by S. W. Hatfield, CPA in the performance of any services to its audit clients, as well as aliases, code names, trade names, or business names used by, or formerly used by, any of the foregoing. This includes any affiliated and unaffiliated outside firms, foreign offices, and individuals used by S. W. Hatfield, CPA in the performance of any services to its audit clients, or that participated in the performance of these services, or whose work was relied upon by S. W. Hatfield, CPA in the performance of these services.

2. The term "document" includes, but is not limited to, all records, materials and other tangible forms of expression in your possession or custody, or under your control, whether originals, copies, annotated copies, drafts or final versions, and however created, produced, stored or maintained, including, but not limited to, working papers, audit documentation, charts, lists, logs, spreadsheets, financial information or analyses, books, papers, files, notes, memoranda, letters, reports, schedules, charts, lists, transcriptions, correspondence, telegrams, telexes, wire messages, telephone messages, calendars, diaries, budgets, invoices, audio and video recordings, electronic mail (including attachments and linked documents), text messages, electronic data compilations, computer disks (or hard copy of the data contained on such disks), and other electronic media, microfilm, microfiche, and storage devices.

3. The term "communication" includes any transmittal or receipt of information, whether by chance or prearranged, formal or informal, oral, written or electronic, and includes without limitation: conversations, meetings and discussions in person; conversations, meetings and discussions by telephone; and written correspondence through the use of the mails, courier services, electronic media (such as electronic mail), and telephone lines and wires.

4. A communication or document "concerning," "involving," "relating," "related," or "which relates" to any given subject means any communication or document that constitutes, contains, discusses, embodies, evidences, reflects, identifies, states, refers to, deals with, bears upon, or is in any way pertinent to that subject, including documents concerning the preparation of other documents.

5. Documents produced pursuant to this attachment shall be produced in the order in which they appear in your files and shall not be shuffled or otherwise rearranged. Documents that in their original condition were stapled, clipped, or otherwise fastened together shall be produced in that form.

6. Electronic mail produced pursuant to this attachment shall be provided in its original electronic format on a CD-ROM disk with a label clearly identifying the disk as containing material responsive to this attachment and indicating the request to which the documents are responsive. You need not provide hard copies of electronic mail messages that are produced in electronic format.

**ATTACHMENT TO APRIL 10, 2012 SUBPOENA TO S.W. HATFIELD, CPA**

7. The disjunctive ("or") shall be deemed to include the conjunctive ("and"), and the conjunctive ("and") shall be deemed to include the disjunctive ("or"); and each of the functional words "each," "every," "any" and "all" shall be deemed to include each of the other functional words

8. Provide a list of the documents you produce, indicating in each instance the request to which the document is responsive. Also, identify and generally describe all requested documents that you do not produce and indicate the location of each such document and your reason for not producing it.

9. If you withhold any document based on a claim of privilege, please provide the following information as to each such document: (a) the author(s); (b) the date the document was created; (c) each person who received a copy of the document or was informed of its contents; (d) the person who now has the document or was last known to have it; (e) the general subject matter of the document; and (f) the privilege asserted.

10. If any documents responsive to this subpoena were in your possession, custody, or control at some time in the past, but are no longer available, provide a list of such documents, indicating in each instance the request to which the document was responsive. Please provide the following information with respect to each such document: (a) the author(s); (b) the date the document was created; (c) each person who received a copy of the document or was informed of its contents; (d) the person who now has the document or was last known to have it; (e) the general subject matter of the document; (f) a detailed description of the document; and (g) a detailed and complete explanation of why such document is no longer in your possession, custody, or control.

11. Execute the Declaration Certifying Records of Regularly Conducted Business Activity and produce together with documents responsive to this subpoena.

12. No agreement by the Securities and Exchange Commission or its staff purporting to modify, limit, or otherwise vary this subpoena is binding on the Commission or its staff unless confirmed or acknowledged in writing by the Commission or its staff.

**ATTACHMENT TO APRIL 10, 2012 SUBPOENA TO S.W. HATFIELD, CPA**

**B. Production of Documents**

Produce all documents in your possession, custody, or control that are responsive to the following requests.

1. All communications with the Texas State Board of Public Accountancy ("TSBPA") since January 31, 2009 regarding S. W. Hatfield, CPA (██████████), including but not limited to peer review requirements, participation in peer reviews, licensing matters, license renewal, license expiration, and license reinstatement.
2. All communications since January 31, 2009 regarding S. W. Hatfield, CPA's ability to practice public accountancy, including performing reviews and issuing audit reports for public companies during any period in which S. W. Hatfield, CPA's license was expired, lapsed or otherwise not in good standing with the TSBPA.
3. All executed engagement letters and invoices related to public company audit or review engagements conducted during or completed during the period from January 31, 2010 through May 19, 2011 or any other any period in which S. W. Hatfield, CPA's license was expired, lapsed or otherwise not in good standing with the TSBPA since January 31, 2009.
4. Invoice registers or other documents sufficient to quantify the dollar amount of fees collected for public company audit or review engagements conducted during or completed during the period from January 31, 2010 through May 19, 2011 or any other any period in which S. W. Hatfield, CPA's license was expired, lapsed or otherwise not in good standing with the TSBPA since January 31, 2009.

**DECLARATION OF SCOTT W. HATFIELD CERTIFYING RECORDS  
OF REGULARLY CONDUCTED BUSINESS ACTIVITY**

I, the undersigned, Scott W. Hatfield, pursuant to 28 U.S.C. § 1746, declare that:

1. I am the owner and sole proprietor of S. W. Hatfield, CPA and by reason of my position am authorized and qualified to make this declaration.
2. I further certify that the documents [*attached hereto or submitted herewith*] and stamped [*bates no. \_\_\_\_\_ to \_\_\_\_\_*] are true copies of records that were:
  - (a) made at or near the time of the occurrence of the matters set forth therein, by, or from information transmitted by, a person with knowledge of those matters;
  - (b) kept in the course of regularly conducted business activity; and
  - (c) made by the regularly conducted business activity as a regular practice.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on April \_\_, 2012.

\_\_\_\_\_  
Scott W. Hatfield, CPA



U.S. Securities and Exchange Commission

Data Delivery Standards

The following outlines the technical requirements for producing scanned paper collections, email and electronic document/native file collections to the Securities and Exchange Commission. The SEC uses *Concordance*® 2007 v9.58 and *Concordance Image*® v4.53 software to search, review and retrieve documents produced to us in electronic format. Any proposed production in a format other than those identified below must be discussed with and approved by the legal and technical staff of the Division of Enforcement. We appreciate your efforts in assisting us by preparing data in a format that will enable our staff to use the data efficiently.

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**General Instructions**

1. A cover letter should be included with each production. *This letter MUST be imaged and provided as the first record in the load file.*  
The following information should be included in the letter:
  - a. List of each piece of media (hard drive, thumb drive, DVD or CD) included in the production by the unique number assigned to it, and readily apparent on the physical media.
  - b. List of custodians, identifying:
    - 1) The Bates range (and any gaps therein) for each custodian
    - 2) Total number of records for each custodian
    - 3) Total number of images for each custodian
    - 4) Total number of native files for each custodian
  - c. List of fields in the order in which they are listed in the data file.
  - d. Time zone in which emails were standardized during conversion (*email collections only*).
2. Documents created or stored electronically **MUST** be produced in their original electronic format, not printed to paper or PDF.
3. Data can be produced on CD, DVD or hard drive; *use the media requiring the least number of deliverables.*
4. Label all media with the following:
  - a. Case number
  - b. Production date
  - c. Bates range

- d. Disk number (1 of X), if applicable
5. Organize productions by custodian, unless otherwise instructed. All documents from an individual custodian should be confined to a single load file.
6. All productions should be checked and produced free of computer viruses.
7. All produced media should be encrypted.
8. Passwords for documents, files, compressed archives and encrypted media should be provided separately either via email or in a separate cover letter from the data.

#### Delivery Formats

##### I. *Concordance*® Production

All scanned paper, email and native file collections should be converted/processed to TIFF files, Bates numbered, and include fully searchable text. Additionally, email and native file collections should include linked native files.

Bates numbering documents:

The Bates number must be a unique, consistently formatted identifier, i.e., an alpha prefix along with a fixed length number for EACH custodian, i.e., ABC0000001. This format MUST remain consistent across all production numbers for each custodian. The number of digits in the numeric portion of the format should not change in subsequent productions, nor should spaces, hyphens, or other separators be added or deleted.

The following describes the specifications for producing image-based productions to the SEC and the load files required for *Concordance*® and *Concordance Image*®.

##### 1. Images

- a. Images should be single-page, Group IV TIFF files, scanned at 300 dpi.
- b. File names cannot contain embedded spaces.
- c. Bates numbers should be endorsed on the lower right corner of all images.
- d. The number of TIFF files per folder should not exceed 500 files.
- e. Rendering to images PowerPoint, AUTOCAD/ photographs and Excel files:
  - 1) PowerPoint: All pages of the file should be scanned in full slide image format, with any speaker notes following the appropriate slide image.
  - 2) AUTOCAD/ photographs: If possible, files should be scanned to single page JPEG (JPG) file format.
  - 3) Excel: TIFF images of spreadsheets are not useful for review purposes; because the imaging process can often generate thousands of pages per file, a placeholder image, named by the *IMAGEID* of the file, may be used instead.

##### 2. *Concordance Image*® Cross-Reference File

The image cross-reference file is needed to link the images to the database. It is a comma-delimited file consisting of seven fields per line. There must be a line in the cross-reference file for every image in the database.

The format is as follows:

*ImageID, VolumeLabel, ImageFilePath, DocumentBreak, FolderBreak, BoxBreak, PageCount*

*ImageID:* The unique designation that *Concordance*® and *Concordance Image*® use to identify an image.  
*Note: This imageID key must be a unique and fixed length number. This number will be used in the .DAT file as the ImageID field that links the database to the images. The format of this image key must be consistent across all productions. We recommend that the format be a 7 digit number to allow for the possible increase in the size of a production.*

*VolumeLabel:* Optional

*ImageFilePath:* The full path to the image file.

*DocumentBreak:* The letter "Y" denotes the first page of a document. If this field is blank, then the page is not the first page of a document.

*FolderBreak:* Leave empty

*BoxBreak:* Leave empty

*PageCount:* Optional

Sample

```
IMG0000001, ,E:\001\IMG0000001.TIF,Y,,,
IMG0000002, ,E:\001\IMG0000002.TIF,,,,
IMG0000003, ,E:\001\IMG0000003.TIF,,,,
IMG0000004, ,E:\001\IMG0000003.TIF,Y,,,
IMG0000005, ,E:\001\IMG0000003.TIF,Y,,,
IMG0000006, ,E:\001\IMG0000003.TIF,,,,
```

3. Data File

The data file (.DAT) contains all of the fielded information that will be loaded into the *Concordance*® database.

- a. The first line of the .DAT file must be a header row identifying the field names.
- b. The .DAT file must use the following *Concordance*® default delimiters:  
Comma , ASCII character (020)  
Quote " ASCII character (254)  
Newline @ ASCII character (174)
- c. Date fields should be provided in the format: mm/dd/yyyy
- d. All attachments should sequentially follow the parent document/email.
- e. All metadata associated with email, audio files, and native electronic document collections must be produced (see pages 4-5).
- f. The .DAT file for scanned paper collections must contain, at a minimum, the following fields:
  - 1) FIRSTBATES: Beginning Bates number
  - 2) LASTBATES: Ending Bates number
  - 3) IMAGEID: Image Key field
  - 4) CUSTODIAN: Individual from whom the document originated
  - 5) OCRTEXT: Optical Character Recognition text

Sample

```
bFIRSTBATESbLASTBATESbIMAGEIDbCUSTODIANb
bPC00000001bPC00000002bIMG0000001bSmith, Johnb
bPC00000003bPC00000003bIMG0000003bSmith, Johnb
bPC00000004bPC00000005bIMG0000004bSmith, Johnb
```

Sample of .DAT file:

```
bFIRSTBATESbLASTBATESbIMAGEIDbCUSTODIANbOCRTEXTb
bPC00000001bPC00000002bIMG0000001bSmith, Johnb*** IMG0000001 ***@The world of investing is
fascinating and complex, and it can be very fruitful. But unlike the banking world, where deposits are guaranteed
by the federal government, stocks, bonds and other securities can lose value. There are no guarantees. That's why
investing is not a spectator sport. By far the best way for investors to protect the money they put into the securities
markets is to do research and ask questions.@ *** IMG0000002 ***@The laws and rules that govern the
securities industry in the United States derive from a simple and straightforward concept: all investors, whether
large institutions or private individuals, should have access to certain basic facts about an investment prior to
buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful
financial and other information to the public. This provides a common pool of knowledge for all investors to use
to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely,
comprehensive, and accurate information can people make sound investment decisions.b
bPC00000003bPC00000003bIMG0000003bSmith, Johnb***IMG0000003 ***@The result of this
information flow is a far more active, efficient, and transparent capital market that facilitates the capital formation
so important to our nation's economy.b
bPC00000004bPC00000005bIMG0000004bSmith, Johnb ***.IMG0000004 ***@To insure that this
objective is always being met, the SEC continually works with all major market participants, including especially
the investors in our securities markets, to listen to their concerns and to learn from their experience.@ ***
IMG0000005 ***@The SEC oversees the key participants in the securities world, including securities
exchanges, securities brokers and dealers, investment advisors, and mutual funds. Here the SEC is concerned
primarily with promoting the disclosure of important market-related information, maintaining fair dealing, and
protecting against fraud.b
```

The text and metadata of Email and the attachments, and native file document collections should be extracted and provided in a .DAT file using the field definition and formatting described below:

Field Name	Sample Data	Description
FIRSTBATES	EDC0000001	First Bates number of native file document/email
LASTBATES	EDC0000001	Last Bates number of native file document/email **The LASTBATES field should be populated for single page documents/emails.
ATTACHRANGE	EDC0000001 - EDC0000015	Bates number of the first page of the parent document to the Bates number of the last page of the last attachment "child" document
BEGATTACH	EDC0000001	First Bates number of attachment range
ENDATTACH	EDC0000015	Last Bates number of attachment range
PARENT_BATES	EDC0000001	First Bates number of parent document/Email **This PARENT_BATES field should be populated in each record representing an attachment "child" document
CHILD_BATES	EDC0000002; EDC0000014	First Bates number of "child" attachment(s); can be more than one Bates number listed depending on the number of attachments **The CHILD_BATES field should be populated in each record representing a "parent" document
CUSTODIAN	Smith, John	Email: mailbox where the email resided Native: Individual from whom the document originated
FROM	John Smith	Email: Sender Native: Author(s) of document **semi-colon should be used to separate multiple entries
TO	Coffman, Janice; LeeW [mailto:LeeW@MSN.com]	Recipient(s) **semi-colon should be used to separate multiple entries
CC	Frank Thompson [mailto: frank_Thompson@cdt.com]	Carbon copy recipient(s) **semi-colon should be used to separate multiple entries
BCC	John Cain	Blind carbon copy recipient(s) **semi-colon should be used to separate multiple entries
SUBJECT	Board Meeting Minutes	Email: Subject line of the email Native: Title of document (if available)
DATE_SENT	10/12/2010	Email: Date the email was sent Native: (empty)
TIME_SENT	07:05 PM	Email: Time the email was sent Native: (empty) **This data must be a separate field and cannot be combined with the DATE_SENT field
LINK	D:\001\ EDC0000001.msg	Hyperlink to the email or native file document **The linked file must be named per the FIRSTBATES number
FILE_EXTEN	MSG	The file type extension representing the Email or native file document; will vary depending on the email format.
AUTHOR	John Smith	Email: (empty) Native: Author of the document
DATE_CREATED	10/10/2010	Email: (empty) Native: Date the document was created



TIME_CREATED	10:25 AM	Email: (empty) Native: Time the document was created **This data must be a separate field and cannot be combined with the DATE_CREATED field
DATE_MOD	10/12/2010	Email: (empty) Native: Date the document was last modified
TIME_MOD	07:00 PM	Email: (empty) Native: Time the document was last modified **This data must be a separate field and cannot be combined with the DATE_MOD field
DATE_ACCESSD	10/12/2010	Email: (empty) Native: Date the document was last accessed
TIME_ACCESSD	07:00 PM	Email: (empty) Native: Time the document was last accessed **This data must be a separate field and cannot be combined with the DATE_ACCESSD field
PRINTED_DATE	10/12/2010	Email: (empty) Native: Date the document was last printed
FILE_SIZE	5,952	Size of native file document/email in KB
PGCOUNT	1	Number of pages in native file document/email
PATH	J:\Shared\Smith\October Agenda.doc	Email: (empty) Native: Path where native file document was stored including original file name.
INTFILEPATH	Personal Folders\Deleted Items\Board Meeting Minutes.msg	Email: original location of email including original file name. Native: (empty)
INTMSGID	<000805c2c71b575977050\$cb8306d1@MSN>	Email: Unique Message ID Native: (empty)
TEXT	From: Smith, John Sent: Tuesday, October 12, 2010 07:05 PM To: Coffman, Janice Subject: Board Meeting Minutes  Janice: Attached is a copy of the September Board Meeting Minutes and the draft agenda for October. Please let me know if you have any questions.  John Smith Assistant Director Information Technology Phone: (202) 555-1111 Fax: (202) 555-1112 Email: jsmith@xyz.com	Extracted text of the native file document/email

4. Text

Searchable text of the entire document must be provided for every record, at the document level.

- a. Extracted text must be provided for all documents that originated in electronic format. The text files should include page breaks that correspond to the 'pagination' of the image files. Note: Any document in which text cannot be extracted must be OCR'd, particularly in the case of PDFs without embedded text.

- b. OCR text must be provided for all documents that originated in hard copy format. A page marker should be placed at the beginning, or end, of each page of text, e.g. \*\*\* IMG0000001 \*\*\* whenever possible. The data surrounded by asterisks is the *Concordance@ImageID*.

Sample page markers with OCR text:

\*\*\* IMG0000001 \*\*\*

The world of investing is fascinating and complex, and it can be very fruitful. But unlike the banking world, where deposits are guaranteed by the federal government, stocks, bonds and other securities can lose value. There are no guarantees. That's why investing is not a spectator sport. By far the best way for investors to protect the money they put into the securities markets is to do research and ask questions.

\*\*\* IMG0000002 \*\*\*

The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it. To achieve this, the SEC requires public companies to disclose meaningful financial and other information to the public. This provides a common pool of knowledge for all investors to use to judge for themselves whether to buy, sell, or hold a particular security. Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions.

- c. For redacted documents, provide the full text for the redacted version.
- d. Delivery  
The text can be delivered two ways:
- 1) As multi-page ASCII text files with the files named the same as the ImageID field. Text files can be placed in a separate folder or included with the .TIF files. The number of files per folder should be limited to 500 files.
  - 2) Included in the .DAT file.

5. **Linked Native Files**

Copies of original email and native file documents/attachments must be included for all electronic productions.

- a. Native file documents must be named per the FIRSTBATES number.
- b. The full path of the native file must be provided in the .DAT file for the LINK field.
- c. The number of native files per folder should not exceed 500 files.

II. **Audio Files**

Audio files from telephone recording systems must be produced in a format that is playable using Microsoft Windows Media Player™. Additionally, the call information (metadata) related to each audio recording **MUST** be provided. The metadata file must be produced in a delimited text format. Field names must be included in the first row of the text file.

The metadata must include, at a minimum, the following fields:

- |                              |  |
|------------------------------|--|
| 1) CALLER_NAME or CALLER_ID: | Caller's name or identification number |
| 2) CALLING_NUMBER:           | Caller's phone number                  |
| 3) DATE:                     | Date of call                           |
| 4) TIME:                     | Time of call                           |
| 5) CALLED_PARTY:             | Name of the party called               |
| 6) CALLED_NUMBER:            | Called party's phone number            |
| 7) FILENAME:                 | Filename of audio file                 |

III. **Video Files**

Video files must be produced in a format that is playable using Microsoft Windows Media Player™.

IV. **Electronic Trade and Bank Records**

When producing electronic trade and bank records, provide the files in one of the following formats:

1. Delimited text file with header information detailing the field structure. The preferred delimiter is a vertical bar "|". If any special codes exist in the dataset, a separate document must be provided that details all such codes. If details of the field structure do not fit in the header, a separate document must be provided that includes such details.
2. MS Excel spreadsheet with header information detailing the field structure. If any special codes exist in the dataset, a separate document must be provided that details all such codes. If details of the field structure do not fit in the header, a separate document must be provided that includes such details.

**V. Electronic Phone Records**

1. Delimited text file with header information detailing the field structure.
2. Comma Separated Value file (.csv) with header information detailing the field structure.
3. MS Excel spreadsheet with header information detailing the field structure.

The metadata must include, at a minimum, the following fields:

- |                    |                                   |
|--------------------|-----------------------------------|
| 1) ACCT_NUMBER:    | Caller's telephone account number |
| 2) CALLING_NUMBER: | Caller's phone number             |
| 3) CALLED_NUMBER:  | Called party's phone number       |
| 4) DATE:           | Date of call                      |
| 5) START_TIME:     | Start time of call                |
| 6) END_TIME:       | End time of call                  |
| 7) DURATION:       | Duration in minutes of the call   |

**VI. Adobe PDF File Production**

When approved, Adobe PDF files may be produced in native file format.

1. PDF files should be produced in separate folders named by the Custodian.
2. All PDFs must be unitized at the document level, i.e. each PDF should represent a discrete document; a single PDF cannot contain multiple documents.
3. All PDF files must contain embedded text that includes all discernable words within the document, not selected text only. This requires all layers of the PDF to be flattened first.
4. If PDF files are Bates endorsed, the PDF files must be named by the Bates range.

**VII. Email Native File Production**

When approved, Outlook (.PST) and Lotus Notes (.NSF) email files may be produced in native file format. A separate folder should be provided for each custodian.

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Supplemental Information for Persons Requested to Supply  
Information Voluntarily or Directed to Supply Information  
Pursuant to a Commission Subpoena**

**A. False Statements and Documents**

Section 1001 of Title 18 of the United States Code provides as follows:

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

**B. Testimony**

If your testimony is taken, you should be aware of the following:

1. *Record.* Your testimony will be transcribed by a reporter. If you desire to go off the record, please indicate this to the Commission employee taking your testimony, who will determine whether to grant your request. The reporter will not go off the record at your, or your counsel's, direction.
2. *Counsel.* You have the right to be accompanied, represented and advised by counsel of your choice. Your counsel may advise you before, during and after your testimony; question you briefly at the conclusion of your testimony to clarify any of the answers you give during testimony; and make summary notes during your testimony solely for your use. If you are accompanied by counsel, you may consult privately.

If you are not accompanied by counsel, please advise the Commission employee taking your testimony if, during the testimony, you desire to be accompanied, represented and advised by counsel. Your testimony will be adjourned once to afford you the opportunity to arrange to be so accompanied, represented or advised.

You may be represented by counsel who also represents other persons involved in the Commission's investigation. This multiple representation, however, presents a potential conflict of interest if one client's interests are or may be adverse to another's. If you are represented by counsel who also represents other persons involved in the investigation, the Commission will assume that you and counsel have discussed and resolved all issues concerning possible conflicts of interest. The choice of counsel, and the responsibility for that choice, is yours.

3. *Transcript Availability.* Rule 6 of the Commission's Rules Relating to Investigations, 17 CFR 203.6, states:

A person who has submitted documentary evidence or testimony in a formal investigative proceeding shall be entitled, upon written request, to procure a copy of his documentary evidence or a transcript of his testimony on payment of the appropriate fees: *Provided, however,* That in a nonpublic formal investigative proceeding the Commission may for good cause deny such request. In any event, any witness, upon proper identification, shall have the right to inspect the official transcript of the witness' own testimony.

If you wish to purchase a copy of the transcript of your testimony, the reporter will provide you with a copy of the appropriate form. Persons requested to supply information voluntarily will be allowed the rights provided by this rule.

4. *Perjury.* Section 1621 of Title 18 of the United States Code provides as follows:

Whoever . . . having taken an oath before a competent tribunal, officer, or person, in any case in which a law of the United States authorizes an oath to be administered, that he will testify, declare, depose, or certify truly . . . willfully and contrary to such oath states or subscribes any material matter which he does not believe to be true . . . is guilty of perjury and shall, except as otherwise expressly provided by law, be fined under this title or imprisoned not more than five years or both . . . .

5. *Fifth Amendment and Voluntary Testimony.* Information you give may be used against you in any federal, state, local or foreign administrative, civil or criminal proceeding brought by the Commission or any other agency.

SEC 1662 (09-11)

You may refuse, in accordance with the rights guaranteed to you by the Fifth Amendment to the Constitution of the United States, to give any information that may tend to incriminate you.

If your testimony is not pursuant to subpoena, your appearance to testify is voluntary, you need not answer any question, and you may leave whenever you wish. Your cooperation is, however, appreciated.

6. *Formal Order Availability.* If the Commission has issued a formal order of investigation, it will be shown to you during your testimony, at your request. If you desire a copy of the formal order, please make your request in writing.

### C. Submissions and Settlements

Rule 5(c) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(c), states:

Persons who become involved in . . . investigations may, on their own initiative, submit a written statement to the Commission setting forth their interests and position in regard to the subject matter of the investigation. Upon request, the staff, in its discretion, may advise such persons of the general nature of the investigation, including the indicated violations as they pertain to them, and the amount of time that may be available for preparing and submitting a statement prior to the presentation of a staff recommendation to the Commission for the commencement of an administrative or injunction proceeding. Submissions by interested persons should be forwarded to the appropriate Division Director or Regional Director with a copy to the staff members conducting the investigation and should be clearly referenced to the specific investigation to which they relate. In the event a recommendation for the commencement of an enforcement proceeding is presented by the staff, any submissions by interested persons will be forwarded to the Commission in conjunction with the staff memorandum.

The staff of the Commission routinely seeks to introduce submissions made pursuant to Rule 5(c) as evidence in Commission enforcement proceedings, when the staff deems appropriate.

Rule 5(f) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(f), states:

In the course of the Commission's investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner. It is the policy of the Commission, however, that the disposition of any such matter may not, expressly or impliedly, extend to any criminal charges that have been, or may be, brought against any such person or any recommendation with respect thereto. Accordingly, any person involved in an enforcement matter before the Commission who consents, or agrees to consent, to any judgment or order does so solely for the purpose of resolving the claims against him in that investigative, civil, or administrative matter and not for the purpose of resolving any criminal charges that have been, or might be, brought against him. This policy reflects the fact that neither the Commission nor its staff has the authority or responsibility for instituting, conducting, settling, or otherwise disposing of criminal proceedings. That authority and responsibility are vested in the Attorney General and representatives of the Department of Justice.

### D. Freedom of Information Act

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgment of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self addressed envelope.

### E. Authority for Solicitation of Information

*Persons Directed to Supply Information Pursuant to Subpoena.* The authority for requiring production of information is set forth in the subpoena. Disclosure of the information to the Commission is mandatory, subject to the valid assertion of any legal right or privilege you might have.

*Persons Requested to Supply Information Voluntarily.* One or more of the following provisions authorizes the Commission to solicit the information requested: Sections 19 and/or 20 of the Securities Act of 1933; Section 21 of the Securities Exchange Act of 1934; Section 321 of the Trust Indenture Act of 1939; Section 42 of the Investment

Company Act of 1940; Section 209 of the Investment Advisers Act of 1940; and 17 CFR 202.5. Disclosure of the requested information to the Commission is voluntary on your part.

#### F. Effect of Not Supplying Information

*Persons Directed to Supply Information Pursuant to Subpoena.* If you fail to comply with the subpoena, the Commission may seek a court order requiring you to do so. If such an order is obtained and you thereafter fail to supply the information, you may be subject to civil and/or criminal sanctions for contempt of court. In addition, if the subpoena was issued pursuant to the Securities Exchange Act of 1934, the Investment Company Act of 1940, and/or the Investment Advisers Act of 1940, and if you, without just cause, fail or refuse to attend and testify, or to answer any lawful inquiry, or to produce books, papers, correspondence, memoranda, and other records in compliance with the subpoena, you may be found guilty of a misdemeanor and fined not more than \$1,000 or imprisoned for a term of not more than one year, or both.

*Persons Requested to Supply Information Voluntarily.* There are no direct sanctions and thus no direct effects for failing to provide all or any part of the requested information.

#### G. Principal Uses of Information

The Commission's principal purpose in soliciting the information is to gather facts in order to determine whether any person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings. Unless the Commission or its staff explicitly agrees to the contrary in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

#### H. Routine Uses of Information

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To appropriate agencies, entities, and persons when (a) it is suspected or confirmed that the security or confidentiality of information in the system of records has been compromised; (b) the SEC has determined that, as a result of the suspected or confirmed compromise, there is a risk of harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the SEC or another agency or entity) that rely upon the compromised information; and (c) the disclosure made to such agencies, entities, and persons is reasonably necessary to assist in connection with the SEC's efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.
2. To other federal, state, local, or foreign law enforcement agencies; securities self-regulatory organizations; and foreign financial regulatory authorities to assist in or coordinate regulatory or law enforcement activities with the SEC.
3. To national securities exchanges and national securities associations that are registered with the SEC, the Municipal Securities Rulemaking Board; the Securities Investor Protection Corporation; the Public Company Accounting Oversight Board; the federal banking authorities, including, but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation; state securities regulatory agencies or organizations; or regulatory authorities of a foreign government in connection with their regulatory or enforcement responsibilities.
4. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.
5. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.
6. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).

7. To a bar association, state accountancy board, or other federal, state, local, or foreign licensing or oversight authority; or professional association or self-regulatory authority to the extent that it performs similar functions (including the Public Company Accounting Oversight Board) for investigations or possible disciplinary action.
8. To a federal, state, local, tribal, foreign, or international agency, if necessary to obtain information relevant to the SEC's decision concerning the hiring or retention of an employee; the issuance of a security clearance; the letting of a contract; or the issuance of a license, grant, or other benefit.
9. To a federal, state, local, tribal, foreign, or international agency in response to its request for information concerning the hiring or retention of an employee; the issuance of a security clearance; the reporting of an investigation of an employee; the letting of a contract; or the issuance of a license, grant, or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.
10. To produce summary descriptive statistics and analytical studies, as a data source for management information, in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies; may also be used to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act.
11. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction, or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or pursuant to the Commission's Rules of Practice, 17 CFR 201.100 - 900 or the Commission's Rules of Fair Fund and Disgorgement Plans, 17 CFR 201.1100-1106, or otherwise, where such trustee, receiver, master, special counsel, or other individual or entity is specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice or the Rules of Fair Fund and Disgorgement Plans.
12. To any persons during the course of any inquiry, examination, or investigation conducted by the SEC's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.
13. To interns, grantees, experts, contractors, and others who have been engaged by the Commission to assist in the performance of a service related to this system of records and who need access to the records for the purpose of assisting the Commission in the efficient administration of its programs, including by performing clerical, stenographic, or data analysis functions, or by reproduction of records by electronic or other means. Recipients of these records shall be required to comply with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a.
14. In reports published by the Commission pursuant to authority granted in the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), which authority shall include, but not be limited to, section 21(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78u(a).
15. To members of advisory committees that are created by the Commission or by Congress to render advice and recommendations to the Commission or to Congress, to be used solely in connection with their official designated functions.
16. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 200.735-18, and who assists in the investigation by the Commission of possible violations of the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.
17. To a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.
18. To members of Congress, the press, and the public in response to inquiries relating to particular Registrants and their activities, and other matters under the Commission's jurisdiction.
19. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78c(a)(47)), as amended.
20. To respond to subpoenas in any litigation or other proceeding.

21. To a trustee in bankruptcy.

22. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

\* \* \* \* \*

*Small Business Owners:* The SEC always welcomes comments on how it can better assist small businesses. If you have comments about the SEC's enforcement of the securities laws, please contact the Office of Chief Counsel in the SEC's Division of Enforcement at 202-551-4933 or the SEC's Small Business Ombudsman at 202-551-3460. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory Enforcement Ombudsman at <http://www.sba.gov/ombudsman> or toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.





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Wednesday, 04/11/2012 at 9:58 A.M.

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**Special Instructions:**

**Signature Required**

**Signed By:**  
HATFIELD

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**Type:** Package

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Dear Customer,

This notice serves as proof of delivery for the shipment listed below.

<b>Tracking Number:</b>	1ZA3781X2491790637
<b>Service:</b>	UPS Next Day Air®
<b>Special Instructions:</b>	Signature Required
<b>Shipped/Billed On:</b>	04/10/2012
<b>Delivered On:</b>	04/11/2012 9:58 A.M.
<b>Delivered To:</b>	DALLAS, TX, US
<b>Signed By:</b>	HATFIELD
<b>Left At:</b>	Residential

Thank you for giving us this opportunity to serve you.

Sincerely,

UPS

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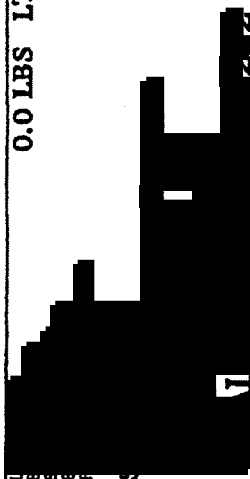

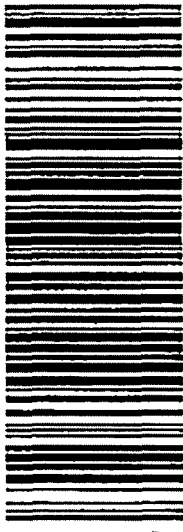

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**UPS CampusShip: View/Print Label**

1. Ensure there are no other shipping or tracking labels attached to your package. Select the Print button on the print dialog box that appears. Note: If your browser does not support this function select Print from the File menu to print the label.
2. Fold the printed sheet containing the label at the line so that the entire shipping label is visible. Place the label on a single side of the package and cover it completely with clear plastic shipping tape. Do not cover any seams or closures on the package with the label. Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.
3. **GETTING YOUR SHIPMENT TO UPS**  
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Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

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Your driver will pickup your shipment(s) as usual.

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<p>0.0 LBS LTR</p> <p>1 OF 1</p> 	<p>TX 752 9-24</p> 	<p>UPS NEXT DAY AIR</p> <p>TRACKING #: 1Z A37 81X 24 9179 0637</p> <p>1</p>		<p>BILLING: P/P SIGNATURE REQUIRED</p> <p>Reference #1: 66211</p> <p>CP 14.1.3R W07050 24.04.01/2012</p> 
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Shipment Receipt

Transaction Date: 10 Apr 2012

Tracking Number:

1ZA3781X2491790637

<b>1</b> Address Information		
<b>Ship To:</b> S. W. Hatfield, CPA Mr. Scott W. Hatfield, CPA DALLAS TX Residential	<b>Ship From:</b> SEC-FORT WORTH Lisa Wren 801 Cherry St Fort Worth TX 76102 Telephone:817-800-2641	<b>Return Address:</b> SEC-FORT WORTH Lisa Wren 801 Cherry St Fort Worth TX 76102 Telephone:817-800-2641

<b>2</b> Package Information			
Weight	Dimensions / Packaging	Declared Value	Reference Numbers
1. Letter	UPS Letter	1.00 USD	Reference #1 - 66211

<b>3</b> UPS Shipping Service and Shipping Options	
<b>Service:</b> Guaranteed By: Shipping Fees Subtotal: Transportation Fuel Surcharge Declared Value Package 1 Residential Surcharge	UPS Next Day Air 10:30 AM Wednesday, Apr 11, 2012 23.94 USD 18.00 USD 2.94 USD 0.00 USD 3.00 USD
<b>Additional Shipping Options</b>	
<b>Delivery Confirmation:</b> Package 1: Signature Required Quantum View Notify E-mail Notifications: 1 wrent@sec.gov: Ship, Exception, Delivery 2 kingdr@sec.gov: Ship, Exception, Delivery Total Shipping Charges	3.50 USD No Charge 27.44 USD

<b>4</b> Payment Information	
BILL Shipping Charges to:	Shipper's Account A3781X
<b>A discount has been applied to the Daily rates for this shipment</b>	
Total Charged:	27.44 USD
Negotiated Total:	8.55 USD

Note: Your invoice may vary from the displayed reference rates.  
 \* For delivery and guarantee information, see the UPS Service Guide. To speak to a customer service representative, call 1-800-PICK-UPS for domestic services and 1-800-782-7892 for international services.

# **Exhibit King-C**



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
FORT WORTH REGIONAL OFFICE  
801 CHERRY STREET, UNIT #18  
FORT WORTH, TEXAS 76102-6882  
PHONE: (817) 978-3821 FAX: (817) 978-2700

IN REPLYING  
PLEASE QUOTE  
FW 3711

April 24, 2012

**VIA UPS and email to [svhcpcpa@gmail.com](mailto:svhcpcpa@gmail.com)**

Mr. Scott W. Hatfield, CPA  
S. W. Hatfield, CPA  
[REDACTED]  
Dallas, Texas 75243-7212

*Re: S. W. Hatfield, CPA (FW-3711)*

Dear Mr. Hatfield:

You failed to appear for testimony at the Commission's Fort Worth office this morning, as required by the staff's April 10, 2012 subpoena. You also failed to produce documents by April 20, 2012, also required by the April 10, 2012 subpoena. Your failures to comply with the subpoena is impeding and delaying the Commission's investigation of possible federal securities laws violations. Your decision to ignore the subpoena has serious consequences, including the staff's right to ask a federal judge to compel your compliance, as well as sanction your non-compliance. For more information on the ramifications of ignoring the staff's subpoena, please see Section F of Form 1662, a copy of which is attached, and which was previously provided to you with the April 10, 2012 subpoena and the March 28, 2012 letter.

Sincerely,

David R. King  
Enforcement Accountant

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Supplemental Information for Persons Requested to Supply  
Information Voluntarily or Directed to Supply Information  
Pursuant to a Commission Subpoena**

**A. False Statements and Documents**

Section 1001 of Title 18 of the United States Code provides as follows:

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

**B. Testimony**

If your testimony is taken, you should be aware of the following:

1. **Record.** Your testimony will be transcribed by a reporter. If you desire to go off the record, please indicate this to the Commission employee taking your testimony, who will determine whether to grant your request. The reporter will not go off the record at your, or your counsel's, direction.
2. **Counsel.** You have the right to be accompanied, represented and advised by counsel of your choice. Your counsel may advise you before, during and after your testimony; question you briefly at the conclusion of your testimony to clarify any of the answers you give during testimony; and make summary notes during your testimony solely for your use. If you are accompanied by counsel, you may consult privately.

If you are not accompanied by counsel, please advise the Commission employee taking your testimony if, during the testimony, you desire to be accompanied, represented and advised by counsel. Your testimony will be adjourned once to afford you the opportunity to arrange to be so accompanied, represented or advised.

You may be represented by counsel who also represents other persons involved in the Commission's investigation. This multiple representation, however, presents a potential conflict of interest if one client's interests are or may be adverse to another's. If you are represented by counsel who also represents other persons involved in the investigation, the Commission will assume that you and counsel have discussed and resolved all issues concerning possible conflicts of interest. The choice of counsel, and the responsibility for that choice, is yours.

3. **Transcript Availability.** Rule 6 of the Commission's Rules Relating to Investigations, 17 CFR 203.6, states:

A person who has submitted documentary evidence or testimony in a formal investigative proceeding shall be entitled, upon written request, to procure a copy of his documentary evidence or a transcript of his testimony on payment of the appropriate fees: *Provided, however,* That in a nonpublic formal investigative proceeding the Commission may for good cause deny such request. In any event, any witness, upon proper identification, shall have the right to inspect the official transcript of the witness' own testimony.

If you wish to purchase a copy of the transcript of your testimony, the reporter will provide you with a copy of the appropriate form. Persons requested to supply information voluntarily will be allowed the rights provided by this rule.

4. **Perjury.** Section 1621 of Title 18 of the United States Code provides as follows:

Whoever . . . having taken an oath before a competent tribunal, officer, or person, in any case in which a law of the United States authorizes an oath to be administered, that he will testify, declare, depose, or certify truly . . . willfully and contrary to such oath states or subscribes any material matter which he does not believe to be true . . . is guilty of perjury and shall, except as otherwise expressly provided by law, be fined under this title or imprisoned not more than five years or both . . .

5. **Fifth Amendment and Voluntary Testimony.** Information you give may be used against you in any federal, state, local or foreign administrative, civil or criminal proceeding brought by the Commission or any other agency.

SEC 1662 (09-11)



You may refuse, in accordance with the rights guaranteed to you by the Fifth Amendment to the Constitution of the United States, to give any information that may tend to incriminate you.

If your testimony is not pursuant to subpoena, your appearance to testify is voluntary, you need not answer any question, and you may leave whenever you wish. Your cooperation is, however, appreciated.

6. *Formal Order Availability.* If the Commission has issued a formal order of investigation, it will be shown to you during your testimony, at your request. If you desire a copy of the formal order, please make your request in writing.

#### C. Submissions and Settlements

Rule 5(c) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(c), states:

Persons who become involved in . . . investigations may, on their own initiative, submit a written statement to the Commission setting forth their interests and position in regard to the subject matter of the investigation. Upon request, the staff, in its discretion, may advise such persons of the general nature of the investigation, including the indicated violations as they pertain to them, and the amount of time that may be available for preparing and submitting a statement prior to the presentation of a staff recommendation to the Commission for the commencement of an administrative or injunction proceeding. Submissions by interested persons should be forwarded to the appropriate Division Director or Regional Director with a copy to the staff members conducting the investigation and should be clearly referenced to the specific investigation to which they relate. In the event a recommendation for the commencement of an enforcement proceeding is presented by the staff, any submissions by interested persons will be forwarded to the Commission in conjunction with the staff memorandum.

The staff of the Commission routinely seeks to introduce submissions made pursuant to Rule 5(c) as evidence in Commission enforcement proceedings, when the staff deems appropriate.

Rule 5(f) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(f), states:

In the course of the Commission's investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner. It is the policy of the Commission, however, that the disposition of any such matter may not, expressly or impliedly, extend to any criminal charges that have been, or may be, brought against any such person or any recommendation with respect thereto. Accordingly, any person involved in an enforcement matter before the Commission who consents, or agrees to consent, to any judgment or order does so solely for the purpose of resolving the claims against him in that investigative, civil, or administrative matter and not for the purpose of resolving any criminal charges that have been, or might be, brought against him. This policy reflects the fact that neither the Commission nor its staff has the authority or responsibility for instituting, conducting, settling, or otherwise disposing of criminal proceedings. That authority and responsibility are vested in the Attorney General and representatives of the Department of Justice.

#### D. Freedom of Information Act

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgment of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self addressed envelope.

#### E. Authority for Solicitation of Information

*Persons Directed to Supply Information Pursuant to Subpoena.* The authority for requiring production of information is set forth in the subpoena. Disclosure of the information to the Commission is mandatory, subject to the valid assertion of any legal right or privilege you might have.

*Persons Requested to Supply Information Voluntarily.* One or more of the following provisions authorizes the Commission to solicit the information requested: Sections 19 and/or 20 of the Securities Act of 1933; Section 21 of the Securities Exchange Act of 1934; Section 321 of the Trust Indenture Act of 1939; Section 42 of the Investment

Company Act of 1940; Section 209 of the Investment Advisers Act of 1940; and 17 CFR 202.5. Disclosure of the requested information to the Commission is voluntary on your part.

#### **F. Effect of Not Supplying Information**

*Persons Directed to Supply Information Pursuant to Subpoena.* If you fail to comply with the subpoena, the Commission may seek a court order requiring you to do so. If such an order is obtained and you thereafter fail to supply the information, you may be subject to civil and/or criminal sanctions for contempt of court. In addition, if the subpoena was issued pursuant to the Securities Exchange Act of 1934, the Investment Company Act of 1940, and/or the Investment Advisers Act of 1940, and if you, without just cause, fail or refuse to attend and testify, or to answer any lawful inquiry, or to produce books, papers, correspondence, memoranda, and other records in compliance with the subpoena, you may be found guilty of a misdemeanor and fined not more than \$1,000 or imprisoned for a term of not more than one year, or both.

*Persons Requested to Supply Information Voluntarily.* There are no direct sanctions and thus no direct effects for failing to provide all or any part of the requested information.

#### **G. Principal Uses of Information**

The Commission's principal purpose in soliciting the information is to gather facts in order to determine whether any person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings. Unless the Commission or its staff explicitly agrees to the contrary in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

#### **H. Routine Uses of Information**

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To appropriate agencies, entities, and persons when (a) it is suspected or confirmed that the security or confidentiality of information in the system of records has been compromised; (b) the SEC has determined that, as a result of the suspected or confirmed compromise, there is a risk of harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the SEC or another agency or entity) that rely upon the compromised information; and (c) the disclosure made to such agencies, entities, and persons is reasonably necessary to assist in connection with the SEC's efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.
2. To other federal, state, local, or foreign law enforcement agencies; securities self-regulatory organizations; and foreign financial regulatory authorities to assist in or coordinate regulatory or law enforcement activities with the SEC.
3. To national securities exchanges and national securities associations that are registered with the SEC, the Municipal Securities Rulemaking Board; the Securities Investor Protection Corporation; the Public Company Accounting Oversight Board; the federal banking authorities, including, but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation; state securities regulatory agencies or organizations; or regulatory authorities of a foreign government in connection with their regulatory or enforcement responsibilities.
4. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.
5. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.
6. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).



7. To a bar association, state accountancy board, or other federal, state, local, or foreign licensing or oversight authority; or professional association or self-regulatory authority to the extent that it performs similar functions (including the Public Company Accounting Oversight Board) for investigations or possible disciplinary action.
8. To a federal, state, local, tribal, foreign, or international agency, if necessary to obtain information relevant to the SEC's decision concerning the hiring or retention of an employee; the issuance of a security clearance; the letting of a contract; or the issuance of a license, grant, or other benefit.
9. To a federal, state, local, tribal, foreign, or international agency in response to its request for information concerning the hiring or retention of an employee; the issuance of a security clearance; the reporting of an investigation of an employee; the letting of a contract; or the issuance of a license, grant, or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.
10. To produce summary descriptive statistics and analytical studies, as a data source for management information, in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies; may also be used to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act.
11. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction, or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or pursuant to the Commission's Rules of Practice, 17 CFR 201.100 - 900 or the Commission's Rules of Fair Fund and Disgorgement Plans, 17 CFR 201.1100-1106, or otherwise, where such trustee, receiver, master, special counsel, or other individual or entity is specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice or the Rules of Fair Fund and Disgorgement Plans.
12. To any persons during the course of any inquiry, examination, or investigation conducted by the SEC's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.
13. To interns, grantees, experts, contractors, and others who have been engaged by the Commission to assist in the performance of a service related to this system of records and who need access to the records for the purpose of assisting the Commission in the efficient administration of its programs, including by performing clerical, stenographic, or data analysis functions, or by reproduction of records by electronic or other means. Recipients of these records shall be required to comply with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a.
14. In reports published by the Commission pursuant to authority granted in the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), which authority shall include, but not be limited to, section 21(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78u(a).
15. To members of advisory committees that are created by the Commission or by Congress to render advice and recommendations to the Commission or to Congress, to be used solely in connection with their official designated functions.
16. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 200.735-18, and who assists in the investigation by the Commission of possible violations of the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.
17. To a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.
18. To members of Congress, the press, and the public in response to inquiries relating to particular Registrants and their activities, and other matters under the Commission's jurisdiction.
19. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78c(a)(47)), as amended.
20. To respond to subpoenas in any litigation or other proceeding.

21. To a trustee in bankruptcy.

22. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

\* \* \* \* \*

*Small Business Owners:* The SEC always welcomes comments on how it can better assist small businesses. If you have comments about the SEC's enforcement of the securities laws, please contact the Office of Chief Counsel in the SEC's Division of Enforcement at 202-551-4933 or the SEC's Small Business Ombudsman at 202-551-3460. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory Enforcement Ombudsman at <http://www.sba.gov/ombudsman> or toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.

UPS CampusShip: View/Print Label

1. Ensure there are no other shipping or tracking labels attached to your package. Select the Print button on the print dialog box that appears. Note: If your browser does not support this function select Print from the File menu to print the label.
2. Fold the printed sheet containing the label at the line so that the entire shipping label is visible. Place the label on a single side of the package and cover it completely with clear plastic shipping tape. Do not cover any seams or closures on the package with the label. Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

3. GETTING YOUR SHIPMENT TO UPS

UPS locations include the UPS Store®, UPS drop boxes, UPS customer centers, authorized retail outlets and UPS drivers.


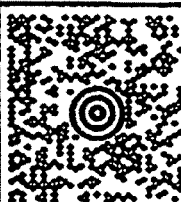
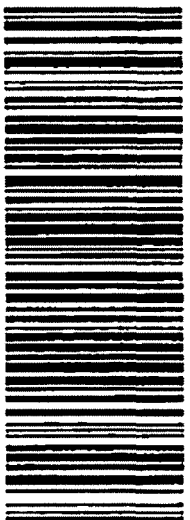

Find your closest UPS location at: [www.ups.com/dropoff](http://www.ups.com/dropoff)

Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

Customers with a Daily Pickup

Your driver will pickup your shipment(s) as usual.

FOLD HERE

<p>0.0 LBS LTR</p> <p>1 OF 1</p> <p>LISA WRBN 817-900-2641 88C FORT WORTH 801 CHERRY ST FORT WORTH TX 76102</p> <p>SI [REDACTED]</p>	<p>TX 752 9-24</p>  	<p>UPS NEXT DAY AIR</p> <p>TRACKING #: 1Z A37 81X 24 9625 5840</p> <p>1</p>		<p>BILLING: P/P SIGNATURE REQUIRED</p> <p>Reference #: 1: 66211</p> <p>CS 14.1.10. WPTZED 24-04 07/2012</p> 
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# **Exhibit King-D**

NOVEMBER  
2008

VOL. 97

# TEXAS STATE BOARD REPORT

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY, AUSTIN, TEXAS

## Security Measures, Other Enhancements Added to Online Procedures for Ease of Use and Efficiency

As the Board continues to add online features to its website to reduce paperwork and make Board procedures more efficient, additional security measures have been put into place to safeguard your confidential information. A password is now required to log in to Online Services.

### Password Needed

The Board has assigned an initial password, and exam candidates, individual licensees, or firms will be sent the assigned password by email after they provide identifying information. To begin, go to the Board's website, [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us), and select Online Services, then select "Don't Know Password?" and follow a few easy steps to receive your initial password by email.

If you don't recognize which identifiers are being requested, use the "Help" pop-up screens to see a visual representation of the document indicating the location of the required identifiers. After you have received your password, you can complete the log in. Once you have logged in, you will have the option of changing the password to one you can more readily remember.

### More Options for Individual Licensees

Licensees who have reported continuing professional education (CPE) as part of their annual online license renewal can now view the courses reported through Online Services by selecting "Review CPE Courses Previously Reported."

One important enhancement nearing completion is the ability for individual CPAs to record CPE hours throughout the year rather than just at license renewal time. Once this enhancement is in place, CPAs can report CPE courses upon completion, and, by the next business day, their records will have been adjusted to reflect how many hours are still needed to satisfy the requirement before the next license renewal date. Licensees can currently view their requirement by selecting "Review CPE Requirement."

Licensees who have submitted their annual license renewals, whether online or by mail, can review their license status by selecting "Review Your License Status" from the Individual License Menu. If the license has not been issued, the online record will indicate what requirements were missing from the submitted renewal application. The Board also mails a letter listing incomplete requirements and a form on which the licensee can provide the missing information. Soon, licensees will be able to provide the missing information and complete the process electronically rather than completing a paper document and mailing it.

### Changes for Exam Candidates

The near future will also bring improvements for exam candidates, as the Board moves toward paperless processing for routine communication with candidates. They can now view the "Diagnostic Performance Report" online as soon as the Board has received and validated the scores. Warning letters that presently alert candidates of upcoming deadlines will soon be sent by email rather than by U.S. mail.

### Fillable Forms

Also in the offing is the ability to fill out Board forms electronically, then print and mail them. This change is expected to be made over the next few weeks.

Please see page 3 for visual representations of the relevant CPE screens.

#### ALSO IN THIS ISSUE

- 2 CPE Sponsors
- 4 Enforcement Actions
- 11 Firm Registration Revisited



**CPE Sponsors Successfully Completing Review  
(since August 2008 Board Report)**

Sponsor	Registration Status	Expiration Date	Start Date
009520	AEC 1031 Exchange, LLC	08/01/2010 - 07/31/2011	E
009494	A-Soft Professionals	06/01/2010 - 05/31/2011	E
006563	American Bankruptcy Institute	07/01/2010 - 06/30/2011	A
005732	American National - Internal Audit	09/01/2010 - 08/31/2011	A
004563	Assoc. of Certified Fraud Examiners	06/01/2010 - 05/31/2011	A
007933	Austin Bank Texas, N.A.	07/01/2010 - 06/30/2011	E
009407	Austin Community College	06/01/2010 - 05/31/2011	A
009415	Aztec Systems, Inc.	07/01/2010 - 06/30/2011	E
003523	BKR Cornwell Jackson and Co., PC	06/01/2010 - 05/31/2011	A
008704	BondResource Partners, LP	05/01/2010 - 04/30/2011	A
009486	Bridgepoint Consulting, LLC	05/01/2010 - 04/30/2011	A
003592	Boucher, Morgan & Young, PC	07/01/2010 - 06/30/2011	A
008724	Calpine Corporation	06/01/2010 - 05/31/2011	A
009487	Capstone Associated Services, LTD	05/01/2010 - 04/30/2011	A
004660	Cawthron Wommack & Coker, P.C.	07/01/2010 - 06/30/2011	A
000854	Centex Corporation	06/01/2010 - 05/31/2011	A
009420	Central Texas Chapter of CFMA	08/01/2010 - 07/31/2011	A
006103	Coleman Horton & Company, LLP	06/01/2010 - 05/31/2011	A
004235	Communication Counsel of America, Inc.	10/01/2010 - 09/30/2011	A
005306	Communities Foundation of Texas	09/01/2010 - 08/31/2011	E
009434	Countrywide Financial Corp.	09/01/2010 - 08/31/2011	A
005294	Cox Smith Matthews Incorporated	08/01/2010 - 07/31/2011	A
002985	DRDA, PC	07/01/2010 - 06/30/2011	A
008941	Exterran, Inc.	06/01/2010 - 05/31/2011	A
003037	Farm Credit Bank of Texas	08/01/2010 - 07/31/2011	A
008745	Flowserve Corporation	07/01/2010 - 06/30/2011	A
003455	FMC Technologies, Inc.	05/01/2010 - 04/30/2011	E
009502	For Women's Sake	07/01/2010 - 06/30/2011	A
005246	Freese and Nichols, Inc.	07/01/2010 - 06/30/2011	E
007369	Goldin, Peiser & Peiser	07/01/2010 - 06/30/2011	A
004662	Govt Treasurer's Organization of Texas	07/01/2010 - 06/30/2011	A
008341	Grizzaffi Darby, LLC	07/01/2010 - 06/30/2011	A
008718	Hermes Sargent Bates, LLP	06/01/2010 - 05/31/2011	A
002510	Hidalgo, Banfill, Zlotnik & Kermali, PC	10/01/2010 - 09/30/2011	A
009381	Holly Corporation	03/01/2010 - 02/28/2011	E
005499	Houston Bar Association-Sec of Taxation	04/01/2010 - 03/31/2011	E
002975	Hunt Petroleum Corporation	07/01/2010 - 06/30/2011	E
009496	Institute For Excellence in Corporate Governance UT-Dallas	06/01/2010 - 05/31/2011	A
001028	International Assoc. of Drilling Contrac	09/01/2008 - 08/31/2011	A
009067	J. Clayton Baum, CPA	09/01/2010 - 08/31/2011	E
004151	Jaynes, Reitmeyer, Boyd & Therrell, PC	08/01/2010 - 07/31/2011	A
003192	Kiesling Associates, LLP	10/01/2010 - 09/30/2011	A
009515	Lam Vinson & Co., LLP	08/01/2010 - 07/31/2011	E
001049	Lott, Vernon & Company, PC	10/01/2010 - 09/30/2011	A
001759	Malcolm E. Walker, Jr.	08/01/2010 - 07/31/2011	A
002396	Moore, Camp, Phillips & Patterson, LLP	09/01/2010 - 08/31/2011	A
003647	Morris Holmquest Tidwell & Company	08/01/2010 - 07/31/2011	A
002258	North Lake College	07/01/2010 - 06/30/2011	A
009403	Parmet, Chapman & Madsen, PC	06/01/2010 - 05/31/2011	A
002987	Radio Shack Corp.	07/01/2010 - 06/30/2011	A
009508	RubinBrown LLP	07/01/2010 - 06/30/2011	A
008983	Sage Advisory Services, LTD. Co.	08/01/2010 - 07/31/2011	E
006120	Schuler & Schuler	07/01/2010 - 06/30/2011	A
003553	Sysco Corporation	07/01/2010 - 06/30/2011	A
009492	TFC Shared Services, Inc.	06/01/2010 - 05/31/2011	A
007006	Texas Assn of Community Health Centers	08/01/2010 - 07/31/2011	A
005298	Texas Association of Counties	09/01/2010 - 08/31/2011	A
009398	Texas Bank and Trust	05/01/2010 - 04/30/2011	A
009325	Texas State University-San Marcos	06/01/2010 - 05/31/2011	A
002549	Texas Statewide Telephone Coop., Inc.	08/01/2010 - 07/31/2011	A
009489	The Boeing Company	05/01/2010 - 04/30/2011	E
009511	The Institute For Innovation & Entrepreneurship At UT-Dallas	08/01/2010 - 07/31/2011	E
006908	The Progressive Group, Inc.	07/01/2010 - 06/30/2011	A
004045	Trailblazer Health Enterprises LLC	06/01/2010 - 05/31/2011	A
009410	Turner, Stone & Company, LLP	06/01/2010 - 05/31/2011	A
007313	TX Society of Philippine American CPA's	06/01/2010 - 05/31/2011	A
004612	University of Texas at Austin Office of Accounting	06/01/2010 - 05/31/2011	A
009018	USAA Real Estate Company	09/01/2010 - 08/31/2011	A
006575	Weingarten Realty Investors	08/01/2010 - 07/31/2011	A
008968	Wood Group Management Services, Inc.	07/01/2010 - 06/30/2011	A

Registration Status: A = Currently active. E = Currently expired.

**TEXAS STATE BOARD  
OF PUBLIC ACCOUNTANCY**

333 Guadalupe  
Tower 3, Suite 900  
Austin, Texas 78701-3900

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**DOROTHY M. FOWLER, CPA**  
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**publicinfo@tsbpa.state.tx.us**

**Qualifications**  
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**FAX (512) 305-7875**  
**exam@tsbpa.state.tx.us**

Figure 1. Example of online screen showing previously reported CPE data.

### Review CPE Courses Previously Reported

The following courses have been reported for the License Periods shown. Use "Renew your CPE Requirement" to view CPE totals and requirements for your next unissued license.

License Period	Type	Date Taken	Hours	Method	Sponsor	CPE Course
SEP 01, 2007 - AUG 31, 2009	Tech	02/23/2007	20.00	A	TX Society of CPA's CPE Foundation, Inc.	2007 Advanced Estate Planning Conference
	Tech	07/26/2007	5.00	A	TX Society of CPA's CPE Foundation, Inc.	TX Franchise (Margin) Tax
	Tech	02/15/2007	5.00	A	Audits of 401(k) Plans	Audits of 401(k) Plans
	Tech	11/14/2008	5.00	A	CHAMBERLAIN HRODLICKA WHITE WILLIAMS &	2008 Annual Tax & Business Planning Seminar
	<b>TOTAL</b>		<b>42.00</b>			
SEP 01, 2008 - AUG 31, 2009	Tech	02/05/2008	5.00	A	Texas Society of CPA's	Federal Estate And Gift Tax Returns - Forms 706 And 709
	Tech	03/12/2008	5.00	A	Texas Society of CPA's	Coica of Entity Tax Pros & Cons: S Corporators, C Corporat
	Tech	08/21/2008	20.00	A	Texas Society of CPA's	Advanced Estate Planning
	Tech	11/05/2007	5.00	A	Chamberlain, Hrodicka, White, Williams &	2007 Annual Tax and Business Planning Seminar
	Ethics	02/26/2008	4.00	A	Texas Society CPA's/CPE Fdn, Inc	Ethical Business Decisions by TX CPAs
	<b>TOTAL</b>		<b>46.00</b>			

Method: A=Participant B=Instructor C=Author D=Correspondence

CPE hours entered during the completion of the online Annual License renewal will not be shown in this table until the renewal has been submitted. Use the online renewal to review CPE hours entered as part of the renewal.

#### CPE Requirement

Your CPE requirement has been calculated for your next unissued license period. If you are retired, disabled, or qualify for an exemption in this period, you will not need to report any hours to receive your license.

**Basic Requirements:** Based on the hours that you have reported, plan on meeting your requirements for the next unissued license period as follows:

Report 37.00 CPE hours, of which 0.00 must be Board approved ethics hours. Your CPE Requirement is based on your previous license status. If your status changes your CPE requirement may change.

CPE hours entered during the completion of the online Annual License renewal will not be shown in this table until the renewal has been submitted. Use the online renewal to review CPE hours entered as part of the renewal.

#### Reported Hours:

License Period	Tech	Non-tech	Ethics	Total	Exemption
MAY 01, 2006 - APR 30, 2007	40.00	0.00	0.00	40.00	None
MAY 01, 2007 - APR 30, 2008	39.00	0.00	4.00	43.00	None
MAY 01, 2008 - APR 30, 2009	0.00	0.00	0.00	0.00	None

Figure 3. Licensees can go online at any time to review the status of their license on the Board website, [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us).

Figure 2. This online function allows licensees to view the number of CPE hours that must still be satisfied before the next license renewal date.

#### Current License Status

Use the following information to determine if your license is up-to-date. Note your license expiration date.

**Your license fees have been paid and your license is being processed.**

Most recently issued license:	MAY 01, 2007 - APR 30, 2008
License Status:	Expired
This license card was printed:	07/09/2007
License expiration date:	04/30/2008
Most recent renewal was printed for:	MAY 01, 2008 - APR 30, 2009
The renewal was printed on:	03/12/2008
Fees were received on:	04/30/2008
Fees received for this renewal:	255.00
License being held for:	Report 37.00 CPE hours, of which 0.00 must be Board approved ethics hours. Sign the license notice. Complete the Individual Affidavit Reporting Area. Complete the Employment Reporting Area.

## ENFORCEMENT ACTIONS

### ACTIONS TAKEN BY THE BOARD JULY 24, 2008

#### A. AGREED CONSENT ORDERS

##### Behavioral Enforcement

1. Respondent: Scott David Eller  
Hometown: Mansfield  
Investigation No.: 08-05-11L  
Certificate No.: 061385

On July 14, 2005, the Board revoked respondent's certificate. On July 24, 2008, the respondent entered into an Agreed Consent Order (ACO) with the Board whereby the respondent would be granted reinstatement of his certificate through probated revocation. The Board ordered that the respondent's revocation be stayed and the respondent placed on probation for two years under the following conditions: The respondent must complete and submit proof of completion of four hours of live continuing professional education in the area of ethics within 30 days of this order; the respondent must join the Texas Society of Certified Public Accountants within 30 days of this order, and the respondent must submit a quarterly report to the Board regarding the nature of his practice and his continued compliance with the ACO.

2. Respondent: Duncan Kyle Furrh  
Hometown: Dallas  
Investigation No.: 08-02-01L  
Certificate No.: 089168  
Rule Violations: 501.90 and 501.90(5)  
Act Violation: 901.502(11)

The Board ordered that the respondent's license be revoked; however, this revocation was stayed and the respondent was placed on probation for a period of two years. In addition, the respondent must pay \$715.85 in administrative costs within 30 days of this order; submit a quarterly report to the Board, which shall include his continued compliance with the terms of the order, the nature of his practice, the completion of his continuing professional education, and any criminal arrests; and participate in the Accountant's Confidential Assistance Network (ACAN) and Alcoholics Anonymous (AA) and have quarterly reports submitted by his ACAN mentor and AA sponsor to confirm the respondent's participation.

3. Respondent: Vincent Dale Harris  
Hometown: Creve Coeur, MO  
Investigation No.: 08-01-02L  
Certificate No.: 076013  
Rules Violations: 501.74, 501.76, 501.80, 501.90(11), 501.93  
Act Violations: 901.502(6) and 901.502(11)

The Board ordered that the respondent's certificate and firm license be revoked in lieu of further disciplinary proceedings.

4. Respondent: Kelly Kathleen Marsh  
Hometown: White Oak  
Investigation No.: 07-12-03L  
Certificate No.: 066727  
Rules Violations: 501.80, 501.81, 501.93, and 527.4  
Act Violations: 901.502(6) and 901.502(12)

The Board ordered that the respondent be reprimanded. In addition, the respondent must pay an administrative penalty of \$500 and \$438.16 in administrative costs within 30 days of this order.

5. Respondent: David Michael McDaniel  
Hometown: Lexington, KY  
Investigation No.: 07-11-10L  
Certificate No.: 042633  
Rules Violation: 501.90(4)  
Act Violations: 901.502(6), 901.502(10), and 901.502(11)

The Board ordered that the respondent's certificate be revoked in lieu of further disciplinary proceedings. In addition, the respondent must pay \$452.44 in administrative costs within 30 days of this order.

6. Respondent: Frank Edward Puryear, Jr.  
Hometown: Houston  
Investigation No.: 07-08-05L  
Certificate No.: 040922  
Rules Violations: 501.74, 501.80, 501.81, 501.90(11), and 501.90(12)  
Act Violation: 901.502(6)

The Board ordered that the respondent be reprimanded. In addition, the respondent must pay an administrative penalty of \$3,500 and \$1,105.32 in administrative costs within 30 days of this order. The respondent must also pay \$1,099.75 in restitution and submit proof of payment to the Board within 30 days of this order.

7. Respondent: Sharon Louise Taulman  
Hometown: Irving  
Investigation No.: 08-04-14L  
Certificate No.: 024525  
Rules Violation: 501.90(9)  
Act Violations: 901.502(6) and 901.502(11)

The Board ordered that the respondent's certificate be revoked in lieu of further disciplinary proceedings. In addition, the respondent must pay \$276.23 in administrative costs within 30 days of this order.

8. Respondent: Michael Louis Verucchi  
Hometown: Dallas  
Investigation No.: 06-04-01L  
Certificate No.: 036605  
Rules Violations: 501.80 and 527.4  
Act Violations: 901.502(6) and 901.502(12)

The Board ordered that the respondent be reprimanded. In addition, the respondent shall complete and submit proof of completion of 8 hours of live continuing professional education (CPE) in the area of compilations and reviews. This requirement is in addition to the respondent's annual CPE requirement and must have been completed by August 29, 2008. The respondent shall enroll in a peer review program within 30 days of the date the Board ratifies the order, submit proof of completion of peer review by December 31, 2008, and pay an administrative penalty of

## ENFORCEMENT ACTIONS

\$2,000 and \$885.24 in administrative costs within 30 days of the date the Board ratifies the order. Finally, the respondent shall comply with all state and federal laws pertaining to the practice of public accountancy.

9. **Respondent:** Raymond Byron Whitaker  
**Hometown:** Carrollton  
**Investigation No.:** 08-04-05L  
**Certificate No.:** 080455  
**Rules Violations:** 501.60, 501.74, 501.81, 501.90, 501.93, and 527.4  
**Act Violations:** 901.502(6), 901.502(11), and 901.502(12)

The Board ordered that the respondent's certificate be revoked in lieu of further disciplinary proceedings. In addition, the respondent must pay an administrative penalty of \$10,000 and \$449.37 in administrative costs within 30 days of this order.

10. **Respondent:** Michael John Wofford  
**Hometown:** San Antonio  
**Investigation No.:** 07-09-04L  
**Certificate No.:** 054782  
**Rules Violations:** 501.74, 501.90(2), and 501.90(9)  
**Act Violations:** 901.502(6) and 901.502(11)

The Board ordered that the respondent's license be revoked; however, this revocation was stayed and the respondent was placed on probation for a period of five years. In addition, the respondent must pay an administrative penalty of \$3,000 and \$943.85 in administrative costs within 30 days of this order: submit a quarterly report to the Board, which includes his continued compliance with the terms of the order, the nature of his practice, and the completion of his continuing professional education (CPE); and complete and submit proof of completion of 4 hours of live CPE in the area of ethics and 8 hours of live CPE in internal controls within 90 days of this order.

### Technical Standards Review 1

1. **Respondent:** Jeffrey L. Cheshier  
**Hometown:** Dallas  
**Investigation No.:** 06-08-22L  
**Certificate No.:** 032049  
**Rules Violation:** 501.22  
**Act Violation:** Section 21 (c)(4) of the Public Accountancy Act of 1991, as amended effective September 1, 1993, currently known as 901.502(6)

The Board ordered that the respondent be reprimanded.

2. **Respondent:** Kulathumkal A. Abraham  
**Hometown:** Plano  
**Investigation No.:** 03-11-10L  
**Certificate No.:** 061175

The Board ordered that the respondent's certificate be reinstated; however, the respondent was placed on probated revocation for a period of 2 years. The respondent's certificate would be reinstated subject to the following conditions: Prior to the reinstatement becoming effective, the respondent must complete 120 hours of continuing professional education acceptable by the Board's licensing division for attainment of a license. The respondent's license will be subject to a scope limitation wherein the respondent is prohibited from performing attest services for a minimum of 2 years, which will begin when the respondent meets all the requirements to obtain a license. At the end of the 2-year probationary period, respondent may apply to the Board to have his limited scope requirement removed or modified upon the completion of 120 hours of continuing professional education in the attest service.

### B. AGREED CEASE AND DESIST ORDERS

1. **Respondent:** William E. Davis, Jr.  
**Hometown:** Houston  
**Investigation No.:** 06-12-03N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

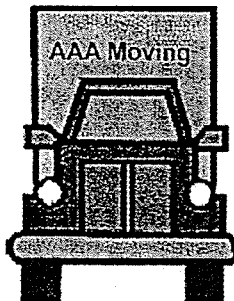
2. **Respondent:** CHAPPS-Lin Punnakanta  
**Hometown:** Euless  
**Investigation No.:** 07-05-15N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

3. **Respondent:** Richard Dana Steigerwald  
**Hometown:** Houston  
**Investigation No.:** 07-12-04N  
**Act Violation:** 901.451

# Moving??

**Be sure  
to let  
us know.**



Board rules require licensees to inform the Board within 30 days of a change of address.

Use any of these methods:

- Online under "Online Services" at [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us)
- Email: [licensing@tsbpa.state.tx.us](mailto:licensing@tsbpa.state.tx.us)
- Call 512-305-7853
- Write TSBPA

333 Guadalupe, Twr 3, Ste 900  
Austin, TX 78701

## ENFORCEMENT ACTIONS

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

4. Respondent: Lokken Accounting & Tax Service, LLC  
Hometown: Johnson City  
Investigation No.: 08-03-34N  
Act Violations: 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

5. Respondent: M & J Accounting Services  
Hometown: Leander  
Investigation No.: 08-03-60N  
Act Violation: 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

6. Respondent: Books by Rita  
Hometown: Humble  
Investigation No.: 08-04-34N  
Act Violation: 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

7. Respondent: Holland Avenue Tax Service  
Hometown: Jacinto City  
Investigation No.: 08-04-41N  
Act Violations: 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

8. Respondent: Insync Consultants, LLC  
Hometown: Lewisville  
Investigation No.: 08-04-87N  
Act Violations: 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

9. Respondent: Fleming Tax Service  
Hometown: Humble  
Investigation No.: 08-05-05N  
Act Violations: 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

10. Respondent: Absolute Accounting Service  
Hometown: Huntington

- Investigation No.: 08-05-38N  
Act Violations: 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

11. Respondent: APS Bookkeeping & Tax Service  
Hometown: Hitchcock  
Investigation No.: 08-05-49N  
Act Violation: 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

### C. PROPOSALS FOR DECISION

1. Respondent: Shelly Wade  
Hometown: Houston  
Investigation No.: 06-11-10N  
Act Violation: 901.451

The Texas State Board of Public Accountancy (the "Board") sought discipline against the respondent for violating provisions of the Texas Public Accountancy Act. Staff recommended that a Cease and Desist Order be issued to prohibit the respondent from practicing public accountancy without a license.

The respondent used the CPA designation despite the fact that the respondent had never been licensed by the Board. Despite being sent proper notice, the respondent did not appear nor was the respondent represented at the hearing. Based on the respondent's failure to appear, staff's allegations were accepted as true. The Administrative Law Judge (ALJ) found that the alleged violations were established and recommended that a Cease and Desist Order be issued against the respondent. The respondent violated Act Section 901.451 regarding the use of the title or acronym for "certified public accountant" without having a license.

### D. VIOLATION OF CEASE AND DESIST ORDER

1. Respondent: McAfee & Company  
Hometown: Ft. Worth  
Investigation No.: 08-02-05N  
Act Violations: 901.451, 901.456, and 901.601

The respondent entered into an agreement with the Board whereby the respondent would be reprimanded and must pay \$3,000 in administrative costs by October 30, 2008.

The respondent violated an agreed cease and desist order by issuing a review report in June 2006. The respondent violated Section 901.451 regarding the use of the title or acronym for certified public accountant, 901.456 regarding the provision of attest services, and 901.601 regarding a violation of a Cease and Desist Order of the Public Accountancy Act.

### CORRECTION

In the August issue of the *Board Report*, p. 7, we misidentified two of our outstanding candidates, Matt Kerr and Scott Hortenstine, by swapping their names in the outline. We apologize for the error.

## ENFORCEMENT ACTIONS

### ACTIONS TAKEN BY THE BOARD SEPTEMBER 25, 2008

#### A. AGREED CONSENT ORDERS

##### Behavioral Enforcement

1. **Respondent:** Jeffery John Garcia  
**Hometown:** Houston  
**Investigation No.:** 08-05-08L  
**Certificate No.:** 045500  
**Rules Violations:** 501.81, 501.82, and 527.4  
**Act Violations:** 901.502(6) and 901.502(12)

The Board ordered that the respondent be reprimanded. In addition, the respondent must pay an administrative penalty of \$3,000 and \$360.77 in administrative costs within 30 days of the ratified order. In addition, the respondent must register a firm with the Board within 30 days of the ratified order and must complete and submit proof of completion of 4 hours of live CPE in the area of ethics within 90 days of the ratified order.

The respondent used improper advertising by offering to perform accounting and auditing services through the unregistered entity, Bullet Financial. Respondent also practiced public accountancy in an unregistered entity from 1996 to 2008 and failed to participate in the Board's peer review program.

2. **Respondent:** Albert Lynn Lowry  
**Hometown:** Grapevine  
**Investigation No.:** 08-03-06L  
**Certificate No.:** 050250  
**Rules Violation:** 501.81  
**Act Violation:** 901.502(6)

The Board ordered that the respondent be reprimanded. In addition, the respondent must pay an administrative penalty of \$1,000 and \$466.56 in administrative costs within 30 days of the ratified order.

The respondent practiced public accountancy in an unregistered firm for approximately 4 years.

3. **Respondent:** David Wayne McClanahan  
**Hometown:** Idabel, OK  
**Investigation No.:** 08-04-15L  
**Certificate No.:** 013863  
**Rules Violation:** 501.74  
**Act Violation:** 901.502(6)

The Board ordered that the respondent be reprimanded. In addition, the respondent must pay an administrative penalty of \$1,000 and \$740.12 in administrative costs within 30 days of the ratified order.

The respondent failed to complete a client's corporate tax returns and failed to timely file a client's 940s and 941s.

4. **Respondent:** Matthew Moo  
**Hometown:** Dallas Park  
**Investigation No.:** 08-04-25L  
**Certificate No.:** 040866  
**Rules Violation:** 527.4  
**Act Violation:** 901.502(12)

The Board ordered that the respondent be reprimanded. In addition, the respondent must pay an administrative penalty of \$1,000 and \$614.53 in administrative costs within 30 days of the ratified order.

The respondent failed to participate in the Board's peer review program.

5. **Respondent:** Robert Pauley  
**Hometown:** Arlington  
**Investigation No.:** 08-03-11L  
**Certificate No.:** 079895  
**Rules Violations:** 501.80 and 501.93  
**Act Violations:** 901.502(6) and 901.502(11)

The Board ordered that the respondent be reprimanded whereby respondent's certificate would be revoked in lieu of further disciplinary proceedings.

The respondent practiced public accountancy while his license was suspended by offering "on-site financial statements," tax planning and preparation, payroll services, SBA loan consulting, business consulting, payable and receivable processing, and Quick Books consulting. The respondent also used the CPA designation on his business card while his license was suspended. In addition, the respondent did not respond to Board communications dated May 1, 2007, May 23, 2007, June 20, 2007, and March 6, 2008.

#### B. AGREED CEASE AND DESIST ORDERS

1. **Respondent:** Jim Kadlec  
**Hometown:** Round Rock  
**Investigation No.:** 07-03-32N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent used the CPA designation although respondent does not hold a license in Texas.

2. **Respondent:** Burl J. Myers  
**Hometown:** Ozona  
**Investigation No.:** 07-06-02N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent used the CPA designation although respondent does not hold a license in Texas.

3. **Respondent:** Alamo Accounting Services  
**Hometown:** San Antonio  
**Investigation No.:** 08-05-25N  
**Act Violation:** 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

## ENFORCEMENT ACTIONS

Respondent asserted an expertise in accounting by offering accounting services although respondent does not hold a license in Texas.

4. **Respondent:** Austin Accounting Services  
**Hometown:** Austin  
**Investigation No.:** 08-05-27N  
**Act Violations:** 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent used the terms "Accountant" and "Accounting" although respondent does not hold a license in Texas.

5. **Respondent:** Jackson Hewitt Tax Service  
**Hometown:** Lubbock  
**Investigation No.:** 08-05-29N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent advertised under the Certified Public Accountants section of the phone book although respondent does not hold a license in Texas.

6. **Respondent:** Howell Tax Service  
**Hometown:** Wichita Falls  
**Investigation No.:** 08-05-42N  
**Act Violations:** 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

7. **Respondent:** Ben Cantú & Associates  
**Hometown:** Pharr  
**Investigation No.:** 08-06-01N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent offered to perform attest services although respondent does not hold a license in Texas.

8. **Respondent:** AS Accounting Service  
**Hometown:** Arlington  
**Investigation No.:** 08-07-15N  
**Act Violations:** 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

9. **Respondent:** To The Penny Accounting  
**Hometown:** Abilene  
**Investigation No.:** 08-07-19N  
**Act Violations:** 901.451 and 901.453

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent offered to perform attest services and used the terms "Accountant" and "Accounting" although respondent does not hold a license in Texas.

10. **Respondent:** James W. Peet  
**Hometown:** Houston  
**Investigation No.:** 08-07-26N  
**Act Violation:** 401.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent used the CPA designation although respondent does not hold a license in Texas.

11. **Respondent:** Patrick W. Svrcek  
**Hometown:** Houston  
**Investigation No.:** 08-07-44N  
**Act Violation:** 901.451

The Board ordered that the respondent cease and desist from performing the activities listed in the Agreed Cease and Desist Order until or unless the respondent complies with the Texas Public Accountancy Act.

Respondent offered to perform attest services although respondent does not hold a license in Texas.

### C. PROPOSALS FOR DECISION

At its September 25, 2008, meeting, the Board made the following decisions:

1. In Investigation No. 02-01-12L, the Board voted to revoke the CPA license of Thomas Bauer for multiple violations of GAAS in his role as engagement partner with Arthur Andersen in its audit of Enron Corp.
2. In Investigation No. 02-12-01L, the Board voted to revoke the CPA license of Carl Bass for multiple violations of GAAS in his role as engagement partner with Arthur Andersen in its audit of Enron Corp.
3. In Investigation No. 05-09-05L, the Board voted to issue a 3-year probated suspension of the license of Patricia Grutzmacher for multiple violations of GAAS in her role as audit manager with Arthur Andersen in its audit of Enron Corp.
4. In Investigation No. 02-11-16L, the Board voted to dismiss the complaint against James Brown, Jr.
5. In Investigation No. 02-12-03L, the Board voted to dismiss the complaint against Jennifer Stevenson Jackson.

## ENFORCEMENT ACTIONS

### CPE ACTIONS

The certificate of each respondent listed below was not in compliance with the Board's CPE requirements as of the date of the Board meeting. Each respondent was suspended for a period of three years or until the respondent complies with the licensing requirements of the *Public Accountancy Act*, whichever is earlier. Additionally, a \$100 penalty is imposed for each year the respondent continues to be in noncompliance with the Board's CPE requirements. The respondents were found to be in violation of *Section 501.94* of the Board's *Rules (mandatory CPE)* and *Section 523.111 (mandatory CPE reporting)*, as well as *Section 901.411 (CPE)* of the *Act*.

Respondent, Location / Country	Board Date	Respondent, Location / Country	Board Date
James Calvin Atkins, III, Houston, TX	07/24/2008	Thomas Prescott Kessey, Houston, TX	07/24/2008
Richard Thomas Baldwin, Dallas, TX	07/24/2008	Whitney Paul Keuer, Menlo Park, CA	09/25/2008
David Bruce Ballard, Waxahachie, TX	09/25/2008	Brady Russell Kilpper, Flower Mound, TX	09/25/2008
Uday Narayanrao Bellary, Palo, Alto, CA	07/24/2008	Michael Dennis Kirkland, Jacksonville, FL	07/24/2008
Katherine Lynne Miller Berend, Dallas, TX	07/24/2008	Stephen Farra Krum, Irving, TX	09/25/2008
William Lester Bergstrom, Southlake, TX	09/25/2008	Newman Davis Lay, Jr., Spring, TX	07/24/2008
Ronal Kirk Brunson, Rowlett, TX	09/25/2008	Charlene Injoo Lee, Greenwood Village, CO	09/25/2008
Lisa Gail Bullock, Houston, TX	09/25/2008	Stephanie A. Malone, Houston, TX	09/25/2008
James Matthew Chvatal, Houston, TX	07/24/2008	Traci Ann Mason, Missouri City, TX	09/25/2008
Mary Katherine Fehmer Clear, Coppell, TX	07/24/2008	Alice Pumphrey Miller, Fort Worth, TX	07/24/2008
Marialourdes Peralta Corpuz, San Marcos, CA	09/25/2008	Ronnie Lee Morgan, De Soto, TX	07/24/2008
Randall Wade Crawford, Waco, TX	09/25/2008	Susan M. Neves, Lubbock, TX	09/25/2008
John Russell Crews, Dallas, TX	09/25/2008	Jill A. O'Connor, Houston, TX	09/25/2008
Matthew Gregory Daniel, Forney, TX	07/24/2008	Barbara Dee Penhall, Kyle, TX	09/25/2008
Richard Daniels, Beaumont, TX	09/25/2008	Sidney M. Petersen, Jr., Arlington, TX	09/25/2008
Brookland Franklin Davis, Jr., Frisco, TX	09/25/2008	Lisa Phillips, Kingwood, TX	07/24/2008
Gregory John Engeldinger, Southlake, TX	09/25/2008	Roger Alan Raymond, Houston, TX	09/25/2008
Christine Ann Eubanks, Houston, TX	09/25/2008	Danny Dale Sarine, Denton, TX	09/25/2008
David Michel Faguer, Shanghai, China	07/24/2008	Douglas Mark Shearer, Bellaire, TX	09/25/2008
Jerry Antoine Faucheux, Houston, TX	07/24/2008	Jenny Ann Sloan, Bullard, TX	09/25/2008
James Dale Ford, Lufkin, TX	09/25/2008	Anthony Wayne Smith, McKinney, TX	09/25/2008
Patricia Mood Fowler, Houston, TX	07/24/2008	Michele Furman Smith, Sugar Land, TX	07/24/2008
Thomas Walter Frazier, New York, NY	07/24/2008	Ryan Kirk Smith, Bountiful, UT	07/24/2008
William Arthur Graves, The Woodlands, TX	07/24/2008	Lawrence Joseph St. Martin, Houston, TX	09/25/2008
James William Gregory, Jr., Waco, TX	09/25/2008	Mark David Stori, Dallas, TX	09/25/2008
Michael Lawrence Harding, II, Houston, TX	09/25/2008	James Thomas Taylor, Dallas, TX	07/24/2008
Jennifer Noel Harris, Bertram, TX	07/24/2008	Jeffrey Martin Williams, Houston, TX	09/25/2008
John Ragland Harrison, San Antonio, TX	07/24/2008	Amy Lynn Wilson, Garland, TX	09/25/2008
Wendy Sue Harroun, Houston, TX	07/24/2008	Melinda Ann Wolf, Buda, TX	07/24/2008
Catherine M. Hernandez, Stafford, TX	07/24/2008	Sam Cinderella Wong, Austin, TX	09/25/2008
Allison Marie Hinkle, Dallas, TX	07/24/2008	Susan Elizabeth Wright, South Padre Island, TX	09/25/2008
Chris Gerard Janda, Houston, TX	09/25/2008	Deanna Thompson Young, Houston, TX	09/25/2008
Larry Dean Jones, Jr., Port Isabel, TX	07/24/2008	Christian Thomas Zimmerman, Hallettsville, TX	09/25/2008



## ENFORCEMENT ACTIONS

### THREE-YEAR DELINQUENT ACTIONS

The respondents listed below violated *Sections 901.502(4) and 901.502(11) of the Public Accountancy Act* when they failed to pay license fees for three consecutive license periods. The certificate of each respondent was revoked without prejudice as the respondent was not in compliance as of the Board meeting date. Each respondent may regain his or her certificate by paying all the required license fees and penalties and by otherwise coming into compliance with the *Act*.

Respondent, Location / Country	Board Date	Respondent, Location / Country	Board Date
Roland Robert Arnold, San Antonio, TX	09/25/2008	Charles Edward Hinkle, Temple, TX	07/24/2008
David Eugene Barnes, Jr., Sugar Land, TX	07/24/2008	Robert Everett Hiscox, Los Gatos, CA	09/25/2008
Rita Suzanne Bell, Lookout Mountain, TN	07/24/2008	David Linton Hunt, Bryan, TX	09/25/2008
Adam Michael Bodzioch, Jr., Honolulu, HI	09/25/2008	Jason Ilari, Flower Mound, TX	09/25/2008
Brenda Kay Brunson, New York, NY	09/25/2008	Douglas A. Ivy, Olathe, KS	09/25/2008
Blake Alan Buffington, Arlington, TX	09/25/2008	Stephen Waco Jackson, Houston, TX	07/24/2008
Nancy Agnes Cassidy, College Station, TX	07/24/2008	Gary Lynn Johnson, Duluth, GA	09/25/2008
Terry Gene Christenberry, Kansas City, MO	09/25/2008	John Daniel Kelly, Garden City, KS	09/25/2008
Dixie Leona Clark, Milledgeville, GA	07/24/2008	Christopher W. Kindle, Dallas, TX	09/25/2008
Mathis J. Clark, San Antonio, TX	09/25/2008	Natalie Susanne Kleitches, Plano, TX	07/24/2008
Robert Andrew Clyde, Dallas, TX	07/24/2008	Bert Ira Koenig, Jr., Incline Village, NV	09/25/2008
Stanley Thomas Collins, Lake Jackson, TX	07/24/2008	Luzviminda Langevin, Garland, TX	09/25/2008
Thomas J. Combs, The Woodlands, TX	07/24/2008	William Mark Low, Dallas, TX	09/25/2008
Kenneth R. Connally, Leander, TX	07/24/2008	David Paul Mallouk, Euless, TX	07/24/2008
David Paul Coshman, Orange, TX	09/25/2008	Clayton P. Marcelle, Houston, TX	07/24/2008
Gwendolyn Evonne Craig, Spring, TX	09/25/2008	Terry Eugene Maxfield, San Antonio, TX	07/24/2008
Jennifer Emily Culp, Hewitt, TX	07/24/2008	James William May, Spring, TX	07/24/2008
Susan Elizabeth Landry Day, Plaquemine, LA	09/25/2008	Karen Bernice Mayrand, San Angelo, TX	09/25/2008
Salvatore Vincent DeAngelo, Hampton, NH	07/24/2008	Mary Kay McCarty, Round Rock, TX	09/25/2008
Robert Irving Dell, II, Santa Ynez, CA	07/24/2008	Robert Wayne Melton, Clearwater, FL	09/25/2008
Victoria Ann Dell, Dallas, TX	07/24/2008	Pamela A. Mitchell, Memphis, TN	07/24/2008
Douglas H. Dickey, Mount Enterprise, TX	07/24/2008	Raye Dean Murrell, Farmersville, TX	07/24/2008
Rosanne M. DiGiacomo, Grosse Pointe Park, MI	09/25/2008	Alla Perelman Myers, Kingwood, TX	09/25/2008
Daniel James Dolan, San Antonio, TX	07/24/2008	Brent Aaron Nofziger, San Antonio, TX	09/25/2008
Gloria Jean Duhaime, San Antonio, TX	07/24/2008	Susan Litt Nordhauser, San Antonio, TX	07/24/2008
Leah Deanne Edwards, Houston, TX	09/25/2008	Thomas Edward O'Byrne, Evergreen, CO	09/25/2008
David J. Egan, Irving, TX	09/25/2008	Leo Ounanian, Jr., Houston, TX	09/25/2008
Tara Lynn Estopinal, Knoxville, TN	07/24/2008	John William Owens, Pearland, TX	07/24/2008
Gustavo Javier Fernandez, Portland, OR	07/24/2008	Kelley Ann Scott Paige, Sugar Land, TX	07/24/2008
Gene Edward Ford, Dallas, TX	07/24/2008	Patrick Stephen Persons, Littleton, CO	07/24/2008
Randall Duncan Gabriel, Humble, TX	07/24/2008	David Eric Pitcher, Dallas, TX	07/24/2008
Kathryn Leigh Garrett, Dallas, TX	07/24/2008	Helen Dorothy Probandt, Temecula, CA	09/25/2008
Kathleen Nell Gilles, Weatherford, TX	07/24/2008	Charles Samuel Risley, Jr., Livingston, MT	09/25/2008
Alan Paul Hale, Plano, TX	09/25/2008	Timothy A. Roberts, Dallas, TX	07/24/2008
Richard Edmund Hecksel, II, Houston, TX	07/24/2008	Edna Z. Ruano, Dallas, TX	07/24/2008
Melvin Lee Heslop, Petersburg, VA	07/24/2008	John Richard Sanderson, Addison, TX	07/24/2008
Joe Connell Higgins, Arlington, TX	09/25/2008	Ronald Patrick Sandoval, Albuquerque, NM	09/25/2008

## ENFORCEMENT ACTIONS

### Three-Year Delinquent Actions / continued

Respondent, Location / Country	Board Date	Respondent, Location / Country	Board Date
John Gregory Schmidt, Dallas, TX	07/24/2008	George David Turpin, Fort Worth, TX	09/25/2008
Kimberly Marie Schmidt, New Bloomfield, MO	07/24/2008	Priya Maria Vaalentino, Lake Forest, CA	07/24/2008
Teresa Cheatham Schultz, Greer, SC	09/25/2008	Thomas Edward Walter, Dallas, TX	07/24/2008
James William Shade, Newburgh, IN	09/25/2008	Karen Fryer Walz, Pincrest, FL	09/25/2008
Mary Jean Sheehy, Belmar, NJ	09/25/2008	Richard Harold Wavro, Houston, TX	09/25/2008
John Edward Stephenson, Dallas, TX	07/24/2008	Cristel Layn Wells, Bedford, TX	09/25/2008
Karen Leila Stojanovski, Madrid, Spain	07/24/2008	Melissa Jane Whatley, Bivins, TX	09/25/2008
Donnie Ruth Sullivan, Longview, TX	09/25/2008	James Louis Wilson, Aurora, CO	09/25/2008
William Marvin Summers, Jr., Fort Worth, TX	07/24/2008	Steven Andrew Wise, Montgomery, TX	09/25/2008
Edward Pierre Thompson, Jr., Dallas, TX	09/25/2008		

### FAILURE TO COMPLETE LICENSE RENEWAL

The respondents listed below were found to be in violation of *Section 501.80 (practice of public accountancy)* and *501.93 (responses)* of the Board's *Rules*, and were also found to be in violation of *Sections 901.502(6) (violation of a rule of professional conduct)* and *901.502(11) (conduct indicating a lack of fitness to serve the public as professional accountant)* of the *Act*. The certificate of each respondent who was not in compliance at the time of the Board meeting was revoked without prejudice until such time as the respondent complies with the licensing requirements of the *Act*.

Respondent, Location / Country	Board Date	Respondent, Location / Country	Board Date
Kenneth Blake, Dallas, TX	07/24/2008	John Dale Casas, Tampa, FL	07/24/2008

## Various Factors Determine Need to Register as a Firm

In the August 2008 *Board Report*, we emphasized the need for a CPA to consider the many circumstances under which firm registration is required. Because of the interest the article generated, we supplement and encapsulate that discussion here.

Texas CPAs should recognize that when they identify themselves as CPAs providing "professional accounting services" and "professional accounting work," or when they are in the "client practice of public accountancy," as defined by *Board Rule 501.52*, they must be licensed as a CPA in Texas and must provide those services through a registered CPA firm.

Also, the CPA should recognize that if the firm the CPA is practicing through uses the CPA designation, the firm must be registered. In addition, *Board Rules* and the *Public Accountancy Act* require that only CPAs practicing through a registered CPA firm may provide the "attest service."

An individual CPA may perform professional accounting services other than attest services while working for an unlicensed entity

(not a CPA firm) if the firm does not identify the individual as a CPA in its advertising or promotional materials. If the CPA designation is used, *Board Rule 501.81(d)* requires that these materials include the disclaimer: "This is not a CPA firm." In other words, if you market your credentials as a CPA, you must include the disclaimer so that the public is not misled into thinking that the firm itself is a CPA firm.

The disclaimer is not required for a commercial enterprise not involved in providing "professional accounting services." For example, a CPA serving as a chief financial officer for an airline may be identified as a CPA with no disclaimer because he or she is not providing professional accounting services to the public.

Unlicensed firms may not use the terms "accounting" or "auditing" in their firm names, nor may they offer to provide "professional accounting services." The *Public Accountancy Act, Section 901.453(b)*, restricts the use of those terms to CPAs and CPA firms and allows only CPAs licensed in Texas to hold themselves out to the public as possessing accounting or auditing skills.

**Help Us Identify  
the Unauthorized  
Practice  
of Public Accountancy**

To protect the public from the practice of public accountancy by non-licensees, the Public Accountancy Act prohibits the use of the terms "Accounting," "Accountant," "Certified Public Accountant," and "CPA" by individuals or firms not licensed by the Board.

If you suspect that the Act has been violated by unlicensed entities, please contact the Board:

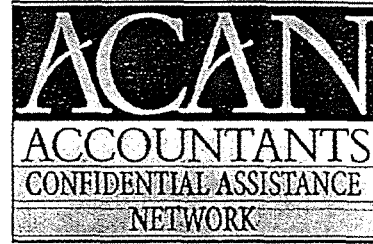
Email:  
[enforcement@tsbpa.state.tx.us](mailto:enforcement@tsbpa.state.tx.us)

Mail: TSBPA  
Attention: UPPA  
333 Guadalupe, Twr 3, Ste 900  
Austin, Texas 78701

Phone: 512-305-7872

Include as much information as possible to assist us in enforcing the Public Accountancy Act.

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LEGAL NOTICE: The identity and communications and fact of membership of anyone attending this group are confidential and protected under penalty of law under Chapter 467 of the Texas Health and Safety Code.

**VOLUNTEERS NEEDED**  
ACAN needs volunteers across the state. If you are a CPA in recovery and are interested in volunteering, please call 1-866-766-2226.

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NOVEMBER  
2009

VOL. 101

# TEXAS STATE BOARD REPORT

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY, AUSTIN, TEXAS

## Board Pursues Unauthorized Practice to Protect Public and the Profession

By Lorna Schwimmer, UPPA Investigator

You may have encountered a client who came to you because of the inadequate performance of his or her former "CPA," a person who may or may not have actually been a CPA. Or, perhaps you have come across a compilation report provided by an bookkeeper with no CPA license. Both are in violation of the *Public Accountancy Act* (the *Act*). Even CPAs who are currently licensed in Texas may unwittingly violate the *Act*.

Identifying the unauthorized practice of public accountancy (UPPA) by licensees and non-licensees is a function of the Board's Enforcement Division, which actively seeks to protect the public from being misled by unlicensed persons implicitly or explicitly misrepresenting themselves as CPAs or by CPAs performing attest services in violation of the *Public Accountancy Act*. The UPPA program actively searches for violations by unlicensed entities and investigates complaints from CPAs, community members, other state agencies, and members of the Constructive Enforcement Advisory Committee (CEAC). Complaints that come to the Board may concern anything from business cards, websites, newspaper advertisements, fliers, signs, emails, or any other evidence of alleged violations of the *Act* or *Board Rules*.

The CEAC is a committee of CPAs appointed by the Board's presiding officer. They live all over Texas and are charged with actively keeping an eye open for violations in their geographic areas and reporting them to the Board. Committee members may also be called upon to assist in their communities with investigations of alleged violations by non-licensees, complaints against licensees, and possible non-compliance of licensees with *Board Rules* and orders.

### ALSO IN THIS ISSUE

- 2 CPE Providers
- 3 5th-Year Student Scholarships
- 4 In Memoriam
- 5 NASBA Awards
- 5 NZ MRA Signed
- 7 Enforcement Actions

### Establishing Reserved Terms

Under Texas law, the terms "Certified Public Accountant" and "CPA," as well as the terms "accounting" and "auditing" and their derivatives, are reserved for the exclusive use of Texas licensees. The main impetus for establishing these "reserved terms" was to fulfill the Board's mandate to protect the public from non-licensees asserting an expertise in accounting they do not have. The Board also believes that these terms are closely associated in the public mind with the practice of public accounting and with the assumption that anyone offering such services to the public is a licensed CPA.

Almost 25 years ago, Texas A&M University researchers surveyed Texas residents to examine the public's perception of the term "accounting." The survey revealed that, by a margin of 61% to 19%, the public perceived that a person offering accounting or auditing services to the public was a licensed CPA. A similar survey commissioned by the Board in 2006 found that this perception still existed. These findings held true across regional, gender, racial, age, income, and educational demographic lines, even among those in the financial services sector.

### Unauthorized Use of Reserved Terms

The most common UPPA violation is the use of accountant and accounting by unlicensed individuals or entities offering accounting or auditing services to the public, a practice prohibited by the *Public*

continued on p. 6

**CPE Sponsors Successfully Completing Review**  
(since August 2009 Board Report)

Sponsor #	Sponsor Name	Date of Next Review	Status
009557	DynCorp International	01/01/2011-12/31/2011	A
009578	E.A.G. Services, Inc.	03/01/2011-02/28/2012	A
009579	AC Lordi Consulting, Inc.	03/01/2011-02/28/2012	A
009577	Pinnacle Arbitrage Compliance LLC	03/01/2011-02/28/2012	A
001374	Faske, Lay & Co., LLP	03/01/2011-02/28/2012	A
005547	InvescoAim	04/01/2011-03/31/2012	A
009587	EXCO Resources, Inc.	04/01/2011-03/31/2012	A
002818	Howard & Co, LLP	04/01/2011-03/31/2012	A
000408	Dallas Chapter of the IIA	01/01/2011-12/31/2012	A
003477	Pioneer Natural Resources Company	05/01/2011-04/30/2012	A
008888	Houston Jewish Community Foundation	03/01/2011-02/28/2012	A
007582	Express Information Systems, Inc	03/01/2011-02/28/2012	A
001689	Gollob Morgan Peddy & Co. PC	07/01/2011-06/30/2012	A
002551	Stovall, Grandey & Allen, LLP	11/01/2010-10/31/2011	A
009591	National Petroleum Energy Credit Association	04/01/2011-03/31/2012	A
009589	AASHTO 2008	04/01/2011-03/31/2012	E
009593	McQueary Henry Bowles Troy LLP	04/01/2011-03/31/2012	E
009366	Independent Bankers Association of Texas	11/01/2010-10/31/2011	A
009595	Shell Trading in North America	04/01/2011-03/31/2012	A
009594	Wednesday Tax Forum	04/01/2011-03/31/2012	A
001508	USAA	05/01/2011-04/30/2012	A
008117	The Wiewel Law Firm	05/01/2011-04/30/2012	A
009599	Continental Airlines, Inc-Internal Audit	05/01/2011-04/30/2012	A
009143	Oxy, Inc.	05/01/2011-04/30/2012	A
000839	Frost National Bank	06/01/2011-05/31/2012	A
006069	Bobby E. Dusek, CPA	05/01/2011-04/30/2012	E
004575	ALX Consulting, Inc.	06/01/2011-05/31/2012	A
009491	AXIA Resources	05/01/2011-04/30/2012	E
009598	Houston Human Resource Management Association DBA HR Houston	05/01/2011-04/30/2012	A
009611	Old Republic National Title	06/01/2011-05/31/2012	E
001634	Schmid, Broaddus, Nugent & Gano & Co., PC	06/01/2011-05/31/2012	A
003398	Southwest Research Institute	04/01/2011-03/31/2012	A
009609	Greystone Communities, Inc.	06/01/2011-05/31/2012	A
007993	Texas Assn of Life & Health Insurers	01/01/2010-12/31/2010	A
009607	The Schlichting Group	06/01/2011-05/31/2012	A
001629	Holliday, Lemons & Cox, P.C.	06/01/2011-05/31/2012	A
001682	Tyler Junior College	07/01/2011-06/30/2012	A
006090	Burton McCumber & Cortez, LLP	06/01/2011-05/31/2012	A
001987	Johnson Miller & Co., CPAS, PC	01/01/2010-12/31/2010	E
002158	Carter Financial Management	04/01/2011-03/31/2012	A
004046	Crady, Jewett, & McCulley LLP	06/01/2011-05/31/2012	A

Registration Status: A = Currently active E = Currently expired

EFFECTIVE IMMEDIATELY CPE taken from the following providers will not be eligible for CPE credit.

— American Society for Continuing Education (A.S.C.E.), P.O. Box 2877, Brandon, FL 33509

— Fred Pryor Seminars, 9757 Metcalf Ave., Overland Park, KS 66212

Texas CPAs should check our website, [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us), for qualified CPE providers before enrolling in a CPE course.

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## Fifth-Year Scholarship Responsibility Transferred to Accountancy Board

House Bill 2440, signed into law by Governor Rick Perry on May 23, transferred administration of the fifth-year scholarship fund from the Higher Education Coordinating Board (HECB) to the Texas State Board of Public Accountancy (TSBPA). The bill was authored by Rep. Brian McCall (R-Plano) and sponsored in the Senate by Sen. Tommy Williams, CPA (R-The Woodlands).

The Legislature established the fund in 1991 to help disadvantaged accounting students complete the last 30 hours of the 150-hour education requirement to take the CPA examination. Transfer of the fund from the HECB to the TSBPA was made because administering the fund is more in keeping with the mission of the TSBPA than of the HECB. The scholarships are funded by a \$10 fee that is part of CPAs' annual renewal fees.

All mandates and responsibilities that were previously charged to the HECB were transferred to the TSBPA effective September 1, 2009, and were codified with the addition of Subchapter N to the *Public Accountancy Act*. These responsibilities include continuation of an advisory committee whose composition is to include a presiding officer appointed by the TSBPA, a representative named by the TSBPA, a representative named by the Texas Society of CPAs, a Texas representative named by the American Accounting Association, one named by the National Association of Black Accountants, one named by the Association of Latino Professionals in Finance & Accounting, two representatives named by the HECB, one of whom is the chair of the accounting department at a private Texas college or university and another who is the chair of the accounting

department at a Texas college or university that primarily serves minority students. Board Presiding Officer **Greg Bailes**, CPA, appointed former Board Chair **Melanie Thompson**, CPA, a faculty member of Texas Lutheran University, to head the advisory committee and Dr. **James Flagg**, CPA, a member of the faculty of Texas A&M University and chair of the Board's Qualifications Committee, to represent the TSBPA.

The legislation also spells out three criteria that must be considered in determining scholarship recipients: (1) financial need, (2) ethnic or racial minority status; and (3) scholastic ability and performance. Funds are disbursed to the financial aid offices of Texas colleges and universities and awarded to students meeting the criteria. The awards go only to Texas residents who intend to take the CPA exam under Texas jurisdiction. Awards may be used for tuition, fees, books, supplies, and living expenses incurred in connection with the student's fifth year of study.

Although the legislation went into effect in September, the HECB took responsibility for disbursing funds for the Fall 2009 and Spring 2010 semesters. The TSBPA has until January 1, 2010, to adopt rules to govern the fund and has worked with the Coordinating Board and the Advisory Committee to formulate those rules. The committee considered rules to govern the fund at an August meeting and published them in the *Texas Register* for public comment. The rules passed on first reading at the September 17 Board meeting and will be on the Board agenda for its November 19 meeting and brought up for possible adoption.

Advisory Committee Member	Appointed by
Melanie Thompson, CPA, Chair Texas Lutheran University	Texas State Board of Public Accountancy
James C. Flagg, PhD, CPA Texas A&M University	Texas State Board of Public Accountancy
Pat L. Wilson, CPA San Antonio	Texas Society of CPAs
Roselyn Morris, PhD, CPA Texas State University	American Accounting Association
Walter D. Davis, CPA Houston	National Association of Black Accountants
Cynthia Ramos, CPA Austin	Association of Latino Professionals in Finance & Accounting (formerly the American Association of Hispanic CPAs)
Bob Vigeland, PhD Texas Christian University	Higher Education Coordinating Board (chair of an Accounting Dept. at a private Texas college or university)
Sewon O, PhD Texas Southern University	Higher Education Coordinating Board (chair of an Accounting Dept. at a Texas college or university primarily serving minority students)

## In Memoriam

*Listed below are the names of licensees who passed away between September 1, 2008, and August 31, 2009.*

Name	Date born	Date of Death	Name	Date born	Date of Death
Kaylon F. Adams, Cypress, TX	02/01/1969	11/07/2008	Carol C. Lee, Arlington, TX	09/09/1986	11/19/2008
Wilbur E. Alexander, Lufkin, TX	08/04/1966	02/28/2009	John T. Leverette III, Waco, TX	03/02/1994	06/01/2009
John E. Allen, Weatherford, TX	03/05/1991	01/28/2009	Denise C. Linch, Lorena, TX	06/26/1996	10/15/2008
J. C. Armstrong, Lubbock, TX	01/23/1950	03/22/2009	Brady P. Lockhart, Weatherford, TX	01/29/1959	09/22/2008
Gomicindo Baca, Albuquerque, NM	01/28/1987	12/01/2008	Eugene H. Lott, San Angelo, TX	08/01/1949	10/24/2008
Richard L. Bemis, Corpus Christi, TX	07/25/1975	02/21/2009	Michael J. McAndrew, Elgin, TX	03/03/1993	12/08/2008
Dennis J. Blibe, Corpus Christi, TX	08/20/1982	03/15/2009	Richard C. McClendon, Austin, TX	07/24/1973	10/23/2008
Everett D. Bohis, Austin, TX	01/17/1948	08/12/2009	Peter W. McCook, Lakeway, TX	11/29/1962	04/04/2009
H. B. Bond III, New Braunfels, TX	01/30/1973	02/23/2009	Richard W. McKenney, Spring, TX	10/07/1974	03/29/2009
Jana K. Braddick, Wellington, KS	03/11/1992	02/27/2009	Billie J. Miller, College Station, TX	04/01/1983	02/06/2009
Rulon M. Briscoe, Franklin, TN	03/09/1987	07/07/2009	Phillip D. Nelson, Houston, TX	07/03/1984	07/13/2009
Louis M. Canant, Conroe, TX	11/21/1981	01/03/2009	Fred W. Neumann, Taylor, TX	08/07/1948	12/18/2008
Perren A. Cherry, Shreveport, LA	01/28/1962	12/10/2008	Clarence F. Niebuhr, Buda, TX	12/21/1940	03/25/2009
Robert T. Coleman Jr., Spartanburg, SC	07/31/1958	02/09/2009	Linda L. Nix, Mansfield, TX	10/03/1983	12/02/2008
Phil B. Cook, Harlingen, TX	07/29/1955	03/10/2009	John D. O'Steen, Carrollton, TX	03/04/1985	01/30/2009
Lida E. Cooper, Hemphill, TX	07/27/1978	11/24/2008	H. L. Obermiller, Corpus Christi, TX	12/02/1946	01/24/2009
Thomas L. Corley, Waco, TX	10/07/1974	02/16/2009	Oscar Olchyk, Surfside, FL	10/01/1982	07/23/2009
Lori B. Demaree, Austin, TX	01/15/1991	01/28/2009	Thomas E. Oliver, Houston, TX	08/06/1974	04/18/2009
Weldon W. Dickson, Desoto, TX	03/11/1992	05/16/2009	Larry D. Olson, Albuquerque, NM	10/01/1982	10/08/2008
John E. Dodson, Amarillo, TX	03/17/1978	04/15/2009	Lawrence C. Osborn, Tulsa, OK	02/04/1964	09/13/2008
Rick A. Dowdall, Kingwood, TX	04/23/1984	01/07/2009	John D. Owsen, Colleyville, TX	08/01/1983	11/18/2008
Patrick J. Driggers, Fort Worth, TX	03/05/1991	06/12/2009	Bobby W. Patterson, Dallas, TX	01/17/1960	10/24/2008
Leslie W. Dunn, Corpus Christi, TX	01/29/1959	11/01/2008	Roger G. Pearce, Charlotte, NC	11/21/1981	03/04/2009
Norma C. Edwards, Colleyville, TX	02/09/1994	03/08/2009	Buel E. Pearson, San Antonio, TX	03/09/1984	10/27/2008
Douglas M. Elch, Midland, TX	07/26/1959	06/24/2009	William C. Penick, Asheville, NC	01/23/1950	07/20/2009
Barbara J. Ellas, San Antonio, TX	04/14/1978	05/06/2009	Preston E. Perdue, Norman, OK	02/03/1965	05/19/2009
Richard G. Ellis, Garland, TX	07/27/1973	12/08/2008	Ronald W. Perkins, Rockwall, TX	08/03/1971	02/03/2009
Genee C. Eubank, Larue, TX	03/06/1989	01/31/2009	Robert C. Peterson, Odessa, TX	04/24/1989	03/31/2009
Joe L. Finch, Georgetown, TX	01/27/1992	12/19/2008	Robert L. Powell, Houston, TX	03/31/1976	06/08/2009
Willard H. Findling, San Antonio, TX	01/28/1956	03/22/2009	William A. Pritchard, Rockwall, TX	01/23/1950	12/05/2008
Roger D. Fry, Spring, TX	05/14/1974	02/25/2009	Robert C. Qualls, Carrollton, TX	01/16/1974	09/19/2008
Gary E. Givens, Artesia, NM	01/31/1977	09/15/2008	Alfred J. Ratcliffe, Shamong, NJ	11/21/1981	03/27/2009
Robert E. Glaze, Dallas, TX	01/17/1948	02/03/2009	Andrea C. Ray, McLean, VA	03/09/1988	10/14/2008
Arnold Golieb, Boca Raton, FL	01/30/1958	06/11/2009	Jason W. Richardson, Sherman, TX	10/12/1994	09/24/2008
Harry Goodman, Dallas, TX	01/29/1959	12/29/2008	James E. Rodgers, Hamlin, TX	07/26/1959	11/24/2008
Barbara A. Gozberk, Dallas, TX	07/27/1978	02/21/2009	Oscar M. Saldana, Laredo, TX	02/02/1981	12/10/2008
Lawrence P. Graham, Hubbard, TX	10/04/1979	10/10/2008	George W. Sanders III, Tomball, TX	09/07/1982	11/02/2008
Lisa D. Guy, Baytown, TX	02/09/1994	02/25/2009	Peggy C. Satterfield, China Spring, TX	03/06/1989	11/18/2008
Paul R. Haas, Corpus Christi, TX	12/21/1940	11/29/2008	William J. Schrader, State College, PA	07/28/1951	07/27/2009
L. C. Harlow Jr., San Angelo, TX	07/09/1947	10/01/2008	Patrick J. Seimetz, Plano, TX	01/02/1989	05/22/2009
Gene Harris, Springfield, MI	01/17/1960	12/19/2008	Jesse E. Shivers, Houston, TX	01/31/1953	07/12/2009
Harry M. Hayes, Sarasota, FL	05/15/1982	10/20/2008	Steve W. Serquell, Amarillo, TX	01/26/1978	04/01/2009
John G. Heard, Houston, TX	01/20/1951	11/07/2008	Melvin J. Stiefel Jr., Tyler, TX	01/31/1971	09/20/2008
Margaret H. Heaton, Houston, TX	02/01/1969	10/15/2008	Hugo C. Stolte Jr., San Antonio, TX	01/22/1954	12/09/2008
Gordon M. Heggem, Flower Mound, TX	02/03/1965	05/13/2009	Denise D. Stuckey, Gladewater, TX	03/10/1986	03/20/2009
Horace B. Hill, Houston, TX	02/03/1965	02/16/2009	Frank Taggart III, Longview, TX	01/17/1960	06/12/2009
John A. Hoffpauir, Houston, TX	05/15/1982	08/01/2009	James O. Taylor III, San Antonio, TX	04/21/1966	06/25/2009
Drew E. Holderman, Granbury, TX	07/30/1970	04/16/2009	Brenda S. Tolleson, Tomball, TX	10/27/1982	06/29/2009
Stephen N. Holland, Arlington, TX	02/07/1975	11/09/2008	Bernard J. Vanek, Houston, TX	01/30/1968	01/18/2009
Lori L. Howell, Springtown, TX	09/07/1994	10/13/2008	Allan C. Vik, Gainesville, TX	02/01/1963	01/28/2009
Sam W. Hunsaker, Oklahoma City, OK	08/08/1952	11/18/2008	Kenneth D. Weeks, Houston, TX	08/04/1977	09/21/2008
Worth F. Johnson, Tyler, TX	06/30/1939	01/06/2009	Lina E. Whitaker, Edinburg, TX	03/11/1992	07/31/2009
Jon M. Jordan, Plano, TX	02/20/1996	11/28/2008	Ray E. Whitmire, Corpus Christi, TX	03/10/1986	01/28/2009
Gaines F. Keener, Katy, TX	02/02/1967	11/17/2008	Larry G. Wilburn, Houston, TX	09/12/1985	04/01/2009
Jerry L. Keith, Stephenville, TX	03/11/1992	10/20/2008	Edward E. Winkelman, Addison, TX	08/04/1964	04/07/2009
William A. Kelly Jr., Houston, TX	08/03/1971	06/27/2009	Stephen R. Wood, Lago Vista, TX	07/26/1956	11/02/2008
Margie Kraus, Laredo, TX	08/01/1967	03/15/2009	Rosemary C. Wright, Fort Worth, TX	08/06/1974	08/24/2009
Gregory A. Krupps, Houston, TX	03/27/1981	04/07/2009	T. S. Xanthos, Lake Dallas, TX	09/05/1990	05/25/2009
Carroll N. Kuykendall, Cedar Hill, TX	07/26/1959	11/26/2008	James L. Zaccagni, San Antonio, TX	12/12/1985	10/20/2008
Ray W. Lacour, Houston, TX	01/29/1959	12/31/2008			



# NASBA Installs Atkinson as Chair, Honors Treacy

During its annual conference in Phoenix, November 1-4, the National Association of State Boards of Accountancy (NASBA) bestowed top honors on two Texans. Former Board Presiding Officer **Bill Atkinson** of Sugar Land acceded to NASBA's top office and Texas Board Executive Director **Bill Treacy** received the Lorraine P. Sachs Standard of Excellence Award.

**Bill Atkinson**, who served on the Texas Board during 1999-2005 and as presiding officer during 2003-2005, was installed as chair of the NASBA Board of Directors to succeed **Thomas J. Sadler** of Washington. Atkinson had previously served NASBA as a member of the Nominating and Regulatory Structures committees, as a director-at-large and as vice chair of the Board. As a member of the Texas Board, he chaired both Technical Standards Review committees and served on several others, including the Rules and Executive committees.



During Atkinson's tenure on the Texas Board, the Board developed a four-hour ethics course for all Texas CPAs, created the Sponsor Review Oversight Board and enacted new rules governing the peer review program, developed rules to address the post-Sarbanes-Oxley environment, and implemented the requirement for a three-hour college ethics course for CPA exam applicants.

Atkinson has practiced for 37 years with PricewaterhouseCoopers, LLP, and its predecessor, Coopers Lybrand, where he has been an audit partner since 1982. His professional affiliations include numerous leadership roles in the Texas Society of CPAs, as well as the AICPA, where he has served as a member of the Council. He has also been active in a number of civic endeavors in the Gulf Coast region. Atkinson is a graduate of Texas A&M University, where he was a Distinguished



*Bill Treacy, right, representing U.S. IQAB, signs the MRA with New Zealand as Terry McLaughlin, FCA, chief executive officer, New Zealand Institute of Chartered Accountants, and Linda Turner, president of the Institute, look on. Tim Groser, minister of trade for New Zealand, hosted the ceremony at the Parliament Building.*

Student, a member of the Corps of Cadets, and president of the Accounting Society.

**Bill Treacy** was presented the Lorraine P. Sachs Award, which recognizes an executive from one of NASBA's 55 jurisdictions who is judged to be exceptionally competent and effective in the performance of his duties to the public and to the accounting profession.

Treacy has participated in national and international efforts toward standardization of the practice of accountancy and served for the past four years as chair of NASBA's International Qualifications Appraisal Board (IQAB). As such, he has negotiated Mutual Recognition Agreements (MRAs) with licensing bodies in Canada, Mexico, Ireland, Australia, and New Zealand. The tripartite recognition agreement among the U.S., Mexico, and Canada is believed to be the first such agreement in any profession. In August of this year, Treacy traveled to Wellington, New Zealand, to sign an MRA with that country on behalf of U.S. IQAB.

During Treacy's 19 years as executive director, the Texas Board became the first to establish mandatory ethics training for both CPA exam candidates and licensed CPAs. Through his initiative, the agency established an assistance program for CPAs and CPA candidates with substance abuse or mental health issues, a policy of vigorous enforcement of practice standards for Texas CPAs, and the active pursuit of persons who are practicing accountancy in Texas without a license.

**Lorraine P. Sachs**, a long-time senior vice president and chief operating officer of NASBA, was responsible for creating NASBA's Executive Directors Committee. Upon her retirement three years ago, the NASBA Board of Directors created the Standard of Excellence Award in recognition of her contributions to the accounting profession.

## Board Adopts Rules Change on Confidentiality

The Texas Board, meeting in Austin on September 17, adopted a change to Board *Rule 501.75* that clarifies that licensees must provide client communications and records in response to grand jury and Congressional and Texas Legislative subpoenas. The proposed change was first brought before the Board in July and subsequently published in the *Texas Register*. The Board received no comments from the public.

The Board also approved clarifications to *Rule 511.57* concerning accounting courses and *Rule 523.118* concerning a limitation on non-technical CPE courses. The former extends implementation of additional education requirements until July 1, 2011. The latter clarifies that total CPE credit hours from the non-technical area may not exceed 50% in a three-year reporting period.



## Unauthorized Practice / continued from previous page

*Accountancy Act.* Other violations include use of derivations of the term "audit" to refer to services other than attest services, misuse of the CPA designation, and the performance of, or offer to perform, attest services, which include audits, reviews, compilations, and accounting research services.

One cause of confusion may come from the use of these terms by unlicensed organizations or businesses to refer to departments within their companies as accounting departments or to staff members within these departments as accountants. Neither practice violates the *Public Accountancy Act* as long as the services are not offered to the public. The *Act* states the following:

A person may hold the person out to the public [emphasis added] as an "accountant," "auditor," or any combination of those terms or assert that the person has expertise in accounting or auditing only if the person holds a license issued under this chapter. . . ."

A business that does not offer bookkeeping or related services to the public may have an internal "accounting" department and refer to its employees as "accountants." In this situation, there is no potential for anyone to obtain what he or she believes to be CPA services from the business.

However, if such an employee (who is not a CPA) were to subsequently become employed by a CPA firm or bookkeeping business, he or she may not offer "accounting" services or refer to his or her past "accountant" positions without gaining licensure because this is asserting to the public an expertise in accounting.

### Violations by CPAs

Keep in mind that UPPA investigations may be opened on CPA firms that are using reserved terms for unlicensed employees. Files also may be opened on licensees if they are (1) using these terms in association with an unregistered firm, (2) using the CPA designation in association with an unregistered firm without the proper disclaimer, or (3) providing compilations (with or without reports) through unregistered firms.

**Use by Unlicensed Employees.** Unlicensed employees working for CPA firms, unlike those not in the practice of public accountancy, may not be called "staff accountants," "audit interns," or "CPA candidates," nor can they be described as performing "accounting" or "auditing" tasks, as having "accounting" or "auditing" experience, or as having held job titles containing these terms in the past. However, if these employees have degrees in accounting, this may be stated. Suggested alternatives for the term "staff accountant" include "professional assistant," "professional staff," "professional associate," "senior associate," "senior assistant," "junior associate," "staff associate," "senior staff," "tax associate," or "support staff."

**Use by Unlicensed Firms.** CPAs may not use the terms "accounting" or "audit" nor the CPA designation for themselves

in association with firms that do not have firm licenses without including the disclaimer, "This firm is not a CPA firm." Board *Rule 501.81(d)* states:

Each advertisement or written promotional statement that refers to a CPA's designation and his or her association with an unlicensed entity in the client practice of public accountancy must include the disclaimer: "This firm is not a CPA firm." The disclaimer must be included in conspicuous proximity to the name of the unlicensed entity and be printed in type not less bold than that contained in the body of the advertisement or written statement.

This disclaimer must be used on business cards, web pages, and any other materials that may be viewed by the public.

The terms accounting, auditing, and CPA may not be part of the name of a firm that is not licensed by the Board. In addition, because "a firm licensed by the board may not conduct business, perform or offer to perform services for or provide products to a client under a name other than the name in which the firm is licensed" (Board *Rule 501.83*), simply having a registered firm does not justify the use of reserved terms through another firm name. Suggested alternatives for the term accounting for use by an unregistered firm include "financial consulting" or "financial advisory services." Suggestions to replace audit include "internal controls analysis" or "examination," "inventory analysis" or "examination," "forensic analysis" or "examination," "inspection," "evaluation," "verification," "inquiry," or "investigation."

### Financial Statements by CPAs Are Attest Services

Many CPAs do not realize that in Texas, financial statements are considered attest services when performed by CPAs and may be provided only through licensed CPA firms that undergo peer review. The following is an excerpt from an opinion of one of the Board's staff attorneys:

Section 901.002(a)(1)(B) of the Accountancy Act defines an "attest service" to include "an engagement required by the board to be performed in accordance with standards for accounting and review services adopted by the American Institute of Certified Public Accountants or another national accountancy organization recognized by the board."

Under Board Rules 501.53(b) and 501.61, no Texas-licensed CPA shall issue, or otherwise be associated with, financial statements that do not conform with "generally accepted accounting principles" or GAAP. Further, in performing such services, the CPA "shall conform to the professional standards" set forth in the Statements on Standards for Accounting and Review Services (SSARS) by the American Institute of Certified Public Accountants (AICPA). See Board *Rule 501.62(2)*.

Section 901.351(a) of the Act, in turn, provides that a "firm may not provide attest services . . . unless the firm holds a firm license issued under this subchapter . . . ."

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## ENFORCEMENT ACTIONS

### ACTIONS TAKEN BY THE BOARD

#### A. AGREED CONSENT ORDERS

##### BEHAVIORAL ENFORCEMENT COMMITTEE

1. Investigation No.: 09-02-20L  
Respondent: Richard L. Meggs, Jr.  
Hometown: Dallas  
Certificate No.: 074866  
Rules Violations: 501.81, 501.83, 527.4  
Firm License No.: C06920  
Act Violation: 901.502(6)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent was reprimanded. Respondent must complete and submit proof of completion of eight hours of live CPE in the area of compilations and reviews within 90 days of the date the Board ratified the Board Order. In addition, Respondent must pay \$566.76 in administrative costs within 30 days of the date the Board ratified the Board Order.

Respondent practiced public accountancy in an unregistered entity, practiced public accountancy with an improper firm name, and failed to participate in the Board's peer review program.

2. Investigation No.: 07-04-11L  
Respondent: Jean E. Sickels  
Hometown: Decatur, GA  
Certificate No.: 072576  
Firm License No.: T09446  
Act Violation: 901.502(8)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent was reprimanded. In addition, Respondent must pay an administrative penalty of \$1,000 and \$876.55 in administrative costs within 30 days of the date the Board ratified the Board Order.

On September 20, 2006, the Colorado Board issued an Order wherein Respondent was placed on probation for at least  
continued on next page

#### Unauthorized Practice / continued from previous page

These provisions of the Act and Board Rules dictate, therefore, the following rule in Texas: If an individual CPA licensed by the State of Texas participates in the issuance of a financial statement for an outside party, the individual CPA can lawfully render this service only through a Texas-licensed CPA firm.

The requirement that financial statements issued by CPAs undergo peer review in a registered CPA firm ensures the competence and integrity of accounting services provided by Texas CPAs. Even for firms that provide management-use-only compilations without reports, peer review must verify that the CPA firm properly prepared the engagement letter and received assurances from management.

Finally, unauthorized use of the CPA designation is surprisingly common among former CPAs whose licenses have been revoked, those who are in the process of becoming certified, CPAs licensed in other states who do not qualify to practice in Texas under the practice privilege granted under Section 901.462 of the Act, or individuals who just don't think anyone will challenge their use of the CPA designation.

#### **Enforcement**

The objective in uncovering and pursuing UPPA violations, for both CPAs and for non-licensees, is to obtain compliance not to censure. Most non-licensees are unaware when they are violating Texas law, and most investigations of unlawful practices by non-licensees end with their agreement not to use reserved terms or imply an expertise they do not have.

Files opened on CPAs or CPA firms are considered investigations, not complaints, and are not reported as disciplinary actions against the licensees unless it becomes necessary to refer the files to the Behavioral Enforcement Committee for noncompliance or for more serious violations (e.g., offering or providing audits or reviews through an unlicensed firm).

#### **Reporting Suspected Violations**

By verifying the CPA licenses of job applicants, persons with whom you do business, or anyone else using reserved terms, you help protect the public, yourself, and your business. It's easy to verify licenses on the TSBPA website at "Individual License Lookup" under the "Licensing" tab.

Suspected violations may be reported by mail, Attn: UPPA, TSBPA, 333 Guadalupe Twr 3 Ste. 900, Austin, TX 78701-3900; by email to [enforcement@tsbpa.state.tx.us](mailto:enforcement@tsbpa.state.tx.us); by fax to 512-305-7854; or by calling the investigator directly at 512-305-7872. Remember that a file cannot be opened without evidence of a violation and reason to believe that the subject of the complaint generated or contributed to the violation.

Please be aware that if you provide your name or information with your complaint, the Board may be required under the *Public Information Act* to provide that information to the subject of the complaint if requested. If you wish to remain anonymous, send your complaint by itself in an envelope with no return address, by an anonymous fax (with no identifying information at the top), or by an anonymous email if you don't mind the possibility that the respondent may obtain the email address.

## ENFORCEMENT ACTIONS

two years, assessed a \$1,000 fine, required to submit copies of five preissuance reviews of her audits, and required to obtain and submit preissuance reviews of her next five audits conducted on entities in the state of Colorado.

### B. AGREED CEASE AND DESIST ORDERS

1. Investigation No.: 08-08-16N  
Respondent: The Accounting Office - Gary Biggs  
Hometown: Midland  
Act Violation: 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent held himself out as an "accountant" and asserted his expertise in accounting, although Respondent does not hold a license in Texas.

2. Investigation No.: 07-08-08N  
Respondent: Harold L. Walsleben  
Hometown: Kerrville  
Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation although Respondent does not hold a license in Texas.

3. Investigation No.: 08-06-02N  
Respondent: Ken Carter  
Hometown: Hurst  
Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation although Respondent does not hold a license in Texas.

4. Investigation No.: 08-07-24N  
Respondent: James Broomas

Hometown: Houston  
Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation although Respondent does not hold a license in Texas.

5. Investigation No.: 09-05-38N  
Respondent: Cindy Clifton  
Hometown: Dallas  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation and asserted her expertise in accounting and auditing, although Respondent does not hold a license in Texas.

6. Investigation No.: 09-05-63N  
Respondent: Charles E. Willett  
Hometown: Sugar Land  
Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation although Respondent does not hold a license in Texas.

7. Investigation No.: 09-06-10N  
Respondent: DB Consulting  
Hometown: Cedar Park  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

## ENFORCEMENT ACTIONS

Respondent offered attest services and used the term "accountant" although Respondent does not hold a license in Texas.

8. Investigation No.: 09-06-14N  
Respondent: Aaron Liggett  
Hometown: Arlington  
Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent performed an attest service although Respondent does not hold a license in Texas.

9. Investigation No.: 09-06-26N  
Respondent: Marc R. Hall  
Hometown: Austin  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation and asserted his expertise in accounting although Respondent does not hold a license in Texas.

10. Investigation No.: 09-06-28N  
Respondent: Greg Schroen  
Hometown: Austin  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent offered attest services and held himself out to the public as an "accountant" although Respondent does not hold a license in Texas.

11. Investigation No.: 09-06-34N  
Respondent: Marjorie Adams  
Hometown: Austin  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent offered attest services and held herself out to the public as an "accountant" although Respondent does not hold a license in Texas.

12. Investigation No.: 09-07-06N  
Respondent: Smith & Associates  
Hometown: Forney  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent performed an attest service and used the term "accounting" although Respondent does not hold a license in Texas.

13. Investigation No.: 09-07-07N  
Respondent: Haytham Nakhleh  
Hometown: Wylie  
Act Violation: 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent held himself out to the public as an "accountant" and asserted his expertise in accounting although Respondent does not hold a license in Texas.

14. Investigation No.: 09-07-09N  
Respondent: GAVA Consulting & Galia M. Vargas  
Hometown: Houston  
Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

## ENFORCEMENT ACTIONS

Respondent performed an attest service and held itself out to the public as a firm of "accountants" although Respondent does not hold a license in Texas.

15. Investigation No.: 09-07-15N  
 Respondent: William E. Gassiott  
 Hometown: Houston  
 Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation although Respondent does not hold a license in Texas.

16. Investigation No.: 09-07-24N  
 Respondent: M. Wayne Usry  
 Hometown: Fort Worth  
 Act Violation: 901.451

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist

from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation although Respondent does not hold a license in Texas.

17. Investigation No.: 09-07-30N  
 Respondent: Mounis Masood Abbasi  
 Hometown: Houston  
 Act Violations: 901.451, 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms until or unless Respondent complies with the registration and licensing provisions of the Act, and until or unless Respondent has obtained a license to practice public accountancy or certified public accountancy.

Respondent used the CPA designation and asserted his expertise in accounting although Respondent does not hold a license in Texas.

## CPE ACTIONS

The certificate of each respondent listed below was not in compliance with the Board's CPE requirements as of the date of the Board meeting. Each respondent was suspended for the earlier of a period of three years, or until the respondent complies with the licensing requirements of the Act. Additionally a \$100 penalty was imposed for each year the respondent continues to be in non-compliance with the Board's CPE requirements. The respondents were found to be in violation of *Section 523.111*(mandatory CPE reporting) and *501.94* (mandatory CPE) of the Board's *Rules*, as well as *Section 901.411* (CPE) of the *Act*.

Respondent / Location	Board Date	Respondent / Location	Board Date
James Brandon Amato, Houston, TX	09/17/2009	John Herbert Hudson, Dallas, TX	09/17/2009
Robby Dea Baber, Carrollton, TX	09/17/2009	Jane Ellen Kennedy, Arlington, TX	09/17/2009
Kenneth Gordon Buford Jr., Plano, TX	09/17/2009	Thomas Prescott Kessey, Houston, TX	09/17/2009
Abraham A. Cato, Dharan, Saudi Arabia	09/17/2009	Brady Russell Kilpper, Flower Mound, TX	09/17/2009
Angela Sue Christoffersen, Irving, TX	09/17/2009	Brian Nicholas Lohrding, Lubbock, TX	09/17/2009
William Joseph Connors, Leander, TX	09/17/2009	Steven Gene McElyea, Highlands Ranch, CO	09/17/2009
Regina Kay Cronkrite, Dallas, TX	09/17/2009	Kimat Rai Singla, Houston, TX	09/17/2009
Andrey V. Dokuchayev, London, UK	09/17/2009	Karen Elizabeth Sledge, Richardson, TX	09/17/2009
Martha Candace Dufour, Houston, TX	09/17/2009	Kelly Tacke, Dallas, TX	09/17/2009
Gregory John Engeldinger, Southlake, TX	09/17/2009	Abbas Jakiuddin Udawala, Richmond, TX	09/17/2009
Robert Dewitt Grooms, Pearland, TX	09/17/2009		

## ENFORCEMENT ACTIONS

### THREE-YEAR DELINQUENT ACTIONS

The respondents listed below violated *Sections 901.502(4)* and *901.502(11)* of the Act when they failed to pay license fees for three consecutive license periods. The certificate of each respondent was revoked without prejudice as the respondent was not in compliance as of the Board meeting date. Each respondent may regain his or her certificate by paying all the required license fees and penalties and by otherwise coming into compliance with the Act.

Respondent / Location	Board Date	Respondent / Location	Board Date
Jeffrey Brent Adams, Fort Worth, TX	09/17/2009	Ayhii Ken Ofulue, Pearland, TX	09/17/2009
Amanda J. Baker, Ocala, FL	09/17/2009	August Waldorf Olson, San Antonio, TX	09/17/2009
Gary Fred Berger, Boonton, NJ	09/17/2009	Harold Solomon Parnell Jr., Kingwood, TX	09/17/2009
Scott Blackburn, New Roads, LA	09/17/2009	Charles R. Phoenix, Keller, TX	09/17/2009
Phyllis Ann Burch, Austin, TX	09/17/2009	Bobby Lynn Pritchard, Texarkana, AR	09/17/2009
Sarah Grace Cole, Austin, TX	09/17/2009	Middleton Pinckney Ray III, Allen, TX	09/17/2009
Fairy Irene Barber Davidson, Virginia Beach, VA	09/17/2009	Marvin William Rogers, Boerne, TX	09/17/2009
Gari Dawn Fielder DelAlamo, San Antonio, TX	09/17/2009	James Henry Schorr, Austin, TX	09/17/2009
Elizabeth Donnelly, Mansfield, TX	09/17/2009	Kaitlyn Lee Sharp, Houston, TX	09/17/2009
George L. Garrett Jr., Huntsville, TX	09/17/2009	Linda Louise Sexton Short, Arlington, TX	09/17/2009
Dwight David Goodman, Houston, TX	09/17/2009	Bryan Scott Smith, Canyon, TX	09/17/2009
Kathleen Gorman, Colorado Springs, CO	09/17/2009	Julianne H. Smith, Pflugerville, TX	09/17/2009
Kimberly Gough, Charlotte, NC	09/17/2009	Karen Knight Solana, Austin, TX	09/17/2009
Dennis Greer, Dripping Springs, TX	09/17/2009	Harry Wright Stanford, Buchanan Dam, TX	09/17/2009
Lisa Welman Hart, Carthage, MO	09/17/2009	Theodore Edward Thorp, Irving, TX	09/17/2009
David Hudson Holcombe, Irving, TX	09/17/2009	Billy Joe Vied, San Antonio, TX	09/17/2009
Amy Joyce Hudgeons, Springdale, AR	09/17/2009	Wei Bill Wan, Calabasas, CA	09/17/2009
Gary Dean Johnson, Tomball, TX	09/17/2009	Tayu Tenley Wang, Taipei, Taiwan, ROC	09/17/2009
Richard Alan Joyer, Pearsall, TX	09/17/2009	Robert Benton Warrenburg, S. Hamilton, MA	09/17/2009
Jeanne Marie Ganz Kee, Greenville, TX	09/17/2009	Linda Yvonne Freeman Watson, Houston, TX	09/17/2009
Ulysses Grant Keener III, Houston, TX	09/17/2009	Wilson Warren Whatley III, Plano, TX	09/17/2009
Peter Arthur Koziol, Honolulu, HI	09/17/2009	Perrin Glenn Williams Jr., Austin, TX	09/17/2009
John Kenneth Kuhlow, Jenks, OK	09/17/2009	Kaye Colyer Wirz, Devol, OK	09/17/2009
Gyanendra Raj Mehta, Dubai, UAE	09/17/2009	William Rodney Woody, Kilgore, TX	09/17/2009
Douglas Mark Mills, Aberdeen, UK	09/17/2009	Robert Henry Woolley Jr., El Paso, TX	09/17/2009
Darren Paul Miranda, Dallas, TX	09/17/2009	Hilal (M.A.) I. Yaish, Riyadh, Saudi Arabia	09/17/2009
Haji Vali Mody, Dallas, TX	09/17/2009	Lanhua Yao, Overland Park, KS	09/17/2009
Norma Jean Nelson, Beaumont, TX	09/17/2009		

### FAILURE TO COMPLETE LICENSE RENEWAL

The respondent listed below was found to be in violation of *Section 501.80* (practice of public accountancy) and *501.93* (responses) of the Board's *Rules*, and were also found to be in violation of *Sections 901.502(6)* (violation of a rule of professional conduct) and *901.502(11)* (conduct indicating a lack of fitness to serve the public as a professional accountant) of the Act. The certificate of each respondent who was not in compliance at the Board meeting was revoked without prejudice until such time as the respondent complies with the licensing requirements of the Act.

Respondent / Location	Board Date
James Randolph Mallek, McLean, VA	09/17/2009

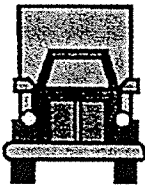
Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3, Suite 900  
Austin, Texas 78701-3900

PRSRST STD  
U.S. POSTAGE PAID  
PERMIT NO. 834  
AUSTIN, TEXAS

RenewOnlineRenewOnlineRenewOnlineRenewOnlineRenewOnlineRenewOnlineRenewOnlineRenewOnline

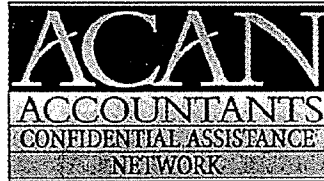
## Moving??

Be sure to let us know.



Board rules require licensees to inform the Board within 30 days of a change of address.

- Online under "Online Services" at [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us)
- Email: [licensing@tsbpa.state.tx.us](mailto:licensing@tsbpa.state.tx.us)
- Phone: 512-305-7853
- Mail: TSBPA  
333 Guadalupe, Twr 3, Ste 900  
Austin, TX 78701



### Accountants Confidential Assistance Network

Assistance for CPAs, exam candidates, and accounting students with alcohol or drug dependency problems or mental health issues.

**1-866-766-2226**

#### VOLUNTEERS NEEDED

ACAN needs volunteers across the state. If you are a CPA in recovery and interested in volunteering, please call 1-866-766-2226.

**LEGAL NOTICE:** The identity and communications and fact of membership of anyone attending this group are confidential and protected under penalty of law under Chapter 467 of the *Texas Health and Safety Code*.

Administered by the TSCPA and Funded in Part by the Board

## Revisiting the Subject of Firm Names

The Board's authority to approve or disapprove names of CPA firms is granted under Section 501.83 of the Rules of Professional Conduct set out in the Texas Administrative Code. This section deals with the Board's mandate to protect the public interest and with the licensee's responsibilities to the public. This responsibility includes assuring that firm names do not mislead or confuse the public. A firm licensed by the Board must practice, i.e., provide services, to clients using only the name under which it is licensed.

Names that may be considered to be misleading include names that imply expertise the CPA members of the firm do not have, those that are assumed or trade names, or those that include a geographic description. Words, derivatives, or abbreviations such as "company" or "and company," "associates" or "and associates," or "group" can also be misleading and may not be used unless there are at least two licensees (not independent contractors) employed in the practice. Firm names must not state or imply educational or professional attainment that firm members do not have nor licensing recognition for the firm or its owners that is not supported by fact.

**NOTE:** Before registering your firm name with the Secretary of State and submitting Articles of Incorporation, make sure the intended firm name meets all Board requirements. If in doubt, call the Board's Licensing Division, 512-305-7853.

### Names That Are Not Considered Misleading

Naming practices that are not considered misleading include using the names of current or former CPA owners or a current or former foreign practitioner-owner of the firm or its predecessor or successor firm who are or would have been eligible to practice in Texas under Subsection 513.2 of the Rules. Names may indicate the legal organization of the firm and may state or imply any true limitation on the type of services offered, such as tax, audit, or advisory services, so long as the type of services named comprise the majority of the services offered.

The names of a corporation, professional corporation, limited liability partnership, professional limited liability company, or similar forms of ownership, must include the form of ownership, or an abbreviation thereof, in the name. Limited liability partnerships organized before September 1, 1993, are exempt from this requirement.

### Sole Proprietorships

A sole proprietor is required to include his or her surname as it appears on the individual license. Unless an exemption is provided by the Board, a current or former owner may not be used in the firm name during any period when he or she is expressly prohibited from practicing or from using terms reserved for licensees, such as "certified public accountant" or "CPA."

Firms must report to the Board any change in the legal organization of the firm and amend the firm name to reflect this change within 30 days of the effective date of the change. An exception to this rule is granted for a partner surviving the death of all other partners. The surviving partner is given up to two years after becoming a sole proprietor to change the firm name to reflect the death(s) of the other partner(s).

Any firm contemplating a name change should review the particulars spelled out in Board Rule 501.83 before making the change to ensure that the firm is in compliance with the statute. The Rules may be reviewed on the Board's website: [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us).

3

Failure to Renew  
or Renewing  
With CPE  
Deficiencies

4

In Memoriam

5

Reviewing the Act  
and Board Rules

6

Enforcement  
Actions



**CPE Sponsors Successfully Completing Review**  
(since August 2012 Board Report)

Sponsor #	Sponsor Name	Date of Next Review	Status
005604	ACIG Insurance Company	07/01/2014 - 06/30/2015	A
009915	Armor Wealth Management, LLC	07/01/2014 - 06/30/2015	A
009911	BancorpSouth Insurance Services, Inc.	07/01/2014 - 06/30/2015	A
006926	BCS Prosoft	07/01/2014 - 06/30/2015	A
009843	BG North America, LLC	07/01/2014 - 06/30/2015	A
009916	Bounds Chatelain & Pharr, PC	07/01/2014 - 06/30/2015	E
000909	Briggs & Veselka Co.	07/01/2014 - 06/30/2015	A
000875	Brown, Graham & Co., PC	07/01/2014 - 06/30/2015	A
006090	Burton McCumber & Cortez, LLP	06/01/2014 - 05/31/2015	A
009487	Capstone Associated Services, Ltd	05/01/2014 - 04/30/2015	E
007716	Center for Public Management	08/01/2014 - 07/31/2015	A
007411	Christus Health	08/01/2014 - 07/31/2015	A
001343	CITE	01/01/2014 - 12/31/2014	A
001670	College of the Mainland	07/01/2014 - 06/30/2015	E
009921	Comerica Incorporated	07/01/2014 - 06/30/2015	A
003523	Cornwall Jackson and Co., P.C.	06/01/2014 - 05/31/2015	A
004535	Dell, Inc.	06/01/2014 - 05/31/2015	A
009617	Federated Services Company	07/01/2014 - 06/30/2015	A
004504	Fulbright & Jaworski, LLP	06/01/2014 - 05/31/2015	A
009905	Geokinetics Inc	06/01/2014 - 05/31/2015	A
009900	Giordani, Swanger, Ripp & Phillips, LLP	05/01/2014 - 04/30/2015	E
001689	Gollob Morgan Peddy, PC	07/01/2014 - 06/30/2015	A
006083	Haile & Thomas, CPA, LLP	06/01/2014 - 05/31/2015	E
008932	Information Systems Audit & Control Association	05/01/2014 - 04/30/2015	A
005541	Institute of Management Accountants	04/01/2014 - 03/31/2015	A
008911	ISSA Texas Gulf Coast	04/01/2014 - 03/31/2015	A
009322	Lauterbach, Borschow & Company, PC	06/01/2014 - 05/31/2015	A
009834	Martin Resource Management Corporation	06/01/2014 - 05/31/2015	A
009614	Memory Technologies Institute	07/01/2014 - 06/30/2015	A
009613	Meredith & Associates	07/01/2014 - 06/30/2015	A
005614	NAPM-Rio Grande Valley	06/01/2014 - 05/31/2015	E
009895	Range Resources Corporation	04/01/2014 - 03/31/2015	A
009822	Robertson, Grieve & Thoele	04/01/2014 - 03/31/2015	A
008935	Robnett & Company, LP	05/01/2014 - 04/30/2015	A
007637	Samsung Austin Semiconductor	05/01/2014 - 04/30/2015	A
001634	Schmid, Broadus, Nugent & Gano, PC	06/01/2014 - 05/31/2015	A
009595	Shell Trading Services in North America	04/01/2014 - 03/31/2015	A
008714	Solvay North America, Inc.	06/01/2014 - 05/31/2015	E
008915	South Texas Chapter, ISSA	04/01/2014 - 03/31/2015	A
009833	Southwestern Energy	06/01/2014 - 05/31/2015	E
000885	Spectra Energy	07/01/2014 - 06/30/2015	A
003553	Sysco Corporation	07/01/2014 - 06/30/2015	A
007907	Texas Association of School Administrators	07/01/2014 - 06/30/2015	A
009835	Texas Energy Group, LLC	07/01/2014 - 06/30/2015	A
000920	The University of Texas at Austin, Texas Executive Education	07/01/2014 - 06/30/2015	A
006461	Turnaround Management Association of Houston	04/01/2014 - 03/31/2015	A
000840	UHY Advisors Tx, LLC	06/01/2014 - 05/31/2015	A
009599	United Airlines, Inc. Internal Audit	05/01/2014 - 04/30/2015	E

Registration Status: A = Currently active E = Currently expired

To ensure that CPE taken will meet Board requirements, check the Board website at [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us) for qualified CPE providers before enrolling.

**Report CPE hours on the Board website —**  
**[www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us) — as you complete them**  
**If you have any questions regarding CPE,**  
**call 512-305-7844.**

**TEXAS STATE BOARD  
OF PUBLIC ACCOUNTANCY**

333 Guadalupe  
Tower 3, Suite 900  
Austin, Texas 78701-3900

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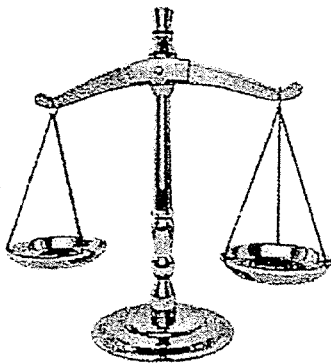
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FAX (512) 305-7875  
[exam@tsbpa.state.tx.us](mailto:exam@tsbpa.state.tx.us)

# The Failure to Renew or Renewing With CPE Deficiencies



**T**exas CPAs can find themselves facing administrative enforcement actions for any of three reasons:

- (1) failure to pay annual license renewal fees,
- (2) failure to meet Continuing Professional Education (CPE) requirements, or
- (3) failure to complete the renewal process by not signing the renewal, failing to answer the conviction question, or making another substantive omission.

CPAs who fit into any of these categories are identified by computer from our database on the first of each month.

### *Failure to Pay Annual Renewal Fees*

Licensees who have failed to pay their annual renewal fees for one or two years are sent a letter on the renewal anniversary advising them that they are delinquent, along with a statement that includes all fees and penalties and what CPE is needed to bring the license back into good standing. **A licensee who has failed to pay the annual fee is not in good standing and is not permitted to hold himself out as a CPA until fees are paid.**

Penalties can be substantial and are dictated, not by the Board, but by the Public Accountancy Act (the Act) in Section 901.405, Procedures for Renewal:

- (b) A person whose license has been expired for 90 days or less may renew the license by paying to the board a renewal fee that is equal to 1½ times the normally required renewal fee.
- (c) A person whose license has been expired for more than 90 days but less than one year may renew the license by paying to the board a renewal fee that is equal to two times the normally required renewal fee.
- (d) A person whose license has been expired for at least one year but less than two years may renew the license by paying to the board a renewal fee that is equal to three times the normally required renewal fee.

If a licensee fails to pay for three consecutive years, a complaint is opened and the licensee is advised by certified mail that the Board will initiate proceedings to be heard by an Administrative Law Judge (ALJ) at the State Office of Administrative Hearings (SOAH) proposing that the CPA certificate be revoked. The licensee is told once again what he or she must do to come into compliance before the hearing date. At the hearing, the ALJ will make a finding as to whether or not the certificate should be revoked and issue a Proposal for Decision, which is sent to the licensee. The final action on a revocation is taken when the Board, at its next meeting, adopts the Proposal for Decision. The final order is sent to the licensee informing him or her that the certificate has been revoked.

### *Failure to Report CPE*

When a licensee is identified as delinquent because of too few CPE hours or failure to complete the renewal process, the licensee receives a "needs" letter indicating what the licensee must do to come into compliance. The licensee is given one month to report CPE and come into compliance. After a month of noncompliance, the agency opens a complaint against the licensee and, as required by the Act, schedules a public hearing with SOAH to consider whether the license should be suspended. If the licensee comes into compliance, the license is issued and the complaint closed with no administrative costs or penalties. If not, the ALJ will issue a Proposal for Decision recommending that the license be suspended for three years or until the licensee comes into compliance, and the agency notifies the licensee of the suspension. The licensee will be assessed a \$100 penalty per license period of noncompliance in addition to making up the CPE deficiencies. At the end of three years, if the licensee is still not in compliance, certification will be automatically revoked.

### *Failure to Complete the Renewal Process (Incomplete Application)*

If the licensee fails to complete the renewal process, he or she is notified and given a month to complete the process before the matter is taken before an ALJ, who will issue a Proposal for Decision recommending revocation. The Board will act on the Proposal at its next meeting. Revocation also results in your name being published in the *Board Report*. To regain the license, the licensee must file a Request for Reinstatement and meet all provisions of that process.

## In Memoriam

*Listed below are the names of licensees whose deaths occurred  
between September 1, 2011, and August 31, 2012.*

<i>Name, Location</i>	<i>Date Licensed</i>	<i>Date of Death</i>	<i>Name, Location</i>	<i>Date Licensed</i>	<i>Date of Death</i>
Sally Franklin B. Allen, Houston, TX	1/26/1978	5/10/2012	William R. Howell, Houston, TX	8/4/1964	5/2/2012
Allan H. Anderson, Trinity, TX	3/6/1989	11/6/2011	John T. Hull, Jr., Plano, TX	11/20/1972	11/12/2011
Brenda K. Anderson, New Boston, TX	9/11/1998	4/18/2012	William M. Jeter, III, Wellborn, TX	2/2/1967	4/20/2012
Mason L. Backus, San Angelo, TX	8/1/1963	10/25/2011	Paul H. Johnson, Oxford, MS	10/8/1970	2/3/2012
Charles A. Baker, Austin, TX	2/1/1963	7/17/2012	Philip C. Jones, Monument, CO	9/5/1984	3/3/2012
Gumade M. Barziza, Houston, TX	1/30/1961	3/18/2012	Jerry D. Jordan, Dallas, TX	2/5/1974	12/11/2011
James R. Bergquist, Parkin, AR	7/30/1962	11/13/2011	Paula A. Jourde, Dallas, TX	10/10/1995	6/22/2012
Salvatore Bernardino, Spring, TX	4/28/1992	11/18/2011	Charles T. Kastor, San Antonio, TX	2/4/1964	2/28/2012
William J. Bindler, Dallas, TX	1/28/1962	3/2/2012	William F. Kelly, Jr., Temple, TX	1/29/1959	12/19/2011
William F. Bisbee, III, Corpus Christi, TX	4/18/1971	8/14/2012	Shirley D. Kennemer, Fort Worth, TX	9/6/1989	1/4/2012
William A. Bonner, Jr., Austin, TX	2/2/1981	2/11/2012	Ralph E. Klier, College Station, TX	10/23/1980	2/19/2012
Andre Bouchard, Houston, TX	2/3/1970	9/25/2011	Kay Kramer, Houston, TX	3/3/1993	1/6/2012
Alan R. Boysen, San Antonio, TX	1/28/1962	1/5/2012	Clarence M. Laue, Spring Branch, TX	5/12/1978	11/16/2011
Roy E. Brand, Plano, TX	4/20/1979	7/17/2012	Mark H. Lawley, Texarkana, TX	1/17/1960	6/9/2012
Louis R. Brill, Austin, TX	4/20/1965	6/16/2012	John P. Lawson, Austin, TX	4/21/1966	6/4/2012
James M. Broomas, Houston, TX	4/20/1979	9/17/2011	Oscar Leder, Houston, TX	7/29/1950	5/8/2012
Bobby J. Brown, Denison, TX	7/30/1979	3/15/2012	Neil J. Licalsi, El Paso, TX	9/4/1991	3/25/2012
Patricia W. Buzzell, Amarillo, TX	3/4/1985	1/16/2012	Gordon A. Lowther, Houston, TX	2/4/1964	5/16/2012
Christopher C. Callaway, Blairsville, GA	7/26/1956	7/7/2012	Joe D. McDougald, Houston, TX	7/31/1960	4/2/2012
Irving B. Carrell, Schertz, TX	2/5/1974	1/15/2012	Charles H. McKeon, San Diego, CA	1/23/1950	1/30/2012
Ross J. Codispoti, Dallas, TX	9/6/1989	10/13/2011	Kassandra L. McLean, Houston, TX	7/27/1978	4/2/2012
Walter H. Coleman, Jr., Ennis, TX	1/20/1951	1/7/2012	Robert E. Miller, Spring, TX	9/26/1971	9/26/2011
Tom H. Collins, Jr., Waco, TX	2/1/1969	11/11/2011	Lary D. Moore, Arlington, TX	6/24/1987	3/3/2012
Carlos M. Cunningham, Roswell, NM	8/8/1968	10/6/2011	Gary L. Morrison, Austin, TX	9/21/1973	10/6/2011
Harvey E. De Ford, Austin, TX	7/29/1955	12/15/2011	Melvin S. Motal, Liberty Hill, TX	9/10/2002	9/21/2011
Marty L. Dixon, Odessa, TX	7/11/1975	12/7/2011	William G. Neil, Jr., Houston, TX	7/27/1973	6/12/2012
Philip A. Donisi, Houston, TX	1/30/1958	3/4/2012	John R. Neill, Henderson, TX	3/5/1990	11/19/2011
Herbert W. Drumm, Jr., Waxahachie, TX	1/28/1980	3/28/2012	Myron H. Newman, Houston, TX	8/1/1953	11/30/2011
Frank E. Dubose, Austin, TX	9/14/1977	7/13/2012	Robert J. Nixon, Houston, TX	7/29/1957	8/22/2012
Otto J. Ehrlich, Nacogdoches, TX	7/26/1959	7/4/2012	Kenneth L. Owens, Teague, TX	6/2/1976	4/3/2012
Ottis J. Fagan, Burleson, TX	8/5/1965	11/21/2011	Park E. Pearson, San Antonio, TX	8/3/1971	12/26/2011
Carl B. Fickenscher, Spicewood, TX	6/20/1971	5/5/2012	Daniel J. Petroski, Jr., Houston, TX	4/23/1984	5/26/2012
Joyce H. Flint, Victoria, TX	9/9/1986	10/31/2011	Bertha M. Phillips, Montgomery, TX	1/30/1958	10/12/2011
Lawrence J. Flume, Jr., San Antonio, TX	1/23/1950	3/30/2012	James B. Phillips, Houston, TX	8/20/1997	12/28/2011
Larry W. Folk, Willis, TX	2/3/1970	6/2/2012	Edward Pina, Houston, TX	5/4/2004	7/23/2012
Daniel J. Fries, Houston, TX	9/2/1983	7/31/2012	Thomas H. Puckett, Tyler, TX	1/29/1959	12/6/2011
Dan P. Fulton, Jr., Pearland, TX	7/28/1951	10/3/2011	James H. Richburg, Jr., Spring, TX	1/20/1951	11/16/2011
Betty J. Galyon, San Angelo, TX	5/15/1982	9/8/2011	Charles R. Roberson, Dallas, TX	7/28/1951	12/7/2011
Rena A. Gant, Birmingham, AL	2/14/2008	12/25/2011	William D. Roe, Houston, TX	2/3/1970	7/2/2012
Jerry P. Gilbert, Waco, TX	8/6/1974	5/21/2012	Melvin L. Roloff, Sugar Land, TX	7/31/1960	9/26/2011
George B. Gubemator, San Antonio, TX	7/25/1954	10/5/2011	William T. Roten, Richardson, TX	8/1/1963	11/6/2011
Robert B. Harlan, Llano, TX	3/9/1988	2/1/2012	Laurel A. Roth, Desoto, TX	7/25/1975	6/7/2012
Harold D. Harmon, Granbury, TX	1/30/1961	10/28/2011	Mary L. Saunders, Houston, TX	3/10/1986	1/22/2012
Caroline Hebel, Cypress, TX	9/9/1987	11/6/2011	Julian Savage, Chevy Chase, MD	1/23/1952	2/17/2012
George H. Henry, Austin, TX	8/1/1963	6/10/2012	Martin W. Schmidt, Kingwood, TX	9/11/2000	8/25/2012
Belinda Joyce B. Herron, Tyler, TX	9/5/1984	3/24/2012	Carolyn S. Schoenfield, Houston, TX	7/30/1970	2/20/2012
Nancy C. Hickman, Silsbee, TX	7/30/2004	4/1/2012	Norris R. Scott, Columbia, SC	8/20/1997	1/7/2012
Kay D. Hicks, Houston, TX	1/30/1968	7/27/2012	Stanley J. Scott, Dallas, TX	12/28/1942	11/23/2011
Vernon G. Higginbotham, Lubbock, TX	1/30/1958	7/31/2012	Dona S. Scurry, El Paso, TX	8/4/1980	6/26/2012
James B. Hipple, Shreveport, LA	10/16/1967	11/12/2011	Gladys E. Shaw, El Paso, TX	8/6/1979	9/29/2011
Blaine H. Holcomb, McAllen, TX	1/11/1947	6/18/2012	Burke M. Shea, Jr., Nevada, TX	1/22/1955	1/27/2012

*continued on p. 11*

## Board Rules, Accountancy Act Worthy of Occasional Review

The Public Accountancy Act, passed by the Texas Legislature, is subject to amendment each time the Legislature meets. Board Rules are reviewed thoroughly by the Board every four years, but often amended in the years in between as needed. Together the Act and Rules govern your practice of accountancy in Texas and provide the mandate under which this agency operates. It is smart to review both from time to time to stay current and avoid misunderstandings or misinterpretations. Links to both the Act and Board Rules may be found on the Board home page: [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us).

### **Unauthorized Practice of Public Accountancy (UPPA)**

Even CPAs can have UPPA woes if they fail to maintain their licenses in good standing. Good standing means keeping license renewal fees and CPE current and not having enforcement issues that place restrictions on your practice.

Chapter 501 of the Texas Administrative Code contains the Rules of Professional Conduct and, because they are detailed and often amended, they beg for thorough, periodic review. Chapter 501.80, for example, says you cannot practice unless you have a valid license or qualify under a practice privilege. It adds: "... A license is not valid for any date or for any period prior to the date it is issued by the board and it automatically expires and is no longer valid after the end of the period for which it is issued."

Someone who is not in good standing (fees in arrears, insufficient CPE reported) also may not use certain terms reserved by law for CPAs. He or she cannot hold out as a CPA and cannot offer accounting services to the public until the license is restored to good standing.

Neither can a person who has a degree in accounting and/or has passed the CPA exam, but has not yet been issued a certificate, hold himself or herself out as

a CPA or accountant or offer accounting services to the public.

Others who may not have a client practice include those who qualify for retired or permanently disabled status under Rule 515.8. Specifics for CPAs who have defaulted on student loans or who work for certain government bodies are laid out in Rule 515.10 and 515.11, respectively.

### **Signing Off on Work Experience**

Aspiring CPAs in Texas must report a year of "acceptable" work experience before they can be certified, but before you sign off on this, what, exactly, is acceptable work experience? The term *acceptable work experience* is explained in Board Rule 511.122.

To be acceptable, the supervisor must be a CPA in good standing who is experienced in the area in which the candidate is working. If the applicant works where there is no CPA on staff, the employer may engage an outside CPA firm to supervise the work, as long as the supervising firm is not providing attest services to the employer and the CPA is experienced in the area in which the applicant is working.

The work the applicant performs must be "non-routine," i.e., it must involve attest services or other professional accounting services that require independent judgment and entry-level or higher skills to "select, correct, organize, interpret, and present real-world data as accounting entries, reports, statements, and analyses" in various accounting situations.

Other specifications regarding acceptable experience, reporting, and supervision, such as in industry, government, education, or a law firm, are included in Board Rules 511.122, 511.123, and 511.124. A single internship may not fulfill both the education requirement and the work experience requirement. An applicant's self-employment does not satisfy the experience requirement.

Before you sign off on an applicant's work experience, familiarize yourself with the particulars of doing so before work begins.

### **Reporting Criminal Convictions**

If you have been involved in an event that has resulted in adverse findings that cannot be appealed, you must report this to the Board within 30 days of the final resolution of the case. To review the complete list of reportable events, see Board Rule 501.91.

In addition, you must complete the question regarding convictions on your annual renewal and sign the form to complete the renewal and receive your license.

Once again, failure to do so means the renewal is incomplete and the license will not be issued until missing information is provided, and that in turn means you are no longer in good standing and may not practice public accountancy or hold out as a CPA until the matter is resolved.

### **Firm Licenses and Peer Review**

The need for and requirements for maintaining a firm license may be found in Subsection H of the Public Accountancy Act, which begins [901.351(a)]:

A firm may not provide attest services or use the title "CPAs," "CPA Firm," "Certified Public Accountants," "Certified Public Accounting Firm," or "Auditing Firm" or a variation of one of those titles unless the firm holds a firm license issued under this subchapter or practices in this state under a privilege under Section 901.461.

Section 901.461 continues by listing accounting functions that cannot be performed without a firm license, which includes attestations, financial reports, and audits. Any firm that establishes an office in Texas to perform one of these functions must hold a firm license and participate in peer review. Chapter 527 of the Board Rules sets out all the requirements for Peer Review.

**ENFORCEMENT ACTIONS  
Taken by the Board on September 20, 2012**

**A. AGREED CONSENT ORDERS**

**BEHAVIORAL ENFORCEMENT  
COMMITTEE**

**1. Investigation No.:** 11-10-18L  
**Respondent:** Scott Newman Cannon  
**Hometown:** Duncanville  
**Certificate No.:** 024685  
**Rule Violation:** 501.93  
**Act Violations:** 901.502(6)  
 901.502(11)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent was reprimanded. In addition, Respondent must pay \$2,000 in administrative penalties.

Respondent failed to respond to Board communications provided by letters dated October 31, 2011, December 8, 2011, and January 26, 2012.

**2. Investigation No.:** 11-12-11L  
**Respondent:** Robert Diaz

**Hometown:** El Paso  
**Certificate No.:** 062725  
**Rule Violation:** 501.81  
**Act Violations:** 901.502(3)  
 901.502(6)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent was reprimanded and placed on limited scope status, under which Respondent cannot provide any attest services until such time as Respondent obtains a firm license and enrolls in peer review. After Respondent obtains a firm license and enrolls in peer review, Respondent's attest work is subject to pre-issuance review. In addition, Respondent must pay \$5,000 in administrative penalties and \$246.21 in administrative costs within 30 days of the date of the Board order.

Respondent's firm performs audits and offers accounting services to the public as a CPA firm without a valid firm license issued by the Board. The firm's license has not been renewed since 2004.

**3. Investigation No.:** 11-09-09L  
**Respondent:** Luis Ricardo Hernandez  
**Hometown:** Brownsville  
**Certificate No.:** 029322  
**Rule Violation:** 501.90(7)  
**Act Violations:** 901.502(6)  
 901.502(9)  
 901.502(11)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent was placed on probated suspension for a period of 40 months beginning on September 20, 2012. In addition, Respondent must pay \$2,000 in administrative penalties within 30 days of the date of the Board order.

Respondent was suspended by the IRS for at least 40 months from May 26, 2011, for the willful failure to timely file federal income tax returns for 2004 and 2005 and for failure to file federal income tax returns for 2006 and 2007.

**4. Investigation No.:** 12-01-21L  
**Respondent:** Bryan Nicholas Polozola  
**Hometown:** Richardson  
**Certificate No.:** 079311  
**Rule Violations:** 501.90(4)  
 501.90(13)  
**Act Violations:** 901.502(6)  
 901.502(10)  
 901.502(11)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent's certificate was revoked.

Respondent pled guilty to one count of making a false statement to government officials in violation of 18 U.S.C. §1001, a felony offense. Respondent told government officials that he was unaware of a payment made on his behalf to his former employer (Respondent once worked as Controller and Financial and Operations Principle for a company regulated by the NASD),

√ **Accountant/Accounting**

√ **Certified Public Accountant or CPA**

√ **Audit/Auditor/Auditing**

Only Board licensees can legally use these terms in offering their services to the public. If you suspect unauthorized use of these terms or their derivatives, call the Board at 512-305-7366.

*Help Us Identify the Unauthorized Practice of Public Accountancy*

## ENFORCEMENT ACTIONS

when in fact his attorney made a payment of \$49,350 to his former employer in order to compensate the former employer for monies Respondent converted to his own use.

**5. Investigation No.:** 12-07-25L  
**Respondent:** Loren Mark Price  
**Hometown:** Richardson  
**Certificate No.:** 045889  
**Rule Violation:** 501.91  
**Act Violations:** 901.502(6)  
 901.502(10)

Respondent entered into an Agreed Consent Order with the Board whereby Respondent's certificate was revoked.

On October 12, 2011, Respondent was convicted of a third-degree felony. Respondent is serving a four-year sentence in state prison. Respondent failed to report the conviction within 30 days of the date on which he had knowledge of the event.

**6. Investigation No.:** 12-07-15L  
**Respondent:** Samuel M. Sullivan  
**Hometown:** Houston  
**Certificate No.:** 044473  
**Rule Violation:** 501.90(4)  
**Act Violations:** 901.502(6)  
 901.502(10)  
 901.502(11)

Respondent entered into an Agreed Consent Order with the Board whereby the Board accepts Respondent's involuntary surrender of his certificate in lieu of further disciplinary proceedings.

Respondent entered into a deferred adjudication agreement regarding a third degree felony.

### TECHNICAL STANDARDS REVIEW COMMITTEE

**1. Investigation Nos.:** 11-08-20L & 11-08-21L  
**Respondents:** Walter Dean Davis, III, & Walter D. Davis (Firm)

**Hometown:** Houston  
**Certificate No.:** 020029  
**Firm License No.:** T05248 & C08083  
**Rule Violations:** 501.60  
 501.74  
**Act Violation:** 901.502(6)

Respondents entered into an Agreed Consent Order (ACO) with the Board whereby Respondent Davis and the firm of Walter D. Davis were reprimanded and placed on limited scope. Under the ACO Respondent Davis and all firms managed by Respondent Davis may not issue audit or review reports of state and federally funded entities until they have been reviewed and accepted for release to a client by a pre-approved pre-issuance reviewer, from the date of ratification of this ACO until the date the Board ratifies an agreement to remove the scope limitation. Respondent Davis must also pay administrative costs of \$2,255.70 within 30 days of the date of the order.

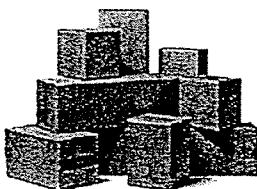
Respondents issued two audits of state and federally funded entities that did not adequately support the representations made in the audit

reports, and the supporting work papers did not comply with Generally Accepted Government Auditing Standards.

**2. Investigation Nos.:** 11-03-14L & 11-03-15L  
**Respondents:** Richard Phillip Lindsay & Richard P. Lindsay, P.C. (Firm)  
**Hometown:** Houston  
**Certificate No.:** 015131  
**License No.:** C01185  
**Rule Violations:** 501.60  
 501.74  
 501.93  
 527.4  
**Act Violations:** 901.502(6)  
 901.502(11)  
 901.502(12)

Respondents entered into an Agreed Consent Order (ACO) with the Board whereby Respondent Lindsay was reprimanded and his certificate and the Respondent firm license were placed on limited scope status until petition for

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Board rules require licensees to inform the Board within 30 days of a change of address. So, if you go, let us know.

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## ENFORCEMENT ACTIONS

removal is approved. Respondents are prohibited from performing attest services as defined at Section 901.002 of the Texas Public Accountancy Act. In addition, Respondent Lindsay must pay an administrative penalty of \$5,000 and \$9,694.98 in administrative costs within 30 days of the date the Board ratified the order.

Respondent firm issued an audit of an engineering firm for the year ended December 31, 2009, that did not adequately support the representations made in the audit report, and the supporting work papers did not comply with Generally Accepted Government Auditing Standards. Respondent firm falsely claimed an exemption from peer review, and Respondent Lindsay did not timely respond to Board communications.

**3. Investigation Nos.:** 10-12-03L & 11-01-17L  
**Respondents:** Travis Wolff & Co., LLP  
**Firm License No.:** P04393 (Respondent Firm) & Travis Wolff, LLP Firm  
**Hometown:** Dallas  
**License No.:** P05530 (Successor Firm)  
**Rule Violations:** 501.60, 501.74, 501.93  
**Act Violation:** 901.502(6)

The Board orders that the Respondent firm and the Successor firm of Travis Wolff, LLP, be reprimanded. In addition, the Successor firm must pay an administrative penalty of \$25,000 and \$80,983.30 in administrative costs within 30 days of the date of the Board Order.

Respondent firm did not comply with applicable professional standards and exercise due professional care in regard to audits of the Townes Group for the years 2000, 2001, and 2002. The Successor firm failed to abide by the terms of an abatement agreement between the Board and the Respondent firm.

### B. AGREED CEASE AND DESIST ORDERS

**1. Investigation No.:** 12-06-14N  
**Respondent:** Ray Mendoza d/b/a Ray Mendoza P.C.  
**Hometown:** El Paso  
**Act Violations:** 901.453, 901.456

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms.

Respondent used the term "accounting" to assert an expertise in accounting and performed an attest service although Respondent does not hold a license in Texas.

**2. Investigation No.:** 12-06-28N  
**Respondent:** Robert Bomar d/b/a Bomar Consulting Service  
**Hometown:** Midland  
**Act Violation:** 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms.

Respondent used the term "accounting" to assert an expertise in accounting although Respondent does not hold a license in Texas.

**3. Investigation No.:** 12-06-35N  
**Respondent:** IMA Tax & Financial Services, Inc.  
**Hometown:** Dallas  
**Act Violation:** 901.453

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms.

Respondent used the terms "audit" and "accounting" to assert an expertise

in accounting although Respondent does not hold a license in Texas.

**4. Investigation No.:** 12-07-46N  
**Respondent:** Fidel Bacigalupo d/b/a Latinsurance  
**Hometown:** McKinney  
**Act Violations:** 901.453, 901.456

Respondent entered into an Agreed Cease and Desist Order with the Board whereby Respondent will cease and desist from providing attest services and using reserved terms.

Respondent used the terms "auditing" and "accounting" to assert an expertise in accounting and offered to provide attest services although Respondent does not hold a license in Texas.

### C. CEASE AND DESIST ORDERS

**1. Investigation No.:** 11-08-28N  
**Respondents:** Cynthia Pullo Porter, Cassandra Jean Pullo & Accurate Accounting, LLC  
**Hometown:** Plano  
**Act Violation:** 901.453

Board staff initiated an investigation of this matter based on evidence discovered during a routine online search. Staff found that Respondents were using a term reserved by the Act for individuals and entities holding licenses issued by the Board. Board staff determined that Respondents have not held individual or firm licenses issued by the Board during all relevant times.

During the relevant times, Respondents used the term "accounting" to assert an expertise in accounting. This action constitutes a violation of Public Accountancy Act Section 901.453. Respondents also offered services to the public that involve the use of accounting, attest or auditing skills, including tax services. Offering these services while

## ENFORCEMENT ACTIONS

representing to potential clients that they are licensed by the Board is the practice of public accountancy under Section 901.003 of the Public Accountancy Act.

Respondents repeatedly ignored the Board's attempts to gain their compliance with Texas law. Due to that fact, it was necessary for the Board to immediately issue a Cease and Desist Order against Respondents.

**2. Investigation No.:** 12-03-02N  
**Respondents:** Larry O'Donnell & Larry O'Donnell, C.P.A., P. C.  
**Hometown:** Aurora, CO  
**Act Violations:** 901.351  
 901.354  
 901.451  
 901.462

Board staff initiated an investigation of this matter based on evidence that Respondent provided an attest service in Texas without holding a license issued by the Board.

Respondent signed the SEC 10-K filing Independent Auditor's Report for one or more companies that list their principal place of business as Texas in their SEC 10-K filings. Respondent is not licensed in Texas. Under the Texas Public Accountancy Act, signing an

Independent Auditor's Report for a publicly traded U.S. company's 10-K filing is considered an attest service. [See Act Section 901.002(a)(1)]. All firms providing attest services in Texas are required to be licensed in Texas.

Respondent repeatedly ignored the Board's attempts to gain compliance with Texas law. Due to that fact, it was necessary for the Board to immediately issue a Cease and Desist Order against Respondent.

### D. MOTION FOR REHEARING

• **SOAH Docket #:** 457-09-3225  
**Investigation No.:** 07-05-24L  
**Respondent:** Rodrick Dow  
**Hometown:** Houston  
**Certificate No.:** 045425

At the July 19, 2012, Board meeting, the Board adopted an order ratifying the recommendations of an Administrative Law Judge to issue to Rodrick Dow a two-year probated suspension and reprimand, require 15 hours of additional CPE, and require \$10,000 in administrative penalties and \$9,769.10 in administrative costs.

Mr. Dow filed a Motion for Rehearing (MFR). The Administrative Procedure Act requires the MFR to be filed not later than the 20<sup>th</sup> day after having been notified of the Board order. *The MFR was*

*not timely filed.* Mr. Dow's MFR was filed with the Board on August 20, 2012, and the last date that it would have been a timely filing was August 14, 2012.

Once an order of an administrative agency is final, i.e., August 14, 2012, the administrative agency loses its authority to consider an MFR or revisit its prior order in any way. Therefore, the Board lacked the authority to consider and took no action on the MFR.

### E. PROPOSAL FOR DECISION

• **SOAH Docket #:** 457-09-3225  
**Investigation Nos.:** 08-08-13L & 08-08-14L  
**Respondents:** John A. Blakeway & John Andrew Blakeway, CPA  
**Hometown:** Kennedale  
**Certificate No.:** 010419  
**Firm License No.:** S00550

The State Office of Administrative Hearings Administrative Law Judge (ALJ) issued a Proposal for Decision (PFD) recommending that the complaint against Respondents be dismissed. The Board adopted the recommendations contained in the ALJ's PFD.

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# Q:

**Q. Can my firm name include my maiden name instead of my married name?**

# A:

**For the answer to this and other FAQs on a variety of enforcement matters, see:**

[www.tsbpa.state.tx.us/enforcement/faq.html](http://www.tsbpa.state.tx.us/enforcement/faq.html)



## ENFORCEMENT ACTIONS

### CPE ACTIONS

The certificate of each respondent listed below was not in compliance with the Board's CPE requirements as of the date of the Board meeting. Each respondent was suspended for the earlier of a period of three years or until the respondent complies with the licensing requirements of the Act. Additionally a \$100 penalty was imposed for each year the respondent continued to be in non-compliance with the Board's CPE requirements. The respondents were found to be in violation of Section 523.111 (*Mandatory CPE Reporting*) and 501.94 (*Mandatory CPE*) of the Board's Rules, as well as Section 901.411 (*Continuing Professional Education*) of the Act.

Respondent / Location	Board Date	Respondent / Location	Board Date
Stephen Lloyd Belken, Flower Mound, TX	09/20/2012	Shelia Daniel Dierschke, Port Lavaca, TX	09/20/2012
Claudia Louise Boles, Austin, TX	09/20/2012	Thomas Lowery Easley, Houston, TX	09/20/2012
Robert Jacob Bourgeois, Fort Worth, TX	09/20/2012	Garland Bruce Hilton, III, Austin, TX	09/20/2012
Michelle Lynn Brannon, Marshall, TX	09/20/2012	Sandra K. Hunt-Kanaan, Dallas, TX	09/20/2012
Lisa Gail Bullock, Houston, TX	09/20/2012	Walter Bonnell Knebel, Livingston, TX	09/20/2012
Kevin Shannon Canty, San Antonio, TX	09/20/2012	Thomas Tyler McEntire, Cypress, TX	09/20/2012
Philip Wayne Cook, Fort Worth, TX	09/20/2012	Mark Allen McGuire, Arlington, TX	09/20/2012
William Thomas Cotten, Burnet, TX	09/20/2012	Susan M. Neves, Lubbock, TX	09/20/2012
Jon David Cunningham, Prosper, TX	09/20/2012	Wesley Ted Sinclair, Corinth, TX	09/20/2012
Joy Dean, Burleson, TX	09/20/2012	Julie Lyn Tadlock, New Berlin, WI	09/20/2012
LouAnn Deupree, Spring, TX	09/20/2012		

### THREE-YEAR DELINQUENT ACTIONS

The respondents listed below violated Sections 901.502(4) (*Grounds for Disciplinary Action*) of the Act when they failed to pay license fees for three consecutive license periods. The certificate of each respondent was revoked without prejudice as the respondent was not in compliance as of the Board meeting date. Each respondent may regain his or her certificate by paying all the required license fees and penalties and by otherwise coming into compliance with the Act.

Respondent / Location	Board Date	Respondent / Location	Board Date
Steven Max Andrus, Salt Lake City, UT	09/20/2012	Brad Helbig, San Marcos, TX	09/20/2012
Leslie M. Arnold, Cedar Park, TX	09/20/2012	Jay Dale Hiebert, San Marcos, TX	09/20/2012
Timothy R. Atherton, Houston, TX	09/20/2012	Michael Howe, Houston, TX	09/20/2012
Ruth Ann Loy Butler Balcer, Fair Oaks Ranch, TX	09/20/2012	Matthew John Kline, Dallas, TX	09/20/2012
Alicia Estelle Bantaa, Hammond, LA	09/20/2012	Nicolle Deann Konkell, St. Marys, KS	09/20/2012
Andrew Joseph Barkley, Jr., Cumming, GA	09/20/2012	Shilpa Sandeep Ladha, Irving, TX	09/20/2012
Susan Skladany Berger, La Jolla, CA	09/20/2012	Luzviminda Langevin, Dallas, TX	09/20/2012
Kathleen Susanne Brown, Jacksonville, FL	09/20/2012	Alex Jeronimo Llorente, Laguna Hills, CA	09/20/2012
George Fisher Bushee, Jr., Belton, TX	09/20/2012	Joe W. Loftin, The Woodlands, TX	09/20/2012
James Christian Coleman, Lubbock, TX	09/20/2012	Valerie Concepcion Navarro, Houston, TX	09/20/2012
Marci Aurora Day, San Antonio, TX	09/20/2012	Steven Michael O'Brien, Dallas, TX	09/20/2012
Linda Gattlin Diehl, Colleyville, TX	09/20/2012	James Patrick O'Neil, Fort Worth, TX	09/20/2012
Ramona Marie Drent, Fort Worth, TX	09/20/2012	Emily Ozog, Park City, UT	09/20/2012
Jacqueline Graves Taylor Elliott, Houston, TX	09/20/2012	Karen D. Pinkham, Flower Mound, TX	09/20/2012
Paul Joseph Fazio, Sachse, TX	09/20/2012	John Robert Ragsdale, Katy, TX	09/20/2012
Rayburn Allen Fulks, Daingerfield, TX	09/20/2012	Susan Fletcher Salter, Flint, TX	09/20/2012
Simi Gupta, Campbell, CA	09/20/2012	John Joseph Savickas, Granbury, TX	09/20/2012
Melissa Jane Radzikowski Haddox, Cypress, TX	09/20/2012	Kimberly Rae Shackelford, Dallas, TX	09/20/2012
Steven Voigt Hall, Phoenix, AZ	09/20/2012	David Geoffrey Shaw, Cedar Park, TX	09/20/2012
Marcia Beck Harris, Moraga, CA	09/20/2012	Thomas Neaves Shepherd, Charlotte, NC	09/20/2012
Anne O'reilly Hedde, Basking Ridge, NJ	09/20/2012	Craig Michol Simons, Las Cruces, NM	09/20/2012
		Anthony Joseph Stankus, Jr., Houston, TX	09/20/2012
		Vanny Ha Stocco, Coppell, TX	09/20/2012

*continued on next page*

## ENFORCEMENT ACTIONS

Respondent / Location	Board Date	Respondent / Location	Board Date
Kevin Michael Stotts, Marblehead, MA	09/20/2012	William John Tomberlin, El Paso, TX	09/20/2012
Linda Rae Stout, Little Elm, TX	09/20/2012	Daniel Wayne Woods, Houston, TX	09/20/2012
Todd Gregory Szalkowski, Coppell, TX	09/20/2012	Annie Suk-Fun Lui Yip, Hoboken, NJ	09/20/2012

### FAILURE TO COMPLETE LICENSE RENEWAL

The respondents failed to complete their license renewal notices in accordance with Board Rule 515.3 (*License Renewals for Individuals and Firm Offices*). Following a public hearing, an Administrative Law Judge (ALJ) of the State Office of Administrative Hearings recommended that the certificate of each respondent not in compliance be revoked without prejudice until such time as the respondent complies with the requirements of the Rules and the Act. The ALJ found that the respondents violated Section 901.502(12) (regarding violations of Board Rules) of the Act. The respondents, although properly notified, failed to appear in person or by authorized representative.

Respondent / Location	Board Date	Respondent / Location	Board Date
Adam Arthur Gauvin, Houston, TX	09/20/2012	Curtis Marvin Hellenbrand, Jr., Rancho Palos Verdes, CA	09/20/2012

### *In Memoriam* / continued from p. 4

<i>Name, Location</i>	<i>Date Licensed</i>	<i>Date of Death</i>	<i>Name, Location</i>	<i>Date Licensed</i>	<i>Date of Death</i>
Marion L. Shilling, Tyler, TX	8/1/1967	10/31/2011	Patricia N. Tully, Bulverde, TX	3/9/1988	10/1/2011
William A. Sikora, Houston, TX	9/10/1975	9/14/2011	John T. Valentine, Austin, TX	3/24/1975	4/28/2012
Robert D. Spear, El Paso, TX	11/21/1981	1/25/2012	Steven P. Valerius, La Porte, TX	7/12/1978	5/10/2012
Kenneth E. Staples, Fort Worth, TX	1/23/1952	12/7/2011	Clifford P. Vorwerk, Katy, TX	7/30/1962	10/18/2011
Lowell W. Stephens, Fort Worth, TX	8/8/1952	6/3/2012	Paul T. Walthall, San Antonio, TX	1/28/1957	11/12/2011
William S. Stinson, Kingwood, TX	1/29/1979	9/7/2011	Jack P. Westerfield, Houston, TX	7/31/1958	11/9/2011
Thomas J. Stone, El Paso, TX	10/8/1970	4/3/2012	William K. Wheeler, Houston, TX	1/6/1977	5/7/2012
Gerard B. Stuecker, Houston, TX	9/5/1984	5/8/2012	David R. White, Waco, TX	7/1/1983	11/24/2011
Edgar L. Tarrant, Onalaska, TX	1/13/1997	11/1/2011	Stanley A. Wisener, Carrollton, TX	9/9/1986	12/17/2011
Tommy T. Thomas, Shreveport, LA	3/15/2004	1/23/2012	Bruce C. Wood, Arlington, TX	10/12/1994	10/14/2011
Walter B. Thurmond, Houston, TX	4/14/1978	5/3/2012	Oleta M. Woods, Iola, TX	1/17/1948	12/23/2011
Alton M. Toombs, Austin, TX	1/20/1951	12/15/2011	Jesse P. Wooten, Lubbock, TX	6/12/1981	1/28/2012
Steven B. Toon, Houston, TX	9/2/1983	10/10/2011	Zhenwen Zhou, Missouri City, TX	9/4/1991	12/9/2011
William G. Tudor, Dallas, TX	1/22/1955	8/28/2012			

### Are You Interested in Becoming a Peer Reviewer?

The Texas Society of CPAs is always looking for qualified peer reviewers with experience in accounting and auditing engagements. As a peer reviewer, you will

- \* Give back to your profession
- \* Enhance your knowledge of professional standards
- \* Learn different techniques you can use in your own practice

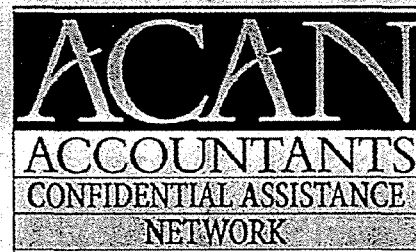
To learn more about becoming a qualified peer reviewer, visit the Peer Review section of [www.tscpa.org](http://www.tscpa.org) (under the Resource Center tab), or contact Jerry Cross, CPA, Director of Peer Review ([jcross@tscpa.net](mailto:jcross@tscpa.net) or 972/687-8617).

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#### **VOLUNTEERS NEEDED**

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**LEGAL NOTICE:** The identity and communications and fact of membership of anyone attending this group are confidential and protected under penalty of law under Chapter 467 of the Texas Health and Safety Code.

Administered by the TSCPA and Funded in Part by the Board

# **Exhibit King-E**

Letterhead of S. W. Hatfield, CPA

Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders  
8888 Acquisition Corporation

We have audited the accompanying balance sheets of 8888 Acquisition Corporation (a Nevada corporation) as of August 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' deficit and cash flows for the each of the two years ended August 31, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 8888 Acquisition Corporation as of August 31, 2010 and 2009 and the results of its operations and its cash flows for the each of the two years ended August 31, 2010 and 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 7, 2010 (except for Note  
as to which the date is October 14, 2010)

Letterhead of S. W. Hatfield, CPA

Report of Registered Independent Certified Public Accounting Firm

Stockholders and Board of Directors  
Alliance Health, Inc.

We have audited the accompanying balance sheets of Alliance Health, Inc. (a Delaware corporation) (Company) as of September 30, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' deficit and cash flows for each of the years ended September 30, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance Health, Inc. as of September 30, 2010 and 2009 and the results of its operations and cash flows for each of the years ended September 30, 2010 and 2009, respectively, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and may become dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
November 2, 2010 (except for Note 1  
to which the date is November 24, 2010)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC XIV, Inc.

We have audited the accompanying balance sheets of BTHC XIV, Inc. (a Delaware corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2010, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC XIV, Inc. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2010, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas  
January 11, 2011 (except for Note I  
as to which the date is January 13, 2011)

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REPORT OF REGISTERED INDEPENDENT MEMBER FIRM ACCOUNTING FIRM

Board of Directors and Stockholders  
Eight Dragons Company,

We have audited the accompanying balance sheets of Eight Dragons Company in Nevada corporations as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, practice in shareholders' equity (deficit) and cash flows for the each of the two years ended December 31, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Acquisition Corporation as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the each of the two years ended December 31, 2010 and 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

S. W. HATFIELD, CPA

Dallas, Texas  
January 26, 2011

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
HPC Acquisitions, Inc.

We have audited the accompanying balance sheets of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 6, 2011 (except for Note J  
as to which the date is March 1, 2011)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Renewable Energy Acquisition Corp.

We have audited the accompanying balance sheets of Renewable Energy Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from June 21, 2007 (date of incorporation) through December 31, 2010, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewable Energy Acquisition Corp. (a development stage company) as of as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from June 21, 2007 (date of incorporation) through December 31, 2010, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 25, 2011 (except for Note 1  
as to which the date is March 7, 2011)

Letterhead of S. W. Hatfield, CPA

Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Stockholders  
Signet International Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Signet International Holdings, Inc. (a Delaware corporation and a development stage company) and Subsidiary (a Florida corporation) as of December 31, 2009 and 2008 and the related consolidated statements of operations and comprehensive loss, consolidated changes in shareholders' deficit and consolidated statements of cash flows for each of the years ended December 31, 2009 and 2008 and for the period from October 17, 2003 (date of inception) through December 31, 2009, respectively. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Signet International Holdings, Inc. and Subsidiary as of December 31, 2009 and 2008 and the results of its consolidated operations and its consolidated cash flows each of the years ended December 31, 2009 and 2008 and for the period from October 17, 2003 (date of inception) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

By: /s/ S. W. HATFIELD, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
April 7, 2010 (except for Note M as to  
which the date is April 9, 2010)

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Crane Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Crane Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Crane Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 7, 2011 (except for Note J  
as to which the date is March 1, 2011)

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**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
SMSA Gainesville Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Gainesville Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Gainesville Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 8, 2011 (except for Note J  
as to which the date is March 3, 2011)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through June 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

Hatfield CPA

HATFIELD, CPA

/s/ S. W.

S. W.

Dallas, Texas

August 25, 2010 (except for Note 1

as to which the date is August 26, 2010)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 26, 2010

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 26, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$5,766 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 26, 2010. No reliance should be placed on this opinion.

S. W. HATFIELD, CPA

Dallas, Texas  
December 8, 2010



LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 10, 2011 (except for Note J  
as to which the date is March 14, 2011)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through June 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

Hatfield CPA

HATFIELD, CPA

/s/ S. W.

S. W.

Dallas, Texas  
August 24, 2010

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 25, 2010

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated statements of cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 25, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$9,236 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 25, 2010. No reliance should be placed on this opinion.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
December 17, 2010

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 9, 2011 (except for Note J  
as to which the date is March 14, 2011)

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Kerrville Acquisition Corp.

We have audited the accompanying consolidated balance sheet of SMSA Kerrville Acquisition Corp. (a Nevada corporation and a development stage company) and Subsidiary as of December 31, 2010 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010. These consolidated financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMSA Kerrville Acquisition Corp. and Subsidiary (a development stage company) as of December 31, 2010 and the results of its consolidated operations and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is currently dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 28, 2011 (except for Note J  
as to which the date is February 11, 2011)

F - 2

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Shreveport Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Shreveport Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Shreveport Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 27, 2010

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Shreveport Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Shreveport Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the each of the years ended December 31, 2010, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Shreveport Acquisition Corp. (a development stage company) as of December 31, 2010, 2009 and 2008 and the results of its operations and cash flows for the each of the years ended December 31, 2010, 2009 and 2008 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

On October 27, 2010, we initially issued a Report of Registered Independent Certified Public Accounting Firm on the financial statements of SMSA Shreveport Acquisition Corp. as of and for the years ended December 31, 2009 and 2008, respectively. Subsequent to the date of that Report, Management of the Company discovered that certain 2009 payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of December 31, 2009. The results of these findings resulted the reclassification of an approximate \$348 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows as of December 31, 2009 and for the year then ended.

Accordingly, we withdraw our opinion dated October 27, 2010. No reliance should be placed on this opinion.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 25, 2011



LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through June 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

Hatfield CPA

HATFIELD, CPA

/s/ S. W.

S. W.

Dallas, Texas  
August 25, 2010 (except for Note I  
as to which the date is August 26, 2010)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 26, 2010

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 26, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$5,766 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 26, 2010. No reliance should be placed on this opinion.

S. W. HATFIELD, CPA

Dallas, Texas  
December 8, 2010

FW-3711-SEC 0059

SEC APP 0231

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 10, 2011 (except for Note J  
as to which the date is March 14, 2011)

STATEMENT OF J. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Entity: CHANGE CORP. and its Subsidiaries  
The Exchange Corporation

We have audited the accompanying balance sheet of The Exchange Corporation, a Delaware corporation, as of December 31, 2009 and 2008, the related statements of income, operations and comprehensive loss, cash flows and stockholders' equity, and cash flows for each of the years ended December 31, 2009 and 2008, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Institute of Certified Public Accountants. These standards require that we exercise professional judgment and maintain the ability to obtain reasonable assurance. Our audits of these financial statements are free of material misstatement. We believe that the evidence at hand, which we were engaged to perform, is sufficient to support our opinion on the financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements referred to above, in our opinion, present fairly, in all material respects, the financial position of The Exchange Corporation as of December 31, 2009 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has no operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and Management's plans in regard to these matters are also described in Note 2. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

By: J. W. Hatfield, CPA

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J. W. HATFIELD, CPA

Dallas, Texas  
March 31, 2010 (except for Note 2  
as to which the date is April 20, 2010)

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
The X-Change Corporation

We have audited the accompanying consolidated balance sheets of The X-Change Corporation (a Nevada corporation) as of December 31, 2009 and 2008 and the related consolidated statements of operations, equity, and cash flows, consolidated statement of changes in stockholders' equity, deficit and consolidated statements of cash flows for each of the years ended December 31, 2009 and 2008, respectively. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The consolidated financial statements referred to above, in our opinion, present fairly, in all material respects, the consolidated financial position of The X-Change Corporation as of December 31, 2009 and the consolidated results of its operations and cash flows for each of the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the consolidated financial statements, the Company has no operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and Management's plan in regard to these matters are also described in Note C. The consolidated financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

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S. W. HATFIELD, CPA

Dallas, Texas  
January 14, 2011

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Letterhead of S. W. Hatfield, CPA

Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders  
Truwest Corporation

We have audited the accompanying balance sheets of Truwest Corporation (Company) (a Nevada corporation and a development stage company) as of September 30, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for each of the two years ended September 30, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truwest Corporation as of September 30, 2010 and 2009 and the results of its operations and its cash flows for each of the two years ended September 30, 2010 and 2009, respectively, in conformity with accounting principles generally accepted in the United States of America.

The columns on each of the accompanying statements of operations and comprehensive loss and the statements of cash flows for the period July 5, 1989 (date of inception) through September 30, 2010 are unaudited and, as such, we express no opinion or other form of assurance on the representations made therein.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W.  
Hatfield, CPA  
S. W.  
HATFIELD,  
CPA

Dallas, Texas  
November 9, 2010 (except for Note J  
as to which the date is November 11, 2010)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC X, Inc.

We have audited the accompanying balance sheets of BTHC X, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC X, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA  
Dallas, Texas  
March 23, 2010 (except for Note J  
as to which the date is March 29, 2010)



LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC XIV, Inc.

We have audited the accompanying balance sheets of BTHC XIV, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC XIV, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield,  
CPA

W.  
HATFIELD  
CPA

Dallas, Texas  
March 4, 2010 (except for Note 1  
as to which the date is March 9, 2010)

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC XV, Inc.

We have audited the accompanying balance sheets of BTHC XV, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC XV, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield  
CPA

W.  
HATFIELD  
CPA

Dallas, Texas  
March 5, 2010 (except for Note I  
as to which the date is March 9, 2010)

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**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Eight Dragons Company

We have audited the accompanying balance sheets of Eight Dragons Company (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the each of the two years ended December 31, 2009 and 2008, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eight Dragons Company as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the each of the two years ended December 31, 2009 and 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 23, 2010 (except for Note H  
as to which the date is March 5, 2010)

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
HPC Acquisitions, Inc.

We have audited the accompanying balance sheets of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 11, 2010 (except for Note I  
as to which the date is February 16, 2010)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Latin America Ventures, Inc.

We have audited the accompanying balance sheets of Latin America Ventures, Inc. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the year ended December 31, 2009 and for the period from September 15, 2008 (date of incorporation) through December 31, 2008. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latin America Ventures, Inc. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for the year ended December 31, 2009 and for the period from September 15, 2008 (date of incorporation) through December 31, 2008, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S.

W.  
HATFIELD.  
CPA

Dallas, Texas  
February 3, 2010

Letterhead of S. W. Hatfield, CPA

Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders  
Marketing Acquisition Corporation

We have audited the accompanying balance sheets of Marketing Acquisition Corporation (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the each of the two years ended December 31, 2009 and 2008, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Acquisition Corporation as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the each of the two years ended December 31, 2009 and 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield,  
CPA                    S  
W  
HATFIELD,  
CPA

Dallas, Texas  
March 2, 2010

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders,  
Renewable Energy Acquisition Corp.

We have audited the accompanying balance sheets of Renewable Energy Acquisition Corp. (a development stage company) as of December 31, 2009, 2008 and 2007 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008, the period from June 21, 2007 (date of incorporation) through December 31, 2007 and for the period from June 21, 2007 (date of incorporation) through December 31, 2008, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewable Energy Acquisition Corp. (a development stage company) as of December 31, 2009, 2008 and 2007 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008, the period from June 21, 2007 (date of incorporation) through December 31, 2007 and for the period from June 21, 2007 (date of incorporation) through December 31, 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no visible operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

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S. W. HATFIELD, CPA

Dallas, Texas  
February 12, 2010 (except for Note I  
as to which the date is February 17, 2010)

F-2

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Crane Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Crane Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Crane Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield  
CPA

S.

W.  
HATFIELD,  
CPA

Dallas, Texas  
February 17, 2010 (except for Note 1  
as to which the date is February 19, 2010)

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LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Gainesville Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Gainesville Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Gainesville Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield  
CPA

S.

W.  
HATFIELD,  
CPA

Dallas, Texas  
March 11, 2009 (except for Note I  
as to which the date is March 15, 2009)

F-2

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA  
Dallas, Texas  
March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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# **Exhibit King-F**

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**8888 Acquisition CORP - EGHA**

**Filed: October 15, 2010 (period: August 31, 2010)**

Annual report with a comprehensive overview of the company

## Item 2 - Properties

The Company currently maintains a mailing address at 211 West Wall Street, Midland, Texas 79701. The Company's telephone number there is (432) 682-1761. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - (Removed and Reserved)

## PART II

## Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading

The Company has approximately 263 shareholders of record and an estimated 100 shareholder positions held in "street name".

The Company's Common Stock is quoted on the OTC Bulletin Board under symbol "EGHA". As of the date of this report, there are few and infrequent trades of the Company's securities. The following table sets forth the quarterly average high and low closing bid prices per share for the Common Stock:

	<u>High</u>	<u>Low</u>
Fiscal year ended August 31, 2008		
Quarter ended November 30, 2007	Not eligible for trading	
Quarter ended February 28, 2008	\$ 2.00	\$ 1.05
Quarter ended May 31, 2008	1.35	1.25
Quarter ended August 31, 2008	1.25	1.25
Fiscal year ended August 31, 2009		
Quarter ended November 30, 2008	\$ 1.26	\$ 1.25
Quarter ended February 28, 2009	1.26	1.25
Quarter ended May 31, 2009	1.25	1.01
Quarter ended August 31, 2009	1.01	0.10
Fiscal year ended August 31, 2010		
Quarter ended November 30, 2009	\$ 0.18	\$ 0.10
Quarter ended February 28, 2010	\$ 0.52	\$ 0.12
Quarter ended May 31, 2010	\$ 0.12	\$ 0.07
Quarter ended August 31, 2010	\$ 0.16	\$ 0.07

### Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

### Reports to Stockholders

The Company plans to furnish its stockholders with an annual report for each fiscal year ending August 31 containing financial statements audited by its independent certified public accountants. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Securities Exchange Act of 1934.

## **Dividend policy**

No dividends have been paid to date and the Company's Board of Directors does not anticipate paying dividends in the foreseeable future. It is the current policy of the Company's Board of Directors to retain all earnings, if any, to support future growth and expansion.

## **Recent issuances of Unregistered Securities**

None

## **Item 6 - Selected Financial Data**

Not required for registrant.

## **Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **(1) Caution Regarding Forward-Looking Information**

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### **(2) General**

8888 Acquisition Corporation (Company) was originally incorporated on September 20, 1983 in accordance with the Laws of the State of Florida.

On July 18, 2006, the Company changed its state of incorporation from Florida to Nevada by means of a merger with and into 8888 Acquisition Corporation, a Nevada corporation formed on June 26, 2006 solely for the purpose of effecting the reincorporation. The Certificate of Incorporation and Bylaws of the Nevada corporation are the Certificate of Incorporation and Bylaws of the surviving corporation. Such Certificate of Incorporation kept the surviving entity's name of 8888 Acquisition Corporation and modified the Company's capital structure to allow for the issuance of up to 100,000,000 shares of \$0.0001 par value common stock and up to 50,000,000 shares of \$0.0001 par value preferred stock.

The Company was originally formed for the purpose of purchasing mining claims, both patented and unpatented, a mill, buildings and mining equipment located in San Miguel County, Colorado. This purchase was completed on April 22, 1986 and proved unsuccessful. During the year ended August 31, 1990, the Company sold or otherwise disposed of all assets and operations in order to settle then-outstanding indebtedness related to the acquisition of the mining claims and equipment. Since August 31, 1990, the Company has had no sustainable operations or assets.

Letterhead of S. W. Hatfield, CPA

Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders  
8888 Acquisition Corporation

We have audited the accompanying balance sheets of 8888 Acquisition Corporation (a Nevada corporation) as of August 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' deficit and cash flows for the each of the two years ended August 31, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 8888 Acquisition Corporation as of August 31, 2010 and 2009 and the results of its operations and its cash flows for the each of the two years ended August 31, 2010 and 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 7, 2010 (except for Note  
as to which the date is October 14, 2010)



**SUMMARY COMPENSATION TABLE**

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Glenn A. Little, Principal Executive Officer	2010	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
	2009	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
	2008	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

The Company has no other executive compensation issues which would require the inclusion of other mandated table disclosures.

**Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

The following table sets forth, as of the date of this Registration Statement, the number of shares of Common Stock owned of record and beneficially by executive officers, directors and persons who hold 5% or more of the outstanding Common Stock of the Company. Also included are the shares held by all executive officers and directors as a group.

<u>Name and address</u>	<u>% of Class Number of Shares</u>	<u>Beneficially Owned</u>
Glenn A. Little 211 West Wall Street Midland TX 79701	405,700	88.2%
Executive Officers and Directors as a group (three persons)	405,700	88.2%

**Item 13 - Certain Relationships, Related Transactions and Director Independence**

The Company currently maintains a mailing address at 211 West Wall Street, Midland, Texas 79701. The Company's telephone number there is (432) 682-1761. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

**Item 14 - Principal Accountant Fees and Services**

	<u>Year ended August 31, 2010</u>	<u>Year ended August 31, 2009</u>
1. Audit fees	\$ 6,100	\$ 5,900
2. Audit-related fees	—	—
3. Tax fees	300	600
4. All other fees	—	—
<b>Totals</b>	<b>\$ 6,400</b>	<b>\$ 6,400</b>

The Company has not designated a formal audit committee. However, as defined in Sarbanes-Oxley Act of 2002, the

# Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 8-K**

**8888 Acquisition CORP - EGHA**

**Filed: October 25, 2010 (period: October 25, 2010)**

**Report of unscheduled material events or corporate changes.**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of Earliest event Reported): October 25, 2010 (October 19, 2010)

**8888 ACQUISITION CORPORATION**  
(Exact name of registrant as specified in its charter)

Nevada	000-52251	59-2340247
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

Qingyanglianyu Industrial Area  
Jinjiang City, Fujian Province 362200  
People's Republic of China

(Address of principal executive offices)

(86) 0595-82889862

(Registrant's telephone number, including area code)

211 West Wall Street, Midland, TX 79701

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Description of Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any historical results and future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" above. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference and filed as exhibits to the report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

### USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this report to "we," "us," "our," "our Company," or the "Company" are to the combined business of 8888 Acquisition Corporation and its consolidated subsidiaries, Cheng Chang Shoes Industry Company Limited and Jinjiang Chengchang Shoes Co., Ltd.

In addition, unless the context otherwise requires and for the purposes of this report only, references to:

- "Chengchang HK" refers to Cheng Chang Shoes Industry Company Limited, a Hong Kong limited company;
- "Jinjiang Chengchang" refers to Jinjiang Chengchang Shoes Co., Ltd., a PRC limited company and the wholly-owned subsidiary of Chengchang HK;
- "Hong Kong" refers to the Hong Kong Special Administrative Region of the People's Republic of China;
- "PRC," "China," and "Chinese," refer to the People's Republic of China;
- "Renminbi" and "RMB" refer to the legal currency of China;
- "U.S. dollars," "dollars" and "\$" refer to the legal currency of the United States;
- "SEC" means the Securities and Exchange Commission;
- "Exchange Act" means the Securities Exchange Act of 1934, as amended; and
- "Securities Act" are to the Securities Act of 1933, as amended.

### MARKET DATA AND FORECAST

Unless otherwise indicated, information in this current report on Form 8-K concerning economic conditions and our industry is based on information from independent industry analysts and publications, as well as our estimates. Except where otherwise noted, our estimates are derived from publicly available information released by third-party sources, as well as data from our internal research, and are based on such data and knowledge of our industry, which we believe to be reasonable. None of the independent industry publications used in this report was prepared on our or our affiliates' behalf. We have not independently verified the underlying information in such publications and reports and you should not unduly rely upon it.

This report also contains data related to the footwear industry in China. These market data include estimates and projections that are based on a number of assumptions. If any one or more of the assumptions underlying the market data turn out to be incorrect, actual results may differ significantly from the projections. For example, the footwear market may not grow at the rate projected by market data, or at all. In addition, the rapidly changing nature of the footwear industry subjects any projections or estimates relating to the growth prospects or future condition of our market to significant uncertainties.

**ITEM 1.01****ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT**

On October 19, 2010, we entered into a share exchange agreement, or the Share Exchange Agreement, with Chengchang HK, a Hong Kong limited company, and its shareholders, Mr. Guoqing Zhuang, Bai Cheng Investment Limited, Heng Feng Investment Limited, Kang Shi Investment Holdings Limited, River Tyne Ventures Inc., Zhao Kang Capital Resource Limited and Shiping Liu, pursuant to which we acquired 100% of the issued and outstanding capital stock of Chengchang HK in exchange for 31,059,267 shares of our common stock, par value \$0.0001, which constituted 98.85% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of the transactions contemplated by the Share Exchange Agreement. Under the Share Exchange Agreement, our former CEO and sole director Glenn A. Little also agreed to sell 100,000 shares of our common stock to the Company for \$4,000. Chengchang HK is a holding company for a PRC-based operating subsidiary, Jinjiang Chengchang, which is engaged in the production of various sole products that are used to manufacture shoes. We refer to all shareholders of Chengchang HK before the closing of the Share Exchange Agreement as "Chengchang Shareholders" in this report.

Immediately following closing of the share exchange transaction, Mr. Zhuang and several other Chengchang Shareholders transferred an aggregate of 1,981,963 of the shares issued to them under the Share Exchange Agreement to other former shareholders of Chengchang HK and other persons who previously provided services to Chengchang HK and its subsidiary, pursuant to a side letter agreement, or the Side Letter, dated October 19, 2010. Taking into account this share transfer, our Chairman and CEO, Mr. Zhuang owns 24,707,353 shares of our common stock, constituting 72.74% of our issued and outstanding capital stock on a fully-diluted basis.

On October 19, 2010, we entered into a securities purchase agreement, or the Securities Purchase Agreement, with an investor whereby we issued 2,547,500 shares of our common stock for an aggregate purchase price of \$4.5 million, or \$1.77 per share. Under the Securities Purchase Agreement, we agreed to register the shares of our common stock issued to the investor within a pre-defined period.

In connection with the Securities Purchase Agreement, our Chairman and CEO Mr. Zhuang entered into a make good escrow agreement, or the Make Good Escrow Agreement, whereby Mr. Zhuang pledged to several other parties, including the investor, 7,492,154 shares of our common stock owned by him in support of the Company's obligation to satisfy a pre-established after tax net income level. All or a portion of the shares pledged pursuant to the Make Good Escrow Agreement will be transferred to the beneficiaries of the make good arrangement if the Company does not satisfy the after tax net income threshold. The shares will be returned to Mr. Zhuang if the threshold is met. See Item 2.01 of this report below for more details.

The foregoing description of the terms of the Share Exchange Agreement, Side Letter, Securities Purchase Agreement, and Make Good Escrow Agreement is qualified in its entirety by reference to the provisions of the agreements filed as Exhibits 2.1, 10.1, 10.2, and 10.3 to this report, which are incorporated by reference herein.

**ITEM 2.01****COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS**

On October 19, 2010, we completed the acquisition of Chengchang HK pursuant to the Share Exchange Agreement described in Item 1.01 above. The acquisition was accounted for as a recapitalization effected by a share exchange, wherein Chengchang HK is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of the acquired entity have been brought forward at their book value and no goodwill has been recognized.

**FORM 10 DISCLOSURE**

As disclosed elsewhere in this report, on October 19, 2010, we acquired Chengchang HK in a reverse acquisition transaction. Item 2.01(f) of Form 8-K states that if the registrant was a shell company, as we were immediately before the reverse acquisition transaction disclosed under Item 2.01, then the registrant must disclose the information that would be required if the registrant were filing a general form for registration of securities on Form 10.

Accordingly, we are providing below the information that would be included in a Form 10 if we were to file a Form 10. Please note that the information provided below relates to the combined enterprises after our acquisition of Chengchang HK, except that information relating to periods prior to the date of the reverse acquisition only relate to Chengchang HK unless otherwise specifically indicated.

In instances described above where we state that we relied upon Section 4(2) of the Securities Act in issuing securities, our reliance was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there were only a limited number of offerees; (c) there were no subsequent or contemporaneous public offerings of the securities by us; (d) the securities were not broken down into smaller denominations; and (e) the negotiations for the sale of the stock took place directly between the offeree and us.

**ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**  
**Dismissal of Previous Independent Registered Public Accounting Firm**

Prior to our reverse acquisition transaction with Chengchang HK, our independent registered public accounting firm was S.W. Hatfield, CPA, or Hatfield, while Chengchang HK's independent registered public accounting firm was Samuel H. Wong & Co., LLP, or SHWC. On October 19, 2010, concurrent with the change in control transaction discussed above, our board of directors approved the dismissal of Hatfield, as our independent auditor, effective immediately.

Hatfield's reports on our financial statements as of and for the fiscal years ended August 31, 2010 and 2009 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that its reports for the fiscal years ended August 31, 2010 and 2009 contained a going concern qualification as to our ability to continue as a going concern.

During the years ended June 30, 2010 and 2009, and through Hatfield's dismissal on October 19, 2010, there were (1) no disagreements with Hatfield on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Hatfield, would have caused Hatfield to make reference to the subject matter of the disagreements in connection with its reports, and (2) no events of the type listed in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K.

We furnished Hatfield with a copy of this disclosure on October 21, 2010, providing Hatfield with the opportunity to furnish us with a letter addressed to the SEC stating whether it agrees with the statement made by us herein in response to Item 304(a) of Regulation S-K and, if not, stating the respect in which it does not agree. A letter from Hatfield, dated October 21, 2010, is filed as Exhibit 16.1 to this report.

**Engagement of New Independent Registered Public Accounting Firm**

Concurrent with the decision to dismiss Hatfield as our independent auditor, our board of directors elected to continue the existing relationship of Chengchang HK with SHWC and appointed SHWC as our independent auditor.

During the years ended June 30, 2010 and 2009, and through the date hereof, neither us nor anyone acting on our behalf consulted SHWC with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us or oral advice was provided that SHWC concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable events set forth in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

**ITEM 5.01 CHANGES IN CONTROL OF REGISTRANT**

Reference is made to the disclosure set forth under Item 2.01 of this report, which disclosure is incorporated herein by reference. As a result of the closing of the reverse acquisition with Chengchang HK and their subsequent transfer of a portion of their shares, the former shareholders of Chengchang HK own 86% of the total outstanding shares of our capital stock and 86% total voting power of all our outstanding voting securities, after taking into account the shares issued in connection with the private placement transaction.

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## **FORM 15-12G**

**8888 Acquisition CORP - EGHA**

**Filed: August 17, 2011 (period: )**

Certification of termination of registration of a class of security under Section 12(g) or notice of suspension of duty to file reports under Section 13 and 15(d) of the Act Section 12 (g).

FW-3711-SEC 0199

SEC APP 0259

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 15

CERTIFICATION AND NOTICE OF TERMINATION OF REGISTRATION UNDER SECTION 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934 OR SUSPENSION OF DUTY TO FILE REPORTS UNDER SECTIONS 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number: 000-52251

**8888 Acquisition Corporation**

*(Exact name of registrant as specified in its charter)*

Qingyanglianyu Industrial Area  
Jinjiang City, Fujian Province 362200  
People's Republic of China  
(86) 0595-82889862

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

Common Stock, \$0.0001 par value per share  
*(Title of each class of securities covered by this Form)*

None

*(Titles of all other classes of securities for which a duty to file reports under section 13(a) or 15(d) remains)*

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to terminate or suspend the duty to file reports:

Rule 12g-4(a)(1)  [X]  
Rule 12g-4(a)(2)  [ ]  
Rule 12h-3(b)(1)(i)  [X]  
Rule 12h-3(b)(1)(ii)  [ ]  
Rule 15d-6  [ ]

Approximate number of holders of record as of the certification or notice date: 272

Pursuant to the requirements of the Securities Exchange Act of 1934 8888 Acquisition Corporation has caused this certification/notice to be signed on its behalf by the undersigned duly authorized person.

Date: August 17, 2011

By: /s/ Guoqing Zhuang  
Guoqing Zhuang  
Chief Executive Officer

Instruction: This form is required by Rules 12g-4, 12h-3 and 15d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934. The registrant shall file with the Commission three copies of Form 15, one of which shall be manually signed. It may be signed by an officer of the registrant, by counsel or by any other duly authorized person. The name and title of the person signing the form shall be typed or printed under the signature.

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## **FORM 10-K**

**ALLIANCE HEALTH INC - N/A**

**Filed: November 26, 2010 (period: September 30, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0201

SEC APP 0261

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

### **Item 3 - Legal Proceedings**

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

### **Item 4 - [Removed and Reserved]**

## **PART II**

### **Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **Market for Trading**

The Company's common stock was assigned the symbol "ALNH" in a prior period. However, to the best of management's knowledge, there is no current market being made in the Company's securities and no trades have been executed over the past several years.

As of November 24, 2010, there were approximately 323 shareholders of record of the Company's common stock

#### **Transfer Agent**

The Company operates as its own transfer agent.

#### **Reports to Stockholders**

The Company plans to furnish its stockholders with an annual report for each fiscal year ending September 30 containing financial statements audited by its independent certified public accountants. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Securities Exchange Act of 1934.

#### **Dividend policy**

No dividends have been paid to date and the Company's Board of Directors does not anticipate paying dividends in the foreseeable future. It is the current policy of the Company's Board of Directors to retain all earnings, if any, to support future growth and expansion.

#### **Recent issuances of Unregistered Securities**

None

### **Item 6 - Selected Financial Data**

Not required for registrant.

<u>Name and address</u>	<u>% of Class Number of Shares</u>	<u>Beneficially Owned</u>
Sharilyn J. Bruntz Wilson 421 E. Airport Freeway Irving, TX 75062	10,309	0.67%
All directors and officers as a group (2 persons)	806,309	52.56%

- (1) Includes shares held in the name of Kechejian Foundation (350,000 shares), Kechejian Trust (100,000 shares), Sarkis J. Kechejian Trust (246,000 shares) and Laura Kechejian Trust (100,000 shares).
- (2) Includes shares registered in the name of 24 separate individuals utilizing the same mailing address. Other than Rita Kechejian (100,000 shares), no other affiliated individual owns more than 100 shares.

Sarkis J. Kechejian and Rita Kechejian are brother and sister-in-law.

#### Item 13 - Certain Relationships, Related Transactions and Director Independence

The Company currently maintains a mailing address at 421 E. Airport Freeway, Irving, TX 75062. The Company's telephone number there is (972) 255-5533. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

#### Item 14 - Principal Accountant Fees and Services

Fees paid to the Company's current principal accountant, S. W. Hatfield, CPA were as follows:

	<u>Year ended September 30, 2010</u>	<u>Year ended September 30, 2009</u>
1. Audit fees	\$ 5,750	\$ 6,625
2. Audit-related fees	—	—
3. Tax fees	—	—
4. All other fees	—	—
<b>Totals</b>	<b>\$ 5,750</b>	<b>\$ 6,625</b>

1. Audit fees consist of amounts billed for professional services rendered for the audits of our financial statements, reviews of our interim consolidated financial statements included in quarterly reports, services performed in connection with filings with the Securities & Exchange Commission and related comfort letters and other services that are normally provided by S. W. Hatfield, CPA in connection with statutory and regulatory filings or engagements.
2. Audit Related fees consist of fees billed for assurance and related services by our principal accountant that are related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.
3. Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

The Company has not designated a formal audit committee. However, as defined in Sarbanes-Oxley Act of 2002, the entire Board of Directors (Board), in the absence of a formally appointed committee, is, by definition, the Company's audit committee.

In discharging its oversight responsibility as to the audit process, commencing with the engagement of S. W. Hatfield, CPA, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by applicable accounting standards. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence.

Report of Registered Independent Certified Public Accounting Firm

Stockholders and Board of Directors  
Alliance Health, Inc.

We have audited the accompanying balance sheets of Alliance Health, Inc. (a Delaware corporation) (Company) as of September 30, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' deficit and cash flows for each of the years ended September 30, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance Health, Inc. as of September 30, 2010 and 2009 and the results of its operations and cash flows for each of the years ended September 30, 2010 and 2009, respectively, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and may become dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
November 2, 2010 (except for Note 1  
to which the date is November 24, 2010)

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**FORM 15-15D**

**ALLIANCE HEALTH INC - N/A**

**Filed: June 08, 2011 (period: )**

Certification of Termination of Registration

FW-3711-SEC 0205

SEC APP 0265

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 15

CERTIFICATION AND NOTICE OF TERMINATION OF REGISTRATION UNDER SECTION 12(g) OF  
THE SECURITIES EXCHANGE ACT OF 1934 OR SUSPENSION OF DUTY TO FILE REPORTS UNDER  
SECTIONS 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number: 33-17387

ALLIANCE HEALTH, INC.  
(Exact name of registrant as specified in its charter)

421 E. Airport Freeway, Irving TX 75062  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

Common Stock - \$0.001 par value  
(Title of each class of securities covered by this Form)

None  
(Titles of all other classes of securities for which a duty to file  
reports under section 13(a) or 15(d) remains)

Please place an X in the box(es) to designate the appropriate rule provision(s)  
relied upon to terminate or suspend the duty to file reports:

Rule 12g-4(a)(1) [ ]  
Rule 12g-4(a)(2) [ ]  
Rule 12h-3(b)(1)(i) [ ]  
Rule 12h-3(b)(1)(ii) [X]  
Rule 15d-6 [ ]

Approximate number of holders of record as of the certification or notice date:  
There are 323 shareholders as of September 30, 2010 (last fiscal year end) and  
June 8, 2011 (the certification date).

Pursuant to the requirements of the Securities Exchange Act of 1934, Alliance  
Health, Inc. has caused this certification/notice to be signed on its behalf by  
the undersigned duly authorized person.

Date: June 8, 2011

By: /s/ Sarkis J. Kechejian, M. D.

-----  
Sarkis J. Kechejian, M. D.  
Chief Executive and Financial Officer

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## **FORM 10-K**

**Asia Green Agriculture Corp - AGAC**

**Filed: March 30, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0207

SEC APP 0267

## **Business Plan**

The Company's current business plan is to develop the Chinese restaurant concept currently being undertaken by Legend Restaurant Management, a Samoa corporation in which Mr. Yongjie owns an interest.

We have no capital and must depend on Mr. Yongjie to provide us with the necessary funds to implement our business plan. We intend to seek opportunities demonstrating the potential of long-term growth as opposed to short-term earnings. However, at the present time, we are in the preliminary stages of implementing our business plan.

## **Employees**

The Company currently has no employees. Management of the Company expects to use consultants, attorneys and accountants as necessary, and does not anticipate a need to engage any full-time employees so long as it is seeking and evaluating business opportunities. The need for employees and their availability will be addressed in connection with the decision whether or not to acquire or participate in specific business opportunities.

## **Item 1A - Risk Factors**

Not Required

## **Item 1B - Uncleared Staff Comments**

None

## **Item 2 - Properties**

The Company currently maintains an address at Unit 30, Block 5, 17 Fang Cao Xi Yi Jie, Chengdu, Sichuan Province, China, 610000. The Company's telephone number there is (86) 215011109890.

## **Item 3 - Legal Proceedings**

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## **PART II**

## **Item 4 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

### **Market for Trading and Eligibility for Future Sale**

The Company's securities are currently eligible for trading on the OTC Bulletin Board under the symbol "SMPN". As of the date of this report, there has been no trading in the Company's common stock.

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

### **Holders**

As of December 31, 2009, there were a total of 5,000,004 shares of our common stock outstanding, held by approximately 482 stockholders of record.



## Common Stock

Our authorized capital stock consists of 100,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10,000,000 shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

## Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our \$0.001 par value preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

### Restricted Securities

We currently have approximately 4,500,000 shares of \$0.001 par value common stock which may be considered outstanding restricted securities as defined in Rule 144.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

### Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 5 - Selected Financial Data

Not applicable

## Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### (2) General

SMSA Palestine Acquisition Corp. was organized on May 21, 2008 as a Nevada corporation to effect the reincorporation of Senior Management Services of Palestine, Inc., a Texas corporation, mandated by the plan of reorganization discussed below.

On November 4, 2009, the Company entered into a share purchase agreement with Yang Yongjie, a resident of the Peoples Republic of China, pursuant to which he acquired 4.5 million shares of our common stock for \$4,500 cash or \$0.001 per share. As a result of this transaction, 5,000,004 shares of our common stock are currently issued and outstanding.

Our current business plan is to develop the Chinese restaurant concept currently undertaken by Legend Restaurant Management, a Samoa corporation in which our sole officer, director and controlling stockholder, Mr. Yang Yongjie, owns an interest.

We are a development stage company and a shell company as defined in Rule 405 under the Securities Act of 1933, or the Securities Act, and Rule 12b-2 under the Securities Exchange Act of 1934, or the Exchange Act.

additional personnel. There is no assurance that the services of such persons will be available or that they can be obtained upon terms favorable to the Company.

### Director Independence

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 4200 (a) (15) of the NASDAQ Marketplace Rules.

### Item 13 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 7,200	\$ 1,250
1. Audit-related fees	-	-
2. Tax fees	-	-
3. All other fees	-	-
<b>Totals</b>	<b>\$ 7,200</b>	<b>\$ 1,250</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

**Financial Information System Design and Implementation:** S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA  
Dallas, Texas  
March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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**FORM S-1/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: November 05, 2010 (period: )**

Amendment to general form for registration of securities under the Securities Act of 1933

FW-3711-SEC 0213

SEC APP 0273

As filed with the Securities and Exchange Commission on November 5, 2010

Registration No. 333-169486

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Amendment No. 1 to**

**FORM S-1  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933**

**SMSA PALESTINE ACOUISITION CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**0100**  
(Primary Standard Industrial  
Classification Code Number)

**26-2809270**  
(I.R.S. Employer  
Identification Number)

**Shuinan Industrial Area, Songxi County, Fujian Province 353500, China**

**Telephone: (86) 0599-2335520**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

*Copies to:*

**James A. Mercer III, Esq.  
Sheppard Mullin Richter & Hampton LLP  
12275 El Camino Real, Suite 200  
San Diego, California 92130  
(858) 720-7469**

**Don Williams, Esq.  
Leenan Yan, Esq.  
Jingyuan "Christine" Sun, Esq.  
Sheppard Mullin Richter & Hampton LLP  
1717 West Nanjing Road, Suite 2601  
Shanghai 200040, China  
86 (21) 2321-6036**

(Names, addresses and telephone numbers of agents for service)

**Approximate date of commencement of proposed sale to public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas

March 15, 2010 (except for Note I

as to which the date is March 29, 2010)

F-50

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**EXHIBIT 23.3**

**CONSENT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

We consent to incorporation by reference in Amendment No. 1 to Form S-1/A, Registration Statement under the Securities Act of 1933, as amended, of SMSA Palestine Acquisition Corp. (a Delaware corporation) (File No. 333-169486) of our Report of Independent Certified Public Accountants dated March 15, 2010 (except for Note I as to which the date is March 29, 2010) related to the balance sheets of SMSA Palestine Acquisition Corp. as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively, which accompany the appropriate financial statements contained in such Amendment No. 1 to Form S-1/A, Registration Statement under the Securities Act of 1933, as amended, and to the use of our name and the statements with respect to us as appearing under the heading "Experts".

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
November 4, 2010

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<http://documentresearch.morningstar.com>



**PART II**  
**INFORMATION NOT REQUIRED IN THE PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts, other than the SEC registration fee, are estimates. We will pay all these expenses.

	<u>Amount to be Paid</u>
SEC Registration Fee	\$ 2,188
Printing Fees and Expenses	5,000
Legal Fees and Expenses	35,000
Accounting Fees and Expenses	25,000
Blue Sky Fees and Expenses	5,000
Transfer Agent and Registrar Fees	2,500
Miscellaneous	2,500
<b>Total</b>	<b>\$ 77,188</b>

**Item 14. Indemnification of Directors and Officers**

Our bylaws provide for the indemnification of our directors to the fullest extent permitted by the Nevada Revised Statutes and may, if and to the extent authorized by our board of directors, so indemnify our officers and any other person whom we have the power to indemnify against liability, reasonable expense or other matter. This indemnification policy could result in substantial expenditure by us, which we may be unable to recoup.

Our Articles of Incorporation provide that none of our directors or officers shall be personally liable to us or our stockholders for monetary damages for a breach of fiduciary duty as a director or officer provided, however, that the foregoing provisions shall not eliminate or limit the liability of a director or officer for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes. Limitations on liability provided for in our Articles of Incorporation do not restrict the availability of non-monetary remedies and do not affect a director's responsibility under any other law, such as the federal securities law or state or federal environmental laws.

We believe that these provisions will assist us in attracting and retaining qualified individuals to serve as executive officers and directors. The inclusion of these provisions in our Articles of Incorporation may have the effect of reducing a likelihood of derivative litigation against our directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even through such an action, if successful, might otherwise have benefited us or our stockholders.

Insofar as indemnification by us for liabilities arising under the Exchange Act may be permitted to our directors, officers and controlling persons pursuant to provisions of the Articles of Incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy and is, therefore, unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Exchange Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

**Item 15. Recent Sales of Unregistered Securities**

On August 1, 2007, Halter Financial Group, Inc. exercised the option granted to it in connection with its participation in structuring the First Amended, Modified Chapter 11 Plan (the "Plan") for reorganization of Senior Management Services of Palestine, Inc. and the provision of \$115,000 to be used to pay professional fees associated with the Plan confirmation process. As a result of the exercise of the option by Halter Financial Group, Inc., 80% of our outstanding common stock, or 400,000 shares, was issued to Halter Financial Group, Inc. on May 21, 2008 in satisfaction of Halter Financial Group, Inc.'s administrative claims. The remaining 20% of our outstanding common stock, or 100,004 shares, was issued to 449 holders of unsecured debt. As further consideration for the issuance of the 400,000 Plan Shares to Halter Financial Group, Inc., the Plan required Halter Financial Group, Inc. to assist us in identifying a potential merger or acquisition candidate, to provide for the payment of our ongoing operating expenses and to provide us, at no cost, with consulting services, including assisting us with formulating the structure of any proposed merger or acquisition. Additionally, Halter Financial Group, Inc. was responsible for paying our legal and accounting expenses related to this registration statement and our expenses incurred in consummating a merger or acquisition. The issuance of our shares to Halter Financial Group, Inc. and the holders of unsecured debt was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering and Regulation S promulgated under Securities Act.

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**FORM 8-K/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: November 05, 2010 (period: August 20, 2010)**

Amendment to a previously filed 8-K

FW-3711-SEC 0218

SEC APP 0278

In instances described above where we indicate that we relied upon Regulation S promulgated under the Securities Act in issuing securities, our reliance was based upon the following factors: (a) each subscriber was neither a U.S. person nor acquiring the shares for the account or benefit of any U.S. person, (b) each subscriber agreed not to offer or sell the shares (including any pre-arrangement for a purchase by a U.S. person or other person in the United States) directly or indirectly, in the United States or to any natural person who is a resident of the United States or to any other U.S. person as defined in Regulation S unless registered under the Securities Act and all applicable state laws or an exemption from the registration requirements of the Securities Act and similar state laws is available, (c) each subscriber agreed not to engage in hedging transactions with regard to our shares of common stock unless in compliance with the Securities Act, (d) each subscriber made his, her or its subscription from the subscriber's residence or offices at an address outside of the United States and (e) each subscriber or the subscriber's advisor has such knowledge and experience in financial and business matters that the subscriber is capable of evaluating the merits and risks of, and protecting his interests in connection with an investment in us.

#### ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In conjunction with the share exchange discussed in Item 1.01 above, immediately following the closing of the share exchange our auditor relationship with SW Hatfield CPA ceased effective August 20, 2010.

##### (a)(1) Previous Independent Accountant

(i) We report that, immediately following the closing of the share exchange transaction discussed in Item 1.01 above, we dismissed our auditor, SW Hatfield CPA, effective August 20, 2010.

(ii) SW Hatfield CPA's report on our financial statement for the fiscal years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 did not contain an adverse opinion or disclaimer of opinion, and were not modified as to uncertainty, audit scope, or accounting principles. However, the reports contained an explanatory paragraph disclosing the uncertainty regarding our ability to continue as a going concern.

(iii) The decision to dismiss SW Hatfield CPA as our certifying accountants was recommended and approved by our Board of Directors on August 19, 2010.

(iv) In connection with the audits of our financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SW Hatfield CPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SW Hatfield CPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on our financial statements.

(a)(2) Engagement of PKF Hong Kong as Our Independent Accountant. On August 19, 2010, our board of directors recommended and approved the engagement of PKF Hong Kong effective after our shares exchange transaction discussed in Item 1.01 above, as our independent accountant to audit our financial statements for its fiscal year ended December 31, 2010. We engaged PKF Hong Kong effective August 24, 2010.

During the years ended December 31, 2009 and 2008 and the subsequent interim period ended June 30, 2010, and through the date of the firm's engagement, we did not consult with PFK Hong Kong with regard to:

(i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or

(ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

(a)(3) We have provided SW Hatfield CPA with a copy of the disclosures we are making in response to this Item. We have requested SW Hatfield CPA to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us in (a)(1)(i),(ii) and (iv) above and, if not, stating the respects in which SW Hatfield CPA does not agree. A copy of such letter, dated August 23, 2010, is filed as Exhibit 16 to this Current Report on Form 8-K.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas  
March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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File No. 000-53343  
Form 8-K/A

Letterhead of S. W. Hatfield, CPA

November 3, 2010

U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Gentlemen:

On November 3, 2010, this Firm received a final draft copy of a Current Report on Form 8-K/A to be filed by SMSA Palestine Acquisition Corp. (SEC File # 000-53343 CIK: 1440476) (Company) reporting an Item 4.01 -Changes in Registrant's Certifying Accountant.

We have no disagreements with the statements made in the draft Form 8-K/A, Item 4.01 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

S. W. Hatfield, CPA  
Dallas, Texas

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**EXHIBIT 23.3**

**CONSENT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

We consent to incorporation by reference in the Current Report on Form 8-K/A dated November 5, 2010 of SMSA Palestine Acquisition Corp. (a Delaware corporation) (SEC File # 000-53343 CIK: 1440476) of our Report of Independent Certified Public Accountants dated March 15, 2010 (except for Note I as to which the date is March 29, 2010) related to the balance sheets of SMSA Palestine Acquisition Corp. as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. which accompany the appropriate financial statements contained in such Current Report on Form 8-K/A.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
November 4, 2010

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<http://documentresearch.morningstar.com>

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**FORM S-1/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: December 10, 2010 (period: )**

**Amendment to general form for registration of securities under the Securities Act of 1933**

FW-3711-SEC.0223

SEC APP 0283

As filed with the Securities and Exchange Commission on December 10, 2010

Registration No. 333-169486

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

Amendment No. 2 to  
**FORM S-1**  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933

**SMSA PALESTINE ACQUISITION CORP.**  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

0100  
(Primary Standard Industrial  
Classification Code Number)

26-2809270  
(I.R.S. Employer  
Identification Number)

Shuinan Industrial Area, Songxi County, Fujian Province 353500, China  
Telephone: (86) 0599-2335520

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

*Copies to:*

James A. Mercer III, Esq.  
Sheppard Mullin Richter & Hampton LLP  
12275 El Camino Real, Suite 200  
San Diego, California 92130  
(858) 720-7469

Don Williams, Esq.  
Leenan Yan, Esq.  
Jingyuan "Christine" Sun, Esq.  
Sheppard Mullin Richter & Hampton LLP  
1717 West Nanjing Road, Suite 2601  
Shanghai 200040, China  
86 (21) 2321-6036

(Names, addresses and telephone numbers of agents for service)

**Approximate date of commencement of proposed sale to public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

(Do not check if smaller reporting  
company)

Accelerated filer   
Smaller reporting company



LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas

March 15, 2010 (except for Note I

as to which the date is March 29, 2010)

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**EXHIBIT 23.3**

SMSA Palestine Acquisition Corp.  
Amendment No. 2 to Form S-1  
File No. 333-169486

**CONSENT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

We consent to incorporation by reference in Amendment No. 2 to Form S-1/A, Registration Statement under the Securities Act of 1933, as amended, of SMSA Palestine Acquisition Corp. (a Delaware corporation) (File No. 333-169486) of our Report of Independent Certified Public Accountants dated March 15, 2010 (except for Note I as to which the date is March 29, 2010) related to the balance sheets of SMSA Palestine Acquisition Corp. as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively, which accompany the appropriate financial statements contained in such Amendment No. 2 to Form S-1/A, Registration Statement under the Securities Act of 1933, as amended, and to the use of our name and the statements with respect to us as appearing under the heading "Experts".

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
December 10, 2010

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<http://documentresearch.morningstar.com>

PART II  
INFORMATION NOT REQUIRED IN THE PROSPECTUS

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts, other than the SEC registration fee, are estimates. We will pay all these expenses.

	Amount to be Paid
SEC Registration Fee	\$ 2,188
Printing Fees and Expenses	5,000
Legal Fees and Expenses	35,000
Accounting Fees and Expenses	25,000
Blue Sky Fees and Expenses	5,000
Transfer Agent and Registrar Fees	2,500
Miscellaneous	2,500
<b>Total</b>	<b>\$ 77,188</b>

**Item 14. Indemnification of Directors and Officers**

Our bylaws provide for the indemnification of our directors to the fullest extent permitted by the Nevada Revised Statutes and may, if and to the extent authorized by our board of directors, so indemnify our officers and any other person whom we have the power to indemnify against liability, reasonable expense or other matter. This indemnification policy could result in substantial expenditure by us, which we may be unable to recoup.

Our Articles of Incorporation provide that none of our directors or officers shall be personally liable to us or our stockholders for monetary damages for a breach of fiduciary duty as a director or officer provided, however, that the foregoing provisions shall not eliminate or limit the liability of a director or officer for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes. Limitations on liability provided for in our Articles of Incorporation do not restrict the availability of non-monetary remedies and do not affect a director's responsibility under any other law, such as the federal securities law or state or federal environmental laws.

We believe that these provisions will assist us in attracting and retaining qualified individuals to serve as executive officers and directors. The inclusion of these provisions in our Articles of Incorporation may have the effect of reducing a likelihood of derivative litigation against our directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even through such an action, if successful, might otherwise have benefited us or our stockholders.

Insofar as indemnification by us for liabilities arising under the Exchange Act may be permitted to our directors, officers and controlling persons pursuant to provisions of the Articles of Incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy and is, therefore, unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Exchange Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 8-K/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: January 18, 2011 (period: August 20, 2010)**

Amendment to a previously filed 8-K

FW-3711-SEC 0228

SEC APP 0288

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) August 20, 2010

**SMSA PALESTINE ACQUISITION CORP.**  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
(State or Other Jurisdiction of Incorporation)

0-53343  
(Commission File Number)

26-2809270  
(IRS Employer Identification No.)

Shuinan Industrial Area, Songxi County, Fujian Province 353500, China  
(Address of Principal Executive Offices)

(86) 0599-2335520  
(Registrant's Telephone Number, Including Area Code)

Unit 30, Block 5, 17 Fang Cao Xi Yi Chengdu, Sichuan Province, China 610000  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

-1-

In instances described above where we indicate that we relied upon Regulation S promulgated under the Securities Act in issuing securities, our reliance was based upon the following factors: (a) each subscriber was neither a U.S. person nor acquiring the shares for the account or benefit of any U.S. person, (b) each subscriber agreed not to offer or sell the shares (including any pre-arrangement for a purchase by a U.S. person or other person in the United States) directly or indirectly, in the United States or to any natural person who is a resident of the United States or to any other U.S. person as defined in Regulation S unless registered under the Securities Act and all applicable state laws or an exemption from the registration requirements of the Securities Act and similar state laws is available, (c) each subscriber agreed not to engage in hedging transactions with regard to our shares of common stock unless in compliance with the Securities Act, (d) each subscriber made his, her or its subscription from the subscriber's residence or offices at an address outside of the United States and (e) each subscriber or the subscriber's advisor has such knowledge and experience in financial and business matters that the subscriber is capable of evaluating the merits and risks of, and protecting his interests in connection with an investment in us.

#### ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In conjunction with the share exchange discussed in Item 1.01 above, immediately following the closing of the share exchange our auditor relationship with SW Hatfield CPA ceased effective August 20, 2010.

##### (a)(1) Previous Independent Accountant

(i) We report that, immediately following the closing of the share exchange transaction discussed in Item 1.01 above, we dismissed our auditor, SW Hatfield CPA, effective August 20, 2010.

(ii) SW Hatfield CPA's report on our financial statement for the fiscal years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 did not contain an adverse opinion or disclaimer of opinion, and were not modified as to uncertainty, audit scope, or accounting principles. However, the reports contained an explanatory paragraph disclosing the uncertainty regarding our ability to continue as a going concern.

(iii) The decision to dismiss SW Hatfield CPA as our certifying accountants was recommended and approved by our Board of Directors on August 19, 2010.

(iv) In connection with the audits of our financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SW Hatfield CPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SW Hatfield CPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on our financial statements.

(a)(2) Engagement of PKF Hong Kong as Our Independent Accountant. On August 19, 2010, our board of directors recommended and approved the engagement of PKF Hong Kong effective after our shares exchange transaction discussed in Item 1.01 above, as our independent accountant to audit our financial statements for its fiscal year ended December 31, 2010. We engaged PKF Hong Kong effective August 24, 2010.

During the years ended December 31, 2009 and 2008 and the subsequent interim period ended June 30, 2010, and through the date of the firm's engagement, we did not consult with PFK Hong Kong with regard to:

(i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or

(ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

(a)(3) We have provided SW Hatfield CPA with a copy of the disclosures we are making in response to this Item. We have requested SW Hatfield CPA to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us in (a)(1)(i),(ii) and (iv) above and, if not, stating the respects in which SW Hatfield CPA does not agree. A copy of such letter, dated August 23, 2010, is filed as Exhibit 16 to this Current Report on Form 8-K.

**LETTERHEAD OF S. W. HATFIELD, CPA**

**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas

March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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## **FORM 8-K/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: February 22, 2011 (period: August 20, 2010)**

Amendment to a previously filed 8-K

FW-3711-SEC 0232

SEC APP 0292



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) August 20, 2010

**ASIA GREEN AGRICULTURE CORPORATION**  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
(State or Other Jurisdiction of Incorporation)

0-53343  
(Commission File Number)

26-2809270  
(IRS Employer Identification No.)

Shuinan Industrial Area, Songxi County, Fujian Province 353500, China  
(Address of Principal Executive Offices)

(86) 0599-2335520  
(Registrant's Telephone Number, Including Area Code)

Unit 30, Block 5, 17 Fang Cao Xi Yi Chengdu, Sichuan Province, China 610000  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

In instances described above where we indicate that we relied upon Regulation S promulgated under the Securities Act in issuing securities, our reliance was based upon the following factors: (a) each subscriber was neither a U.S. person nor acquiring the shares for the account or benefit of any U.S. person, (b) each subscriber agreed not to offer or sell the shares (including any pre-arrangement for a purchase by a U.S. person or other person in the United States) directly or indirectly, in the United States or to any natural person who is a resident of the United States or to any other U.S. person as defined in Regulation S unless registered under the Securities Act and all applicable state laws or an exemption from the registration requirements of the Securities Act and similar state laws is available, (c) each subscriber agreed not to engage in hedging transactions with regard to our shares of common stock unless in compliance with the Securities Act, (d) each subscriber made his, her or its subscription from the subscriber's residence or offices at an address outside of the United States and (e) each subscriber or the subscriber's advisor has such knowledge and experience in financial and business matters that the subscriber is capable of evaluating the merits and risks of, and protecting his interests in connection with an investment in us.

#### **ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

In conjunction with the share exchange discussed in Item 1.01 above, immediately following the closing of the share exchange our auditor relationship with SW Hatfield CPA ceased effective August 20, 2010.

##### **(a)(1) Previous Independent Accountant**

(i) We report that, immediately following the closing of the share exchange transaction discussed in Item 1.01 above, we dismissed our auditor, SW Hatfield CPA, effective August 20, 2010.

(ii) SW Hatfield CPA's report on our financial statement for the fiscal years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 did not contain an adverse opinion or disclaimer of opinion, and were not modified as to uncertainty, audit scope, or accounting principles. However, the reports contained an explanatory paragraph disclosing the uncertainty regarding our ability to continue as a going concern.

(iii) The decision to dismiss SW Hatfield CPA as our certifying accountants was recommended and approved by our Board of Directors on August 19, 2010.

(iv) In connection with the audits of our financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SW Hatfield CPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SW Hatfield CPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on our financial statements.

(a)(2) Engagement of PKF Hong Kong as Our Independent Accountant. On August 19, 2010, our board of directors recommended and approved the engagement of PKF Hong Kong effective after our shares exchange transaction discussed in Item 1.01 above, as our independent accountant to audit our financial statements for its fiscal year ended December 31, 2010. We engaged PKF Hong Kong effective August 24, 2010.

During the years ended December 31, 2009 and 2008 and the subsequent interim period ended June 30, 2010, and through the date of the firm's engagement, we did not consult with PFK Hong Kong with regard to:

(i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or

(ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

(a)(3) We have provided SW Hatfield CPA with a copy of the disclosures we are making in response to this Item. We have requested SW Hatfield CPA to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us in (a)(1)(i),(ii) and (iv) above and, if not, stating the respects in which SW Hatfield CPA does not agree. A copy of such letter, dated August 23, 2010, is filed as Exhibit 16 to this Current Report on Form 8-K.

**LETTERHEAD OF S. W. HATFIELD, CPA**

**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas  
March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

F-50

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**FORM 8-K/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: March 22, 2011 (period: August 20, 2010)**

Amendment to a previously filed 8-K

FW-3711-SEC 0236

SEC APP 0296

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) August 20, 2010

**ASIA GREEN AGRICULTURE CORPORATION**  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
(State or Other Jurisdiction of Incorporation)

0-53343  
(Commission File Number)

26-2809270  
(IRS Employer Identification No.)

Shuinan Industrial Area, Songxi County, Fujian Province 353500, China  
(Address of Principal Executive Offices)

(86) 0599-2335520  
(Registrant's Telephone Number, Including Area Code)

Unit 30, Block 5, 17 Fang Cao Xi Yi Chengdu, Sichuan Province, China 610000  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

In instances described above where we indicate that we relied upon Regulation S promulgated under the Securities Act in issuing securities, our reliance was based upon the following factors: (a) each subscriber was neither a U.S. person nor acquiring the shares for the account or benefit of any U.S. person, (b) each subscriber agreed not to offer or sell the shares (including any pre-arrangement for a purchase by a U.S. person or other person in the United States) directly or indirectly, in the United States or to any natural person who is a resident of the United States or to any other U.S. person as defined in Regulation S unless registered under the Securities Act and all applicable state laws or an exemption from the registration requirements of the Securities Act and similar state laws is available, (c) each subscriber agreed not to engage in hedging transactions with regard to our shares of common stock unless in compliance with the Securities Act, (d) each subscriber made his, her or its subscription from the subscriber's residence or offices at an address outside of the United States and (e) each subscriber or the subscriber's advisor has such knowledge and experience in financial and business matters that the subscriber is capable of evaluating the merits and risks of, and protecting his interests in connection with an investment in us.

#### ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In conjunction with the share exchange discussed in Item 1.01 above, immediately following the closing of the share exchange our auditor relationship with SW Hatfield CPA ceased effective August 20, 2010.

##### (a)(1) Previous Independent Accountant

(i) We report that, immediately following the closing of the share exchange transaction discussed in Item 1.01 above, we dismissed our auditor, SW Hatfield CPA, effective August 20, 2010.

(ii) SW Hatfield CPA's report on our financial statement for the fiscal years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 did not contain an adverse opinion or disclaimer of opinion, and were not modified as to uncertainty, audit scope, or accounting principles. However, the reports contained an explanatory paragraph disclosing the uncertainty regarding our ability to continue as a going concern.

(iii) The decision to dismiss SW Hatfield CPA as our certifying accountants was recommended and approved by our Board of Directors on August 19, 2010.

(iv) In connection with the audits of our financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SW Hatfield CPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SW Hatfield CPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on our financial statements.

(a)(2) Engagement of PKF Hong Kong as Our Independent Accountant. On August 19, 2010, our board of directors recommended and approved the engagement of PKF Hong Kong effective after our shares exchange transaction discussed in Item 1.01 above, as our independent accountant to audit our financial statements for its fiscal year ended December 31, 2010. We engaged PKF Hong Kong effective August 24, 2010.

During the years ended December 31, 2009 and 2008 and the subsequent interim period ended June 30, 2010, and through the date of the firm's engagement, we did not consult with PFK Hong Kong with regard to:

(i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or

(ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

(a)(3) We have provided SW Hatfield CPA with a copy of the disclosures we are making in response to this Item. We have requested SW Hatfield CPA to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us in (a)(1)(i),(ii) and (iv) above and, if not, stating the respects in which SW Hatfield CPA does not agree. A copy of such letter, dated August 23, 2010, is filed as Exhibit 16 to this Current Report on Form 8-K.

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas  
March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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## **FORM 8-K/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: April 19, 2011 (period: August 20, 2010)**

Amendment to a previously filed 8-K

FW-3711-SEC 0240

SEC APP 0300



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) August 20, 2010

**ASIA GREEN AGRICULTURE CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation)

0-53343  
(Commission File Number)

26-2809270  
(IRS Employer Identification No.)

Shuinan Industrial Area, Songxi County, Fujian Province 353500, China  
(Address of Principal Executive Offices)

(86) 0599-2335520  
(Registrant's Telephone Number, Including Area Code)

Unit 30, Block 5, 17 Fang Cao Xi Yi Chengdu, Sichuan Province, China 610000  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

In instances described above where we indicate that we relied upon Regulation S promulgated under the Securities Act in issuing securities, our reliance was based upon the following factors: (a) each subscriber was neither a U.S. person nor acquiring the shares for the account or benefit of any U.S. person, (b) each subscriber agreed not to offer or sell the shares (including any pre-arrangement for a purchase by a U.S. person or other person in the United States) directly or indirectly, in the United States or to any natural person who is a resident of the United States or to any other U.S. person as defined in Regulation S unless registered under the Securities Act and all applicable state laws or an exemption from the registration requirements of the Securities Act and similar state laws is available, (c) each subscriber agreed not to engage in hedging transactions with regard to our shares of common stock unless in compliance with the Securities Act, (d) each subscriber made his, her or its subscription from the subscriber's residence or offices at an address outside of the United States and (e) each subscriber or the subscriber's advisor has such knowledge and experience in financial and business matters that the subscriber is capable of evaluating the merits and risks of, and protecting his interests in connection with an investment in us.

#### ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In conjunction with the share exchange discussed in Item 1.01 above, immediately following the closing of the share exchange our auditor relationship with SW Hatfield CPA ceased effective August 20, 2010.

##### (a)(1) Previous Independent Accountant

(i) We report that, immediately following the closing of the share exchange transaction discussed in Item 1.01 above, we dismissed our auditor, SW Hatfield CPA, effective August 20, 2010.

(ii) SW Hatfield CPA's report on our financial statement for the fiscal years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 did not contain an adverse opinion or disclaimer of opinion, and were not modified as to uncertainty, audit scope, or accounting principles. However, the reports contained an explanatory paragraph disclosing the uncertainty regarding our ability to continue as a going concern.

(iii) The decision to dismiss SW Hatfield CPA as our certifying accountants was recommended and approved by our Board of Directors on August 19, 2010.

(iv) In connection with the audits of our financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SW Hatfield CPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SW Hatfield CPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on our financial statements.

(a)(2) Engagement of PKF Hong Kong as Our Independent Accountant. On August 19, 2010, our board of directors recommended and approved the engagement of PKF Hong Kong effective after our shares exchange transaction discussed in Item 1.01 above, as our independent accountant to audit our financial statements for its fiscal year ended December 31, 2010. We engaged PKF Hong Kong effective August 24, 2010.

During the years ended December 31, 2009 and 2008 and the subsequent interim period ended June 30, 2010, and through the date of the firm's engagement, we did not consult with PFK Hong Kong with regard to:

(i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or

(ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

(a)(3) We have provided SW Hatfield CPA with a copy of the disclosures we are making in response to this Item. We have requested SW Hatfield CPA to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us in (a)(1)(i),(ii) and (iv) above and, if not, stating the respects in which SW Hatfield CPA does not agree. A copy of such letter, dated August 23, 2010, is filed as Exhibit 16 to this Current Report on Form 8-K.

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas

March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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**FORM 8-K/A**

**Asia Green Agriculture Corp - AGAC**

**Filed: May 09, 2011 (period: August 20, 2010)**

Amendment to a previously filed 8-K

FW-3711-SEC 0244

SEC APP 0304

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) August 20, 2010

**ASIA GREEN AGRICULTURE CORPORATION**  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
(State or Other Jurisdiction of Incorporation)

0-53343  
(Commission File Number)

26-2809270  
(IRS Employer Identification No.)

Shuinan Industrial Area, Songxi County, Fujian Province 353500, China  
(Address of Principal Executive Offices)

(86) 0599-2335520  
(Registrant's Telephone Number, Including Area Code)

Unit 30, Block 5, 17 Fang Cao Xi Yi Chengdu, Sichuan Province, China 610000  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

In instances described above where we indicate that we relied upon Regulation S promoted under the Securities Act in issuing securities, our reliance was based upon the following factors: (a) each subscriber was neither a U.S. person nor acquiring the shares for the account or benefit of any U.S. person, (b) each subscriber agreed not to offer or sell the shares (including any pre-arrangement for a purchase by a U.S. person or other person in the United States) directly or indirectly, in the United States or to any natural person who is a resident of the United States or to any other U.S. person as defined in Regulation S unless registered under the Securities Act and all applicable state laws or an exemption from the registration requirements of the Securities Act and similar state laws is available, (c) each subscriber agreed not to engage in hedging transactions with regard to our shares of common stock unless in compliance with the Securities Act, (d) each subscriber made his, her or its subscription from the subscriber's residence or offices at an address outside of the United States and (e) each subscriber or the subscriber's advisor has such knowledge and experience in financial and business matters that the subscriber is capable of evaluating the merits and risks of, and protecting his interests in connection with an investment in us.

#### ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In conjunction with the share exchange discussed in Item 1.01 above, immediately following the closing of the share exchange our auditor relationship with SW Hatfield CPA ceased effective August 20, 2010.

##### (a)(1) Previous Independent Accountant

(i) We report that, immediately following the closing of the share exchange transaction discussed in Item 1.01 above, we dismissed our auditor, SW Hatfield CPA, effective August 20, 2010.

(ii) SW Hatfield CPA's report on our financial statement for the fiscal years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 did not contain an adverse opinion or disclaimer of opinion, and were not modified as to uncertainty, audit scope, or accounting principles. However, the reports contained an explanatory paragraph disclosing the uncertainty regarding our ability to continue as a going concern.

(iii) The decision to dismiss SW Hatfield CPA as our certifying accountants was recommended and approved by our Board of Directors on August 19, 2010.

(iv) In connection with the audits of our financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from August 1, 2007 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SW Hatfield CPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SW Hatfield CPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on our financial statements.

(a)(2) Engagement of PKF Hong Kong as Our Independent Accountant. On August 19, 2010, our board of directors recommended and approved the engagement of PKF Hong Kong effective after our shares exchange transaction discussed in Item 1.01 above, as our independent accountant to audit our financial statements for its fiscal year ended December 31, 2010. We engaged PKF Hong Kong effective August 24, 2010.

During the years ended December 31, 2009 and 2008 and the subsequent interim period ended June 30, 2010, and through the date of the firm's engagement, we did not consult with PFK Hong Kong with regard to:

(i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or

(ii) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

(a)(3) We have provided SW Hatfield CPA with a copy of the disclosures we are making in response to this Item. We have requested SW Hatfield CPA to furnish a letter addressed to the Commission stating whether it agrees with the statements made by us in (a)(1)(i),(ii) and (iv) above and, if not, stating the respects in which SW Hatfield CPA does not agree. A copy of such letter, dated August 23, 2010, is filed as Exhibit 16 to this Current Report on Form 8-K.

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders SMSA Palestine Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Palestine Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Palestine Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas

March 15, 2010 (except for Note I  
as to which the date is March 29, 2010)

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**FORM 10-K**

**BTHC X INC - BTXI**

**Filed: March 30, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0248

SEC APP 0308



It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

### **Item 3 - Legal Proceedings**

The Company and its properties are not a party or subject to any pending legal proceedings, and no such proceedings are known to be contemplated.

### **Item 4 - Submission of Matters to a Vote of Security Holders**

(Reserved)

## **PART II**

### **Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

#### **Market for Trading and Eligibility for Future Sale**

The Company's securities are eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is BTXI. As of the date of this report, there have been no known trades of the Company's securities.

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

#### **Holders**

As of each of December 31, 2009 and March 25, 2010, there were a total of 5,839,933 shares of our common stock outstanding, held by approximately 590 stockholders of record, and no shares of preferred stock outstanding.

#### **Common Stock**

Our authorized capital stock consists of 40,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

#### **Provisions Having A Possible Anti-Takeover Effect**

Our Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our Board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our Board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

## Preferred Stock

Pursuant to our Certificate of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

## Restricted Securities

We currently have 5,839,933 shares of common stock outstanding. Of these, 5,664,735 shares of our common stock are restricted securities as defined in Rule 144. Accordingly, 175,198 shares of our common stock are freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by one of our affiliates within the meaning of Rule 144 under the Securities Act. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

## Rule 144

The SEC has recently adopted amendments to Rule 144 which became effective on February 15, 2008 and apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Persons who have beneficially owned restricted shares of our common stock or warrants for at least six months but who are our affiliates at the time of, or at any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of shares of our common stock then outstanding; or
- the average weekly trading volume of the shares of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also limited by manner of sale provisions, notice requirements and the availability of current public information about us.

## Sales Under Rule 144 By Non-Affiliates

Under Rule 144, a person who is not deemed to have been one of our affiliates at the time of or at any time during the three months preceding a sale, and who has beneficially owned the restricted common stock proposed to be sold for at least 6 months, including the holding period of any prior owner other than an affiliate, is entitled to sell their common stock without complying with the manner of sale and volume limitation or notice provisions of Rule 144. We must be current in our public reporting if the non-affiliate is seeking to sell under Rule 144 after holding his shares of common stock between 6 months and one year. After one year, non-affiliates do not have to comply with any other Rule 144 requirements.

## Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies like us, to their promoters or affiliates despite technical compliance with the requirements of Rule 144. The SEC has codified and expanded this position in recent amendments by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an exception to this prohibition, however, if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;

- the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

As a result, our existing stockholders will be able to sell the shares pursuant to Rule 144 without registration one year after we have completed our initial business combination assuming they are not an affiliate of ours at that time.

#### **Dividends**

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

#### **Transfer Agent**

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

#### **Reports to Stockholders**

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, file with the SEC an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to furnish annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

#### **Securities Authorized for Issuance under Equity Compensation Plan**

None

#### **Repurchases of Equity Security**

None

#### **Item 6 - Selected Financial Data**

Not applicable

#### **Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

##### **(1) Caution Regarding Forward-Looking Information**

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intend", "estimate", "plan" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions regarding our business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore that you should not rely on any of these forward-looking statements as statements of historical fact or as guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions and the following:

### Item 13 - Certain Relationships and Related Transactions, and Director Independence

HFG participated in our Plan of Reorganization and the issuance to HFG of 350,000 pre-split shares of our common stock for satisfaction of certain administrative claims and for HFG's agreement to provide us with certain services in the past, as set forth in more detail elsewhere in this Annual Report on Form 10-K.

On May 21, 2009, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Sur-America Ventures, Inc., a Delaware corporation ("SAV"), and the sole stockholder of SAV. Pursuant to the Share Exchange Agreement, the stockholders of SAV transferred 100% of the issued and outstanding shares of the capital stock of SAV in exchange for 1,576,782 newly issued shares of our common stock that, in the aggregate, constituted approximately 90% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of such exchange. As a result of this transaction, 1,751,980 shares of our common stock were then issued and outstanding.

SAV was organized on May 19, 2009 as a Delaware corporation and was formed to seek and identify a privately-held operating company located in Latin America desiring to become a publicly held company with access to United States capital markets by combining with us through a reverse merger or acquisition transaction.

On September 18, 2009 the Company entered into a Securities Purchase Agreement (the "SPA") with Magellan Alpha Investments, Corp., a Marshall Islands corporation ("Magellan") and Pierre Galoppi, the Company's then sole director and officer ("Seller"). Pursuant to the SPA and upon its consummation, Magellan purchased from the Seller an aggregate of 1,576,782 shares of our issued and outstanding common stock that, in the aggregate, constituted 90% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately prior to the consummation of the SPA. Following consummation of the SPA, Pierre Galoppi resigned as out sole director and officer.

In addition, on October 9, 2009, pursuant to a subscription agreement (the "SA"), the Company closed a transaction by which Magellan subscribed for an additional 4,087,953 newly issued shares of our common stock, which newly issued shares constituted 70% of our issued and outstanding common stock on a fully diluted basis following the consummation of the transaction contemplated by the SA. As a result of these transactions, 5,839,933 shares of our common stock are issued and outstanding. Magellan owns an aggregate of 5,664,735 shares, or 97% of the issued and outstanding common stock of the Company.

On October 28, 2009, Magellan entered into a securities purchase agreement with certain of our existing stockholders, by which Messrs. Rabinowitz, Teller, Glassberg, Fiore, Rose, James Siegel and Timothy G. Murphy purchased an aggregate of 2,032,656 shares of our common stock from Magellan for an aggregate purchase price of \$140,000. Mr. Syllantavos has sole voting power over Magellan. Each of Magellan, Messrs. Rabinowitz, Teller, Glassberg, Fiore, Rose, James Siegel and Timothy G. Murphy then entered into a shareholders agreement regarding their ownership in the Company. Pursuant to this shareholder's agreement, the parties thereto may cause our board of directors to consist of three members, two of which are to be designees of the collective shareholders, and one of which is to be selected by the minority shareholders. The shareholders agreement also calls for Mr. Syllantavos to be the sole officer of the Company.

The Company currently maintains a mailing address at is 2 Argyrokastrou Street, Voula 16673, Athens, Greece. The Company's telephone number there is +30 210 899 2896. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. These facilities are provided by Mr. Syllantavos to the Company free of charge.

#### Director Independence

The Company currently has one director, and is not required to have a majority of independent directors for such time as the Company's securities continue to be quoted on the OTC Bulletin Board. Following the consummation of its business combination, the Company will reconsider the composition of its board of directors, and take into consideration any applicable exchange listing requirements at such time.

### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 4,100	\$ 3,950
2. Audit-related fees	--	--
3. Tax fees	200	200
4. All other fees	--	--
Totals	<u>\$ 4,300</u>	<u>\$ 4,150</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

#### Item 15 - Exhibits, Financial Statement Schedules

- 2.1 First Amended Joint Plan of Reorganization filed by the Debtors and Official Committee of Unsecured Creditors, In the United States Bankruptcy Court, Northern District of Texas, Dallas Division, In Re: Ballantrae Healthcare, LLC, et. al., Debtors, Case No. 03-33152-HDH-11, dated September 29, 2004. (\*)
- Order Confirming First Amended and Joint Plan of Reorganization, Chapter 11, Case No. 03-33152-HDH-11, Signed November 29, 2004. (\*)
- 3.1 Agreement and Plan of Merger by and between BTHC X, Inc. and BTHC X, LLC, dated August 15, 2006. (\*)
- 3.2 Certificate of Merger as filed with the Secretary of State of the State of Delaware on August 16, 2006. (\*)
- 3.3 Articles of Merger as filed with the Secretary of State of the State of Texas on August 16, 2006. (\*)
- 3.4 Certificate of Incorporation of BTHC X, Inc. (\*)
- 3.5 Bylaws of BTHC X, Inc. (\*)
- 4.1 Form of common stock certificate. (\*)
- 10.1 Share Exchange Agreement between BTHC X Inc and Sur American Ventures dated May 19, 2009
- Securities Purchase Agreement between Magellan Alpha Investments and Pierre Galoppi dated September 18, 2009
- 10.2 2009
- 10.3 Subscription Agreement between Magellan Alpha Investments and BTHC X Inc. dated October 9, 2009
- 16.1 Letter from S.W. Hatfield, CPA
- 21.1 Subsidiaries of BTHC X, Inc.
- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(\*) Incorporated by reference to the Company's Registration Statement on Form 10-SB (File No. 0-52237) on September 22, 2006.

(Remainder of this page left blank intentionally)  
(Financial statements follow on next page)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC X, Inc.

We have audited the accompanying balance sheets of BTHC X, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC X, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas  
March 23, 2010 (except for Note J  
as to which the date is March 29, 2010)

**Exhibit 16.1**

BTHC X, Inc.

File # 0-52237

Form 10-K

For the year ended December 31, 2009

**Letterhead of S. W. Hatfield, CPA**

March 29, 2010

U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Gentlemen:

On March 29, 2010, this Firm received the final draft copy of an Annual Report on Form 10-K to be filed by BTHC X, Inc. (SEC File #0-52237, CIK # 1373685) (Company) reporting an Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

We have no disagreements with the statements made in the draft Form 10-K, Item 9 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

S. W. Hatfield, CPA  
Dallas, Texas

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**FORM 10-K**

**BTHC X INC - BTXI**

**Filed: March 29, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

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SEC APP 0316



## PART II

### Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

The Company's securities are eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is BTXI. As of the date of this report, there have been no known trades of the Company's securities.

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

#### Holders

As of March 29, 2011, there were a total of 5,839,933 shares of our common stock outstanding, held by approximately 590 stockholders of record, and no shares of preferred stock outstanding.

#### Common Stock

Our authorized capital stock consists of 40,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

#### Provisions Having A Possible Anti-Takeover Effect

Our Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our Board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our Board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

#### Preferred Stock

Pursuant to our Certificate of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

#### Restricted Securities

We currently have 5,839,933 shares of common stock outstanding. Of these, 5,664,735 shares of our common stock are restricted securities as defined in Rule 144. Accordingly, 175,198 shares of our common stock are freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by one of our affiliates within the meaning of Rule 144 under the Securities Act. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

## Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies like us, to their promoters or affiliates despite technical compliance with the requirements of Rule 144. The SEC has codified and expanded this position in recent amendments by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an exception to this prohibition, however, if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

As a result, our existing stockholders will not be able to sell the shares pursuant to Rule 144 without registration one year after we have completed our initial business combination assuming we meet the four conditions of a former shell company stated above at such time.

### Rule 144

The SEC has adopted amendments to Rule 144 which became effective on February 15, 2008 and apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities without volume limitations provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale and (iii) have met the four conditions set forth above for a former shell company to avail itself to Rule 144. We must be current in our public reporting if the non-affiliate is seeking to sell under Rule 144 after holding his shares of common stock between 6 months and one year. After one year, non-affiliates do not have to comply with any other Rule 144 requirements.

### Sales Under Rule 144 by Affiliates

Persons who have beneficially owned restricted shares of our common stock or warrants for at least six months but who are our affiliates at the time of, or at any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of shares of our common stock then outstanding; or
- the average weekly trading volume of the shares of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by affiliates are also limited by manner of sale provisions, notice requirements and the availability of current public information about us.

### Sales Under Rule 144 By Non-Affiliates

Under Rule 144, a person who is not deemed to have been one of our affiliates at the time of or at any time during the three months preceding a sale, and who has beneficially owned the restricted common stock proposed to be sold for at least 6 months, including the holding period of any prior owner other than an affiliate, is entitled to sell their common stock without complying with the manner of sale and volume limitation or notice provisions of Rule 144.

### Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.



## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, file with the SEC an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to furnish annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Securities Authorized for Issuance under Equity Compensation Plan

None

## Repurchases of Equity Security

None

## Item 6 - Selected Financial Data

Not applicable

## Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intend", "estimate", "plan" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions regarding our business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore that you should not rely on any of these forward-looking statements as statements of historical fact or as guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions and the following:

- our status as a development stage company;
- our selection of a prospective target business or asset;
- our issuance of our capital shares or incurrence of debt to complete a business combination;
- removal of our securities from OTC Bulletin Board quotation system, or the ability to have our securities quoted on OTC Bulletin Board or listed on another exchange following our business combination;
- our ability to consummate an attractive business combination due to our limited resources and the significant competition for business combination opportunities;

The Company's need for working capital may change dramatically as a result of any business acquisition or combination transaction. There can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires.

The Company has no current plans, proposals, arrangements or understandings with respect to the sale or issuance of additional securities prior to the location of a merger or acquisition candidate. Accordingly, there can be no assurance that sufficient funds will be available to the Company to allow it to cover the expenses related to such activities.

Regardless of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash.

#### **Item 7A - Quantitative and Qualitative Disclosures about Market Risk**

The carrying amount of cash, accounts receivable, accounts payable and notes payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Interest rate risk is the risk that the Company's earnings are subject to fluctuations in interest rates on either investments or on debt and is fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to interest rate risk, if any.

Financial risk is the risk that the Company's earnings are subject to fluctuations in interest rates or foreign exchange rates and are fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to financial risk, if any.

#### **Item 8 - Financial Statements and Supplementary Data**

The required financial statements begin on page F-1 of this document.

#### **Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

On March 30, 2010, the Board of Directors of the Company was notified by its registered independent certified public accounting firm, S. W. Hatfield, CPA (SWHCPA) of Dallas, Texas that, due to the partner rotation rules and regulations of the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002, SWHCPA was unable to continue as the Company's auditor and has resigned, effective immediately.

The Company's Board of Directors accepted the resignation of SWHCPA. From June 1, 2007 through March 30, 2010, there were no disagreements with SWHCPA on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure.

In April, 2010 the Company retained the accounting firm Blanchfield, Meyer, Kober & Rizzo LLP to serve as its accountants and auditors.

No accountant's report on the financial statements for either of the past two (2) years contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope or accounting principles, except for a going concern opinion expressing substantial doubt about the ability of the Company to continue as a going concern.

For the years ended December 31, 2010 and 2009, and from January 1, 2011 through the date of this report, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

#### **Item 9A - Controls and Procedures**

**Disclosure Controls and Procedures.** Our management, under the supervision and with the participation of our certifying officer, who is our sole officer and acts as our chief executive officer and chief financial officer (the "Certifying Officer"), has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 promulgated under the Exchange Act as of the end of the period covered by this Annual Report. Based on such evaluation, our Certifying Officer has concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Certifying Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company currently maintains a mailing address at is 2 Argyrokastrou Street, Voula 16673, Athens, Greece. The Company's telephone number there is +30 210 899 2896. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. These facilities are provided by Mr. Syllantavos to the Company free of charge.

**Director Independence**

The Company currently has one director, and is not required to have a majority of independent directors for such time as the Company's securities continue to be quoted on the OTC Bulletin Board. Following the consummation of its business combination, the Company will reconsider the composition of its board of directors, and take into consideration any applicable exchange listing requirements at such time, if applicable.

**Item 14 - Principal Accountant Fees and Services**

The Company paid or accrued the following fees in 2009 to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas and in 2010 to its principal accountant Blanchfield, Meyer, Kober & Rizzo LLP of Hauppauge, New York.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 8,100	\$ 4,100
2. Audit-related fees	—	—
3. Tax fees	233	200
4. All other fees	—	—
<b>Totals</b>	<b>\$ 8,333</b>	<b>\$ 4,300</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with Blanchfield, Meyer, Kober & Rizzo LLP maintaining its independence and have determined that these services do not compromise their independence.

**Financial Information System Design and Implementation:** Blanchfield, Meyer, Kober & Rizzo LLP did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, Blanchfield, Meyer, Kober & Rizzo LLP, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

**Item 15 - Exhibits, Financial Statement Schedules**

- 2.1 First Amended Joint Plan of Reorganization filed by the Debtors and Official Committee of Unsecured Creditors, In the United States Bankruptcy Court, Northern District of Texas, Dallas Division, In Re: Ballantrae Healthcare, LLC, et. al., Debtors, Case No. 03-33152-HDH-11, dated September 29, 2004. (\*)
- 2.2 Order Confirming First Amended and Joint Plan of Reorganization, Chapter 11, Case No. 03-33152-HDH-11, Signed November 29, 2004. (\*)
- 3.1 Agreement and Plan of Merger by and between BTHC X, Inc. and BTHC X, LLC, dated August 15, 2006. (\*)

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

We have audited the accompanying balance sheet of BTHC X, Inc. (a development stage company) as of December 31, 2010, and the related statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for year ended December 31, 2010. BTHC X, Inc. (a development stage company)'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements as of December 31, 2009, were audited by S. W. Hatfield, CPA and whose report dated March 29, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC X, Inc. (a development stage company) as of December 31, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note D. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Hauppauge, New York  
March 17, 2011

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC X, Inc.

We have audited the accompanying balance sheets of BTHC X, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC X, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA  
Dallas, Texas  
March 23, 2010 (except for Note J  
as to which the date is March 29, 2010)



Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**BTHC XIV, Inc. - BXII**

**Filed: March 10, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0267

SEC APP 0325



## Market for Trading and Eligibility for Future Sale

The Company's securities are eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is BXIV. As of the date of this report, there have been no known trades of the Company's securities.

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

### Holders

As of December 31, 2009, there were a total of 300,232 shares of our common stock outstanding, held by approximately 520 stockholders of record.

### Stock Splits

On July 1, 2008, the Company's Board of Directors declared an 80% (0.8-for-1) forward stock split dividend on the issued and outstanding shares of its common stock, which was payable on July 16, 2008 to stockholders of record on July 11, 2008. Pursuant to the common stock dividend, stockholders received 0.8 new shares of common stock for each one share of common stock held by them on the record date. No fractional shares were issued in connection with common stock dividend and any fractional interests were rounded up to the nearest whole share. As a result of this action, the total number of issued and outstanding shares of the Corporation's common stock were increased from 500,007 shares to approximately 900,036 shares.

On July 28, 2009, effective on August 3, 2009, Company's Board of Directors declared a 1-for-3 reverse split of the issued and outstanding shares of common stock. The reverse stock split was implemented by adjusting the stockholders' book entry accounts to reflect the number of shares held by each stockholder following the split. No fractional shares were issued in connection with the reverse stock split and any fractional shares resulting from the reverse split were rounded up to the nearest whole share. The reverse stock split reduced the number of the Company's issued and outstanding shares of common stock from 900,036 to approximately 300,232.

The effects of these actions are reflected in the accompanying financial statements as of the first day of the first period presented.

### Common Stock

Our authorized capital stock consists of 40,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

### Provisions Having A Possible Anti-Takeover Effect

Our Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our Board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our Board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

## Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Certificate of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

## Restricted Securities

We currently do not have any outstanding restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

## Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 5 - Selected Financial Data

Not applicable

## Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

It is not currently anticipated that any salary, consulting fee, or finders fee shall be paid to any of the Company's directors or executive officers, or to any other affiliate of the Company except as described under Executive Compensation above.

Although management has no current plans to cause the Company to do so, it is possible that the Company may enter into an agreement with an acquisition candidate requiring the sale of all or a portion of the Common Stock held by the Company's current stockholders to the acquisition candidate or principals thereof, or to other individuals or business entities, or requiring some other form of payment to the Company's current stockholders, or requiring the future employment of specified officers and payment of salaries to them. It is more likely than not that any sale of securities by the Company's current stockholders to an acquisition candidate would be at a price substantially higher than that originally paid by such stockholders. Any payment to current stockholders in the context of an acquisition involving the Company would be determined entirely by the largely unforeseeable terms of a future agreement with an unidentified business entity.

**Director Independence**

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 4200 (a) (15) of the NASDAQ Marketplace Rules.

**Item 13 - Principal Accountant Fees and Services**

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 4,300	\$ 4,350
2. Audit-related fees	--	--
3. Tax fees	--	200
4. All other fees	--	--
<b>Totals</b>	<b>\$ 4,300</b>	<b>\$ 4,550</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC XIV, Inc.

We have audited the accompanying balance sheets of BTHC XIV, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC XIV, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
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CPA

Dallas, Texas  
March 4, 2010 (except for Note I  
as to which the date is March 9, 2010)

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## **FORM 10-K**

**BTHC XIV, Inc. - BXII**

**Filed: January 18, 2011 (period: December 31, 2010)**

**Annual report with a comprehensive overview of the company**

**FW-3711-SEC 0273**

SEC APP 0331

## PART II

### Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

The Company's securities are eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, subsection (a)(5). The Company's trading symbol is BXIV. As of the date of this report, there have been no known trades of the Company's securities.

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares, as defined in the Plan of Reorganization which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof are free to resell such securities without registration under the Securities Act.

#### Holder

As of December 31, 2010, there were a total of 6,004,640 shares of our common stock outstanding, held by approximately 520 stockholders of record.

#### Stock Splits

On July 1, 2008, the Company's Board of Directors declared an 80% (0.8-for-1) forward stock split dividend on the issued and outstanding shares of its common stock, which was payable on July 16, 2008 to stockholders of record on July 11, 2008. Pursuant to the common stock dividend, stockholders received 0.8 new shares of common stock for each one share of common stock held by them on the record date. No fractional shares were issued in connection with common stock dividend and any fractional interests were rounded up to the nearest whole share. As a result of this action, the total number of issued and outstanding shares of the Company's common stock were increased from 500,007 shares to approximately 900,036 shares.

On July 28, 2009, effective on August 3, 2009, Company's Board of Directors declared a 1-for-3 reverse split of the issued and outstanding shares of common stock. The reverse stock split was implemented by adjusting the stockholders' book entry accounts to reflect the number of shares held by each stockholder following the split. No fractional shares were issued in connection with the reverse stock split and any fractional shares resulting from the reverse split were rounded up to the nearest whole share. The reverse stock split reduced the number of the Company's issued and outstanding shares of common stock from 900,036 to approximately 300,232.

The effects of these actions are reflected in the accompanying financial statements as of the first day of the first period presented.

#### Recent Sales of Unregistered Securities

On June 1, 2010, the Company entered into a Share Exchange Agreement with Souter, pursuant to which he acquired 5,704,408 shares of our common stock in exchange for approximately \$5,750 cash or \$0.001 per share. As a result of this transaction, 6,004,640 shares of our common stock are currently issued and outstanding. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration on these shares. The proceeds from this transaction will be used to support the working capital requirements of the Company in future periods.

#### Common Stock

Our authorized capital stock consists of 40,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.



## Provisions Having A Possible Anti-Takeover Effect

Our Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our Board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our Board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

## Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Certificate of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

## Restricted Securities

We currently have approximately 5,704,408 shares of common stock outstanding which qualify as restricted securities as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

## Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. At this time, the Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 6 - Selected Financial Data

Not applicable

## Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### (2) General

The Company was formed on March 31, 2006, and incorporated on August 16, 2006, in accordance with the Laws of the State of Delaware. The Company is the U. S. Bankruptcy Court mandated reincorporation of and successor to BTHC XIV, LLC, a Texas Limited Liability Company which was discharged from bankruptcy on November 29, 2004. The effective date of the merger of BTHC XIV, Inc. and BTHC XIV, LLC was August 16, 2006.

The Company's emergence from Chapter 11 of Title 11 of the United States Code on November 29, 2004 created the combination of a change in majority ownership and voting control - that is, loss of control by the then-existing stockholders, a court-approved reorganization, and a reliable measure of the entity's fair value - resulting in a fresh start, creating, in substance, a new reporting entity. Accordingly, the Company, post bankruptcy, has no significant assets, liabilities or operating activities. Therefore, the Company, as a new reporting entity, qualifies as a "development stage enterprise" as defined in Statement of Financial Accounting Standard No. 7, as amended.

On June 1, 2010, the Company entered into a Share Exchange Agreement with Souter, pursuant to which he acquired 5,704,408 shares of our common stock in exchange for approximately \$5,750 cash or \$0.001 per share. As a result of this transaction, 6,004,640 shares of our common stock are currently issued and outstanding. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration on these shares and no underwriter was used in this transaction. The proceeds from this transaction will be used to support the working capital requirements of the Company in future periods.

Concurrent with this transaction, we adopted a current business plan to develop a restaurant and bar concept geared towards individuals and families living within the proximity of to-be-selected suburban locations. This restaurant and bar concept is geared to offer customers a venue to hear local bands and participate in various other entertainment options such as popular video games and organized club activities involving pool, darts, Texas Hold 'Em poker and ping pong. Mr. Souter is currently the owner of a comparable business located in downtown Dallas, Texas.

On July 1, 2008, the Company's Board of Directors declared an 80% (0.8-for-1) forward stock split dividend on the issued and outstanding shares of its common stock, which was payable on July 16, 2008 to stockholders of record on July 11, 2008. Pursuant to the common stock dividend, stockholders received 0.8 new shares of common stock for each one share of common stock held by them on the record date. No fractional shares were issued in connection with common stock dividend and any fractional interests were rounded up to the nearest whole share. As a result of this action, the total number of issued and outstanding shares of the Company's common stock were increased from 500,007 shares to approximately 900,036 shares. The effect of this action is reflected in the accompanying financial statements as of the first day of the first period presented.

On July 28, 2009, effective on August 3, 2009, Company's Board of Directors declared a 1-for-3 reverse split of the issued and outstanding shares of common stock. The reverse stock split was implemented by adjusting the stockholders' book entry accounts to reflect the number of shares held by each stockholder following the split. No fractional shares were issued in connection with the reverse stock split and any fractional shares resulting from the reverse split were rounded up to the nearest whole share. The reverse stock split reduced the number of the Company's issued and outstanding shares of common stock from 900,036 to approximately 300,232.

- (4) Mr. Souter is our president and director. His address is 8235 Douglas Avenue, Suite 1100, Dallas TX 75225
- (5) Mr. Halter is our former president and served as a director through January 17, 2011. He also is a member of Halter Financial Investments GP, LLC, the general partner of Halter Financial Investments L.P. Mr. Halter's address is 12890 Hilltop Road, Argyle, Texas 76226.
- (6) Mr. Halter is deemed to beneficially own the Plan Shares owned by Halter Financial Investments, L.P.

**Changes in Control**

There are currently no arrangements which may result in a change in control of the Company.

**Item 13 - Certain Relationships and Related Transactions, and Director Independence**

There are no identified relationships or transactions between us and any of our directors, officers and principal stockholders other than the Company currently maintains a mailing address at 8235 Douglas Avenue, Suite 1100, Dallas TX 75225 and our telephone number of (214) 237-5348.

**Director Independence**

Pursuant to the Company's current governance structure, the Company has no independent directors as defined in Rule 4200 (a) (15) of the NASDAQ Marketplace Rules.

**Item 14 - Principal Accounting Fees and Services**

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 5,200	\$ 4,300
2. Audit-related fees	-	-
3. Tax fees	235	-
4. All other fees	-	-
<b>Totals</b>	<b>\$ 5,435</b>	<b>\$ 4,300</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC XIV, Inc.

We have audited the accompanying balance sheets of BTHC XIV, Inc. (a Delaware corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2010, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC XIV, Inc. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2010, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S. W. HATFIELD, CPA

Dallas, Texas  
January 11, 2011 (except for Note I  
as to which the date is January 13, 2011)

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**FORM 10-K**

**BTHC XV, Inc. - BTXV**

**Filed: March 10, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0279

SEC APP 0337

## PART II

### Item 4 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

The Company's securities are eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is BTXV. As of the date of this report, there have been no known trades of the Company's securities.

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

#### Holders

As of December 31, 2009, there were a total of 500,017 shares of our common stock outstanding, held by approximately 498 stockholders of record.

#### Common Stock

Our authorized capital stock consists of 40,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

#### Provisions Having A Possible Anti-Takeover Effect

Our Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our Board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our Board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

#### Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Certificate of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

## Restricted Securities

We currently do not have any outstanding restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

## Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 5 - Selected Financial Data

Not applicable

## Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### (2) General

## Item 12 - Certain Relationships and Related Transactions, and Director Independence

There are no identified relationships or transactions between us and any of our directors, officers and principal stockholders other than the Company currently maintaining a mailing address at 174 FM 1830, Argyle, Texas 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other revenue producing businesses of the Company's sole officer and director.

### Conflicts of Interest

The sole officer of the Company will not devote more than a small portion of his time to the affairs of the Company. There will be occasions when the time requirements of the Company's business conflict with the demands of the officer's other business and investment activities. Such conflicts may require that the Company attempt to employ additional personnel. There is no assurance that the services of such persons will be available or that they can be obtained upon terms favorable to the Company.

The officer, director and principal stockholder of the Company may actively negotiate for the purchase of a portion of their common stock as a condition to, or in connection with, a proposed merger or acquisition transaction. It is anticipated that a substantial premium may be paid by the purchaser in conjunction with any sale of shares by the Company's officer, director and principal stockholder made as a condition to, or in connection with, a proposed merger or acquisition transaction. The fact that a substantial premium may be paid to the Company's sole officer and director to acquire his shares creates a conflict of interest for him and may compromise his state law fiduciary duties to the Company's other stockholders. In making any such sale, the Company's sole officer and director may consider his own personal pecuniary benefit rather than the best interests of the Company and the Company's other stockholders, and the other stockholders are not expected to be afforded the opportunity to approve or consent to any particular buy-out transaction involving shares held by Company management.

The Company may adopt a policy under which any consulting or finders fee that may be owed to a third party for services to assist management in evaluating a prospective business opportunity could be paid in stock rather than in cash. Any such issuance of stock would be made on an ad hoc basis. Accordingly, the Company is unable to predict whether, or in what amount, such stock issuance might be made.

It is not currently anticipated that any salary, consulting fee, or finders fee shall be paid to any of the Company's directors or executive officers, or to any other affiliate of the Company except as described under Executive Compensation above.

Although management has no current plans to cause the Company to do so, it is possible that the Company may enter into an agreement with an acquisition candidate requiring the sale of all or a portion of the Common Stock held by the Company's current stockholders to the acquisition candidate or principals thereof, or to other individuals or business entities, or requiring some other form of payment to the Company's current stockholders, or requiring the future employment of specified officers and payment of salaries to them. It is more likely than not that any sale of securities by the Company's current stockholders to an acquisition candidate would be at a price substantially higher than that originally paid by such stockholders. Any payment to current stockholders in the context of an acquisition involving the Company would be determined entirely by the largely unforeseeable terms of a future agreement with an unidentified business entity.

### Director Independence

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 4200 (a) (15) of the NASDAQ Marketplace Rules.

## Item 13 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.



	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 4,300	\$ 4,350
2. Audit-related fees	--	--
3. Tax fees	--	200
4. All other fees	--	--
<b>Totals</b>	<b>\$ 4,300</b>	<b>\$ 4,550</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

**Item 14 - Exhibits, Financial Statement Schedules**

- 2.1 First Amended Joint Plan of Reorganization filed by the Debtors and Official Committee of Unsecured Creditors, In the United States Bankruptcy Court, Northern District of Texas, Dallas Division, In Re: Ballantrae Healthcare, LLC, et. al., Debtors, Case No. 03-33152-HDH-11, dated September 29, 2004. (\*)
- 2.2 Order Confirming First Amended and Joint Plan of Reorganization, Chapter 11, Case No. 03-33152-HDH-11, Signed November 29, 2004. (\*)
- 3.1 Agreement and Plan of Merger by and between BTHC XV, Inc. and BTHC XV, LLC, dated August 16, 2006. (\*)
- 3.2 Certificate of Merger as filed with the Secretary of State of the State of Delaware on August 16, 2006. (\*)
- 3.3 Articles of Merger as filed with the Secretary of State of the State of Texas on August 16, 2006. (\*)
- 3.4 Certificate of Incorporation of BTHC XV, Inc. (\*)
- 3.5 Bylaws of BTHC XV, Inc. (\*)
- 4.1 Form of common stock certificate. (\*)
- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(\*) Incorporated by reference to the Company's Registration Statement on Form 10-SB (File No. 0-52808) on September 13, 2007.

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(Financial statements follow on next page)

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
BTHC XV, Inc.

We have audited the accompanying balance sheets of BTHC XV, Inc. (a Delaware corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and for the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTHC XV, Inc. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from November 29, 2004 (date of bankruptcy settlement) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S.  
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CPA

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CPA

Dallas, Texas  
March 5, 2010 (except for Note I  
as to which the date is March 9, 2010)

F-2

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**BTHC XV, Inc. - BTXV**

**Filed: April 15, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0285

SEC APP 0343

On or around January 7, 2011, Greentree filed a two-count complaint (the "Complaint") against BTHC, Long Fortune, and Halter, in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida, entitled *Greentree Financial Group, Inc. v. Long Fortune Valley Tourism International, Ltd., BTHC XV, Inc. and Halter Financial Investments L.P.* The Complaint asserted a claim for breach of contract against Long Fortune and a claim of tortious interference with a business relationship against BTHC and Halter. BTHC was served with the summons and complaint on or around January 21, 2011. Halter removed the action to the United States District Court for the Southern District of Florida, pursuant to 28 U.S.C. § 1441, on February 9, 2011. Thereafter, BTHC filed a consent to removal.

On March 4, 2011, Greentree filed an Amended Complaint in the action, asserting a claim for breach of contract against Long Fortune and BTHC and a claim of tortious interference against Halter. The breach of contract claim alleges that BTHC is a successor to Long Fortune with respect to any purported obligations under the Service Agreement. On March 25, 2011, BTHC and Long Fortune moved to dismiss the Amended Complaint on the bases that: (i) the Court has no personal jurisdiction over BTHC; (ii) under the doctrine of *forum non conveniens*, China is a more appropriate forum for the dispute to be heard; and (iii) the Amended Complaint fails to state a claim for breach of contract against either BTHC or Long Fortune.

On April 12, 2011, Greentree filed its opposition to BTHC's and Long Fortune's motion to dismiss the Amended Complaint. BTHC and Long Fortune intend to file a reply in further support of their motion to dismiss.

Although both Long Fortune and BTHC intend to move to dismiss the Amended Complaint, there can be no assurance that our motion will be successful. The litigation could also result in our incurring significant expense and management effort that could adversely affect our operating results.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

BTHC's common stock is traded on the OTCBB under the symbol "BTXV". There is no trading market for our stock. Our stockholders may find it difficult to sell their shares. The following table sets forth, for the periods indicated, the reported high and low quotations for our common stock as reported in the over-the-counter market.

		High		Low
<u>Fiscal year ended December 31, 2011</u>				
First Quarter	\$	N/A	\$	N/A
Second Quarter (through April 14, 2011)		N/A		N/A

		High		Low
<b>Fiscal year ended December 31, 2010</b>				
First Quarter	\$	N/A	\$	N/A
Second Quarter		N/A		N/A
Third Quarter		N/A		N/A
Fourth Quarter		N/A		N/A
<b>Fiscal year ended December 31, 2009</b>				
First Quarter	\$	N/A	\$	N/A
Second Quarter		N/A		N/A
Third Quarter		N/A		N/A
Fourth Quarter		N/A		N/A
Stockholders				N/A

We have approximately 508 stockholders of record of our issued and outstanding common stock.

#### Dividend Policy

We do not currently intend to pay any cash dividends in the foreseeable future on our common stock and, instead, intend to retain earnings, if any, for future operation and expansion. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

#### Equity Compensation Plan Information

We currently do not have any equity compensation plans. See "Item 12. – Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters."

#### Recent Sales of Unregistered Securities

There were no sales of unregistered securities in the fourth quarter of 2010 not otherwise previously reported.

#### Item 6. Selected Financial Data.

Not applicable to smaller reporting companies.

**Item 14. Principal Accounting Fees and Services.**

**Pre-Closing of the Share Exchange Accounting Periods**

We paid or accrued the following fees in each of the prior two fiscal years to our principal accountant, S. W. Hatfield, CPA of Dallas, Texas, for accounting periods occurring on or before the Closing Date of the Share Exchange.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 7,375	\$ 4,300
2. Audit-related fees	-	-
3. Tax fees	235	-
4. All other fees	-	-
	<hr/>	<hr/>
Totals	\$ 7,610	\$ 4,300

S. W. Hatfield, CPA did not charge us any fees for financial information system design and implementation fees.

We have no formal audit committee. However, the entire Board of Directors is our defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and our company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the SEC and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of our internal controls.

Our former principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

**Post-Closing of the Share Exchange Accounting Periods**

We paid or accrued the following fees in each of the prior two fiscal years to our former principal accountant, Zhonglei Certified Public Accountants Ltd., which was dismissed on March 17, 2011, and our present principal accountant, MaloneBailey LLP, for accounting periods occurring on or after the Closing Date of the Share Exchange and for the audit of the December 31, 2009 financial statements included in the Form 8-K filed with the SEC on November 4, 2010, as amended on January 3, 2011, in connection with the closing of the Share Exchange.

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## **FORM 8-K**

**BTHC XV, Inc. - BTXV**

**Filed: November 04, 2010 (period: October 18, 2010)**

**Report of unscheduled material events or corporate changes.**

FW-3711-SEC 0289

SEC APP 0347

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 18, 2010

BTHC XV, Inc.  
(Exact name of registrant as specified in its charter)

<u>Delaware</u> (State or Other Jurisdiction of Incorporation)	<u>0-52808</u> (Commission File Number)	<u>20-5456294</u> (IRS Employer Identification No.)
--	---	---

c/o Underground Grand Canyon  
Linyi City, Yishui County, Shandong Province, China 276400  
(Address of Principal Executive Offices)(Zip Code)

Registrant's telephone number, including area code: +86 539-2553919

174 FM 1830, Argyle, TX 76226  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



CURRENT REPORT ON FORM 8-K

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## EXPLANATORY NOTE

As used in this Current Report, unless the context requires or is otherwise indicated, the terms "we," "us," "our," the "Registrant," the "Company," "our company" and similar expressions include the following entities, after giving effect to the Share Exchange (as defined below):

(i) BTHC XV, Inc., a Delaware corporation ("BTHC"), which is a publicly traded company;

(ii) Long Fortune Valley Tourism International Limited, a company organized under the laws of the Cayman Islands and a wholly-owned subsidiary of BTHC ("Long Fortune");

(iii) Rich Valley Capital Holding Limited, a company organized under the laws of the British Virgin Islands and a wholly-owned subsidiary of Long Fortune ("Rich Valley");

(iv) Long Fortune Valley Tourism International Limited, a company organized under the laws of Hong Kong and a wholly-owned subsidiary of Rich Valley ("LFHK"); and

(v) Shandong Longkong Travel Management Co., Ltd., a company organized under the laws of China and a wholly-owned subsidiary of LFHK ("Longkong").

"China" or "PRC" refers to the People's Republic of China, excluding Hong Kong, Macau and Taiwan. "RMB" or "Renminbi" refers to the legal currency of China and "\$" or "U.S. Dollars" refers to the legal currency of the United States. The Company maintains its books and accounting records in Renminbi. Unless otherwise stated, the translations of RMB into U.S. Dollars have been made at the rate of exchange of \$1.00 to RMB 6.8096, the approximate average exchange rate for the six months ended June 30, 2010. We make no representation that the RMB or U.S. Dollar amounts referred to in this Current Report could have been or could be converted into U.S. Dollars or RMB, as the case may be, at any particular rate or at all. "GAAP" unless otherwise indicated refers to accounting principles generally accepted in the United States.

### Item 2.01 Completion of Acquisition or Disposition of Assets.

#### SHARE EXCHANGE

On October 6, 2010, BTHC entered into a Share Exchange Agreement with Halter Financial Investments LP, its principal shareholder ("BTHC Principal Shareholder"), Long Fortune and Grand Fountain Capital Holding Limited, a company organized under the laws of the Cayman Islands, Zhang Shanjiu, Zhang Qian, Li Shikun and Yu Xinbo (collectively, the "Long Fortune Shareholders") (the "Share Exchange Agreement"). Pursuant to the terms of the Share Exchange Agreement, BTHC agreed to acquire all of the issued and outstanding shares of Long Fortune from the Long Fortune Shareholders in exchange for the issuance by BTHC to the Long Fortune Shareholders of an aggregate of 17,185,177 newly-issued shares of BTHC common stock, \$0.001 par value per share (the "Share Exchange"). The execution of the Share Exchange Agreement was previously reported in BTHC's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on October 6, 2010.

On October 18, 2010 (the "Closing Date"), the Share Exchange was consummated and an aggregate of 17,185,177 shares of BTHC common stock were issued to the Long Fortune Shareholders, which constituted 95% of BTHC's issued and outstanding shares of common stock. Upon the consummation of the Share Exchange, Long Fortune became a wholly-owned subsidiary of BTHC.

Item 3.02 Unregistered Sales of Equity Securities.

On October 18, 2010, and as described under Item 2.01 above, pursuant to the Share Exchange Agreement, BTHC issued 17,185,177 shares of its common stock to the Long Fortune Shareholders in exchange for 100% of the issued and outstanding capital stock of Long Fortune.

Such securities were not registered under the Securities Act. These securities qualified for exemption under Section 4(2) of the Securities Act as the issuance securities by us did not involve a public offering.

Item 4.01 Changes in Registrant's Certifying Accountant.

(i) Dismissal of S. W. Hatfield, CPA

In conjunction with the Share Exchange between BTHC and Long Fortune Shareholders, which closed on October 18, 2010, BTHC's Board of Directors elected to continue Long Fortune's relationship with Zhonglei Certified Public Accountants Ltd. ("Zhonglei"). Accordingly, BTHC's Board of Directors has dismissed the registered independent certified public accounting firm of S. W. Hatfield, CPA ("SWHCPA") as our auditor, effective October 18, 2010.

No accountant's report issued by SWHCPA on BTHC's financial statements for either of the past two years (ended December 31, 2009 or 2008) contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope or accounting principles, except for a going concern opinion expressing substantial doubt about the ability of BTHC to continue as a going concern.

In connection with the audits of BTHC's financial statements for the years ended December 31, 2009 and 2008 and the related statements of operations, stockholders' equity and cash flows for the years then ended and for the period from November 29, 2004 (date of bankruptcy settlement) to December 31, 2009 and any subsequent interim period through the date of dismissal, there were no disagreements, resolved or not, with SWHCPA on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of SWHCPA, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their reports on BTHC's financial statements. Further, there were no reportable events, as described in Item 304(a)(1)(v) of Regulation S-K, during BTHC's two most recent fiscal years (ended December 31, 2009 and 2008) and from January 1, 2010 to the date of this Current Report.

BTHC has provided SWHCPA with a copy of the foregoing disclosure and requested that SWHCPA provide it with a letter addressed to the SEC stating whether it agrees with the statements made by BTHC in response to this Item 4.01. A copy of such letter, dated October 18, 2010 is filed as Exhibit 16.1 to this Current Report.

(ii) Engagement of Zhonglei

Concurrent with the October 18, 2010 closing of the Share Exchange between BTHC and Long Fortune Shareholders, BTHC's Board of Directors recommended and approved the engagement of Zhonglei as BTHC's registered independent certified public accounting firm to audit its financial statements for its fiscal year ended December 31, 2010.

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**FORM 10-K**

**Chile Mining Technologies Inc. - LVEN**

**Filed: February 09, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0295

SEC APP 0352

### Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

### Item 4 - Submission of Matters to a Vote of Security Holders

The Company has not conducted any meetings of stockholders during the preceding quarter or periods subsequent thereto.

## PART II

### Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Holders

As of December 31, 2009, there were a total of 4,800,500 shares of our common stock outstanding, held by approximately 598 stockholders of record.

On July 22, 2009, the Company's Board of Directors approved a 2.4-for-1 forward stock split of the Company's issued and outstanding shares of common stock. The additional shares were issued on August 6, 2009 to stockholders of record on August 3, 2009. This action caused the total number of issued and outstanding shares of the Company's common stock to increase from 2,000,016 shares to 4,800,500 shares. No fractional shares were issued in connection with the forward stock split and any fractional interests were rounded up to the nearest whole share. The effect of this transaction is reflected in the accompanying financial statements as of the first day of the first period presented.

#### Common Stock

Our authorized capital stock consists of 100,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in an distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

### Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

### Market for Trading and Eligibility for Future Sale

We relied on Section 1145(a)(1) of the Bankruptcy Code to be exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan and the issuance of the Plan Shares pursuant to the Plan. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

There is no active trading market for the Company's common stock as of the date of this filing.

Our common stock is currently eligible to trade on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5) using the ticker symbol "LVEN".

### Restricted Securities

We currently have approximately 3,600,000 shares of common stock which may be considered to meet the definition and requirements of "restricted securities" as defined in Rule 144. We do not intend to issue any additional securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

### Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## **Item 6 - Selected Financial Data**

Not applicable

## **Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **(1) Caution Regarding Forward-Looking Information**

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### **(2) General**

The Company was organized on September 26, 2007 as a Nevada corporation to effect the reincorporation of Senior Management Services of El Paso Sunset, Inc., a Texas corporation, mandated by the Plan.

On November 18, 2008, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with LAV and all of the stockholders of LAV. Pursuant to the Share Exchange Agreement, the stockholders of LAV transferred 100% of the issued and outstanding shares of the capital stock of LAV to the Company in exchange for 1,500,000 newly issued shares of our common stock that, in the aggregate, constituted approximately 75% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of such exchange.

## Changes in Control

There are currently no arrangements which may result in a change in control of the Company.

## Item 13 - Certain Relationships and Related Transactions, and Director Independence

There are no relationships or transactions between us and any of our directors, officers and principal stockholders.

The Company currently maintains a mailing address at 5521 Riviera Drive, Coral Gables, Florida 33146. The Company's telephone number there is (305) 799-9094. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

## Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 6,450	\$ 5,750
2. Audit-related fees	--	--
3. Tax fees	200	200
4. All other fees	--	--
Totals	<u>\$ 6,650</u>	<u>\$ 5,950</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.



LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Latin America Ventures, Inc.

We have audited the accompanying balance sheets of Latin America Ventures, Inc. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the year ended December 31, 2009 and for the period from September 15, 2008 (date of incorporation) through December 31, 2008. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latin America Ventures, Inc. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for the year ended December 31, 2009 and for the period from September 15, 2008 (date of incorporation) through December 31, 2008, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

S.  
W.  
HATFIELD,  
CPA

Dallas, Texas  
February 3, 2010

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**FORM 8-K**

**Chile Mining Technologies Inc. - LVEN**

**Filed: May 14, 2010 (period: May 14, 2010)**

Report of unscheduled material events or corporate changes.

FW-3711-SEC 0301

SEC APP 0358

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of Earliest event Reported): May 14, 2010 (May 12, 2010)

**LATIN AMERICA VENTURES, INC.**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

000-53132  
(Commission File Number)

26-1516355  
(IRS Employer Identification No.)

Jorge Canning 1410  
Ñuñoa, Santiago  
Republic of Chile  
(Address of principal executive offices)

+(56) (02) 813 1087  
(Registrant's telephone number, including area code)

5521 Riviera Drive  
Coral Gables, Florida 33146  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This report contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Description of Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned "Risk Factors" below. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding our ability to construct our MINI plant facilities and expand our business;
- our expectations regarding the continued growth of the copper industry;
- our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes;
- our future business development, results of operations and financial condition; and
- competition from other mineral reclamation companies in Chile.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference and filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

#### USE OF CERTAIN DEFINED TERMS

Except where the context otherwise requires and for the purposes of this report only, references to:

- the "Company," "we," "us," and "our" are to the combined business of LAVI and its 99.9% owned subsidiary, Minera;
- "LAVI" are to Latin America Ventures, Inc., a Nevada corporation;
- "Minera" are to Sociedad Minera Licancabur, S.A., a Chilean company;
- "Chile" and "Chilean" are to the Republic of Chile;
- "Peso" are to the Chilean peso, the legal currency of Chile;
- "U.S. dollar," "\$" and "US\$" are to the legal currency of the United States;
- "SEC" are to the Securities and Exchange Commission;
- "Securities Act" are to the Securities Act of 1933, as amended, and "Exchange Act" are to the Securities Exchange Act of 1934, as amended;
- "Exploration" means the process of locating commercially viable concentrations of minerals to mine; and
- "Exploitation" means the act of extracting a mineral resource from source material.

## ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

### *Share Exchange Agreement*

On May 12, 2010, we entered into and closed a share exchange agreement, or the Share Exchange Agreement, with Minera, a Chilean company, and its shareholders, pursuant to which we acquired 99.9% of the issued and outstanding capital stock of Minera in exchange for 6,000,000 shares of our common stock, par value \$0.001, which constituted 83.33% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of the transactions contemplated by the Share Exchange Agreement and after giving effect to the Cancellation Agreement described below.

Jorge Osvaldo Orellana Orellana, our Chairman and Chief Executive Officer, who is also one of the former shareholders of Minera, retained one share of Minera, constituting 0.1% of Minera's issued and outstanding capital stock. We structured the acquisition of Minera to allow Mr. Orellana to retain one share of Minera in order to comply with Chilean legal requirements that a Sociedad Anónim, like Minera, have at least two record owners of its capital stock. Upon the closing of the Share Exchange Agreement, Mr. Orellana entered into a nominee agreement with us pursuant to which he agreed to act as the record holder of such share, but agreed that all other rights to the share, including the right to receive distributions on the share, vote the share and be the beneficial owner of the share, rest in the Company.

As a condition precedent to the consummation of the Share Exchange Agreement, on May 12, 2010, we also entered into a cancellation agreement, or the Cancellation Agreement, with Halter Financial Investments, LP, or HFI, and Mr. Pierre Galoppi, our controlling stockholders, whereby HFI and Mr. Galoppi agreed to the cancellation of an aggregate of 3,600,500 shares of our common stock owned by them.

### *Private Placement Transaction*

On May 12, 2010, we also completed a private placement transaction with a group of accredited investors. Pursuant to a securities purchase agreement that we entered into with the investors and Minera, or the Securities Purchase Agreement, we issued to the investors an aggregate of 2,089,593 shares of our common stock for an aggregate purchase price of \$5,809,000, or \$2.78 per share, and warrants, or the Closing Warrants, to purchase up to 1,044,803 shares of our common stock. The Closing Warrants have a term of four years, bear an exercise price of \$3.61 per share (subject to customary adjustments), are exercisable on a net exercise or cashless basis and are exercisable by investors at any time after the closing date.

Pursuant to the Securities Purchase Agreement, we also agreed to certain "make good" provisions. Under the "make good" provisions, we issued additional warrants, or the Make Good Warrants, to the investors to purchase up to an aggregate of 2,089,593 shares of our common stock, at an exercise price of \$0.01 per share, which will only become exercisable if we do not meet certain financial performance targets in 2011 and 2012. The "make good" provisions established minimum net income thresholds of \$14,382,102 and \$15,179,687 for the 2011 and 2012 fiscal years, respectively. If, in a given fiscal year, 90% of the applicable minimum net income threshold is not met, such aggregate number of Make Good Warrants will become exercisable equal to the amount by which our actual net income is less than the applicable financial target, divided by the financial target, and multiplied by 2,338,130.

In connection with the private placement, we also entered into (i) a registration rights agreement, or the Registration Rights Agreement, pursuant to which we are obligated to register the shares of common stock issued to investors, including the shares of common stock underlying the warrants, within a pre-defined period and (ii) a closing escrow agreement, or the Closing Escrow Agreement, with Halter Financial Securities, Inc., or HFS, as placement agent, and Securities Transfer Corporation, as escrow agent, for deposit of funds by the investors.

We also entered into lock-up agreements with each of our directors and officers, or the Lock-Up Agreements, pursuant to which each of them agreed not to transfer any shares of our capital stock held directly or indirectly by them for a one year period following the effective date of a registration statement covering the shares issued in connection with the private placement.

### *Convertible Promissory Note and Make Good Warrant*

Halter Financial Group, L.P., or HFG, provided certain advisory services to us in connection with the acquisition of Minera and the private placement transaction described above. Pursuant to an advisory agreement that Minera entered into with HFG on April 16, 2009, HFG agreed to (a) advise Minera with regard to its desire to effect a combination transaction with a U.S. domiciled public shell corporation, (b) help Minera identify suitable investment bank(s) to act as placement agent for its contemplated private placement transactions and (c) counsel management on matters related to the operating a U.S. domiciled public company. Under the terms of the advisory agreement, HFG was entitled to receive a cash payment of \$450,000 at the closing of the reverse acquisition of Minera. In lieu of such cash payment, HFG agreed to accept a cash payment of \$260,000 and a promissory note issued by us in the principal amount of \$190,000 that accrues simple annual interest at a rate of 3%, or the HFG Note. The HFG Note is due and payable on the sooner of the closing of our next equity financing (including the receipt of additional funds by the Company from any subsequent closing of the May 12 private placement) or the 180th day following the date of its issuance. In addition, at any time that the HFG Note remains outstanding, it may be converted at HFG's option into shares of our common stock at a conversion price of \$2.78. At the closing, HFG was also issued a "make good" warrant, to purchase up to 985,104 shares of our common stock, or the HFG Make Good Warrant. The terms of the HFG Make Good Warrant are identical to the terms of the Make Good Warrants issued to the investors in the private placement.

In instances described above where we indicate that we relied upon Section 4(2) of the Securities Act in issuing securities, our reliance was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there were only a limited number of offerees; (c) there were no subsequent or contemporaneous public offerings of the securities by us; (d) the securities were not broken down into smaller denominations; and (e) the negotiations for the sale of the stock took place directly between the offeree and us.

#### **ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT Dismissal of Previous Independent Registered Public Accounting Firm**

Prior to our reverse acquisition transaction with Minera, our independent registered public accounting firm was S.W. Hatfield, CPA, or Hatfield, while Minera's independent registered public accounting firm was Schwartz, Levitsky & Feldman LLP, or SLF. On May 12, 2010, concurrent with the change in control transaction discussed above, our board of directors approved the dismissal of Hatfield, as our independent auditor, effective immediately.

Hatfield's reports on our financial statements as of and for the fiscal years ended December 31, 2009 and 2008 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that its reports for the fiscal years ended December 31, 2009 and 2008 contained a going concern qualification as to our ability to continue as a going concern.

During the years ended March 31, 2010 and 2009, and through Hatfield's dismissal on May 12, 2010, there were (1) no disagreements with Hatfield on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Hatfield, would have caused Hatfield to make reference to the subject matter of the disagreements in connection with its reports, and (2) no events of the type listed in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K.

We furnished Hatfield with a copy of this disclosure on May 13, 2010, providing Hatfield with the opportunity to furnish us with a letter addressed to the SEC stating whether it agrees with the statement made by us herein in response to Item 304(a) of Regulation S-K and, if not, stating the respect in which it does not agree. A letter from Hatfield, dated May 13, 2010 is filed as Exhibit 16.1 to this report.

#### **Engagement of New Independent Registered Public Accounting Firm**

Concurrent with the decision to dismiss Hatfield as our independent auditor, our board of directors elected to continue the existing relationship of Minera with SLF and appointed SLF as our independent auditor.

During the years ended March 31, 2010 and 2009, and through May 12, 2010, neither us nor anyone acting on our behalf consulted SLF with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us or oral advice was provided that SLF concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable events set forth in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

#### **ITEM 5.01 CHANGES IN CONTROL OF REGISTRANT**

Reference is made to the disclosure set forth under Item 2.01 of this report, which disclosure is incorporated herein by reference.

As a result of the closing of the reverse acquisition with Minera, the former shareholders of Minera own 64.07% of our total outstanding common stock and 64.07% total voting power of all our outstanding voting securities.



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**FORM 10-K**

**Eight Dragons Co. - EDRG**

**Filed: March 09, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0307

SEC APP 0363



## Taxation

Federal and state tax consequences will, in all likelihood, be major considerations in any business combination that the Company may undertake. Currently, such transactions may be structured so as to result in tax-free treatment to both companies, pursuant to various federal and state tax provisions. The Company intends to structure any business combination so as to minimize the federal and state tax consequences to both the Company and the target entity; however, there can be no assurance that such business combination will meet the statutory requirements of a tax-free reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. A non-qualifying reorganization could result in the imposition of both federal and state taxes, which may have an adverse effect on both parties to the transaction.

## **Item 2 - Properties**

The Company currently maintains a mailing address at 211 West Wall Street, Midland, Texas 79701. The Company's telephone number there is (432) 682-1761. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

## **Item 3 - Legal Proceedings**

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## **PART II**

## **Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's securities are eligible for trading on the OTC Bulletin Board under the Commission's Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is EDRG. As of the date of this report, there have been limited and sporadic trades of the Company's securities.

As of March 5, 2010, there were a total of 362,200 shares of our common stock held by approximately 276 stockholders of record and approximately 280 stockholders whose positions were held in brokerage accounts. There are no shares of our preferred stock outstanding at the date of this report.

The following table sets forth the quarterly average high and low closing bid prices per share for the Common Stock:

	<u>High</u>	<u>Low</u>
Fiscal year ended December 31, 2008		
Quarter ended March 31, 2008	\$ 11.20	\$ 1.10
Quarter ended June 30, 2008	\$ 1.75	\$ 1.35
Quarter ended September 30, 2008	\$ 2.55	\$ 1.01
Quarter ended December 31, 2008	\$ 3.00	\$ 0.20
Fiscal year ended December 31, 2009		
Quarter ended March 31, 2009	\$ 1.10	\$ 0.22
Quarter ended June 30, 2009	\$ 0.25	\$ 0.22
Quarter ended September 30, 2009	\$ 1.01	\$ 0.11
Quarter ended December 31, 2009	\$ 0.14	\$ 0.12

The source for the high and low closing bids quotations is the National Quotation Bureau, Inc. and does not reflect inter-dealer prices, such quotations are without retail mark-ups, mark-downs or commissions, and may not represent actual transactions and have not been adjusted for stock dividends or splits. The reported closing price of the Company's common stock, based on the last reported trade on January 8, 2010 was \$0.14 per share.

## Common Stock

Our authorized capital stock consists of 100,000,000 shares of \$0.0001 par value common stock and 50,000,000 shares of \$0.0001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

## Preferred Stock

The Company is also authorized to issue up to 50,000,000 shares of \$0.0001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 50 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

## Restricted Securities

We currently have 300,000 outstanding shares which may be deemed restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

## Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

## Recent Sales of Unregistered Securities

None.

## Reports to Stockholders

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Engagement of S. W. Hatfield, CPA

On October 2, 2008, subject to the completion of required professional due diligence, the Company's Board of Directors announced that it intends to engage S. W. Hatfield, CPA of Dallas, Texas (SWHCPA) as the Company's new registered independent public accounting firm to audit the Company's financial statements for the year ended December 31, 2008 and subsequent periods. Pursuant to SEC Release 34-42266, SWHCPA also reviews the Company's financial statements to be included in Quarterly Reports on Form 10-Q commencing with the quarter ended September 30, 2008.

The Company did not consult with SWHCPA at any time prior to October 2, 2008, including the Company's two most recent fiscal years ended December 31, 2007 and 2006, and the subsequent interim periods through the date of this Report, with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events set forth in Item 304(a)(1)(v) of Regulation S-K.

## Item 9A - Controls and Procedures

**Disclosure Controls and Procedures.** Our management, under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 promulgated under the Exchange Act as of the end of the period covered by this Annual Report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control over Financial Reporting.** Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act.

Internal control over financial reporting is defined under the Exchange Act as a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Management's assessment of the effectiveness of the Company's internal control over financial reporting is as of the year ended December 31, 2009. We are currently considered to be a shell company in as much as we have no specific business plans, no operations, revenues or employees. Because we have only one officer and director, the Company's internal controls are deficient for the following reasons, (1) there are no entity level controls because there is only one person serving in the dual capacity of sole officer and sole director, (2) there are no segregation of

**Item 14 - Principal Accountant Fees and Services**

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, LBB & Associates, LLP of Houston, Texas or S. W. Hatfield, CPA of Dallas, Texas (subsequent to October 8, 2008):

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 6,950	\$ 10,600
2. Audit-related fees	—	—
3. Tax fees	800	—
4. All other fees	—	—
Totals	<u>\$ 7,750</u>	<u>\$ 10,600</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA and/or LBB & Associates, LLP did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

**Item 15 - Exhibits, Financial Statement Schedules**

**Exhibit  
Number**

- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(Financial statements follow on next page)

**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Eight Dragons Company

We have audited the accompanying balance sheets of Eight Dragons Company (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the each of the two years ended December 31, 2009 and 2008, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eight Dragons Company as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the each of the two years ended December 31, 2009 and 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 23, 2010 (except for Note H  
as to which the date is March 5, 2010)

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**FORM 10-K**

**Eight Dragons Co. - EDRG**

**Filed: January 28, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0313

SEC APP 0369

ITEM 2 - PROPERTIES

The Company currently maintains a mailing address at 211 West Wall Street, Midland, Texas 79701. The Company's telephone number there is (432) 682-1761. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

ITEM 3 - LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

ITEM 4 - [REMOVED AND RESERVED]

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's securities are eligible for trading on the OTC Bulletin Board under the Commission's Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is EDRG. As of the date of this report, there have been limited and sporadic trades of the Company's securities.

As of January 25, 2011, there were a total of 362,200 shares of our common stock held by approximately 276 stockholders of record and approximately 280 stockholders whose positions were held in brokerage accounts. There are no shares of our preferred stock outstanding at the date of this report.

The following table sets forth the quarterly average high and low closing bid prices per share for the Common Stock:

	High	Low
	----	---
Fiscal year ended December 31, 2009		
Quarter ended March 31, 2009	\$1.10	\$0.22
Quarter ended June 30, 2009	\$0.25	\$0.22
Quarter ended September 30, 2009	\$1.01	\$0.11
Quarter ended December 31, 2009	\$0.14	\$0.12
Fiscal year ended December 31, 2010		
Quarter ended March 31, 2010	\$0.14	\$0.14
Quarter ended June 30, 2010	\$0.14	\$0.07
Quarter ended September 30, 2010	\$0.07	\$0.07
Quarter ended December 31, 2010	\$0.15	\$0.07

The source for the high and low closing bids quotations was [www.bigcharts.com](http://www.bigcharts.com) and may not represent actual transactions and have not been adjusted for stock dividends or splits. The reported closing price of the Company's common stock, based on the last reported trade on January 6, 2011 at \$0.15 per share. Additionally, there were only approximately 15 trades involving the Company's stock during Calendar 2010.

#### COMMON STOCK

Our authorized capital stock consists of 100,000,000 shares of \$0.0001 par value common stock and 50,000,000 shares of \$0.0001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

#### PREFERRED STOCK

The Company is also authorized to issue up to 50,000,000 shares of \$0.0001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 50 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

#### RESTRICTED SECURITIES

We currently have 300,000 outstanding shares which may be deemed restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

#### DIVIDENDS

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

#### TRANSFER AGENT

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

#### RECENT SALES OF UNREGISTERED SECURITIES

None.

#### REPORTS TO STOCKHOLDERS

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.



ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas:

	Year ended December 31, 2010 -----	Year ended December 31, 2009 -----
1. Audit fees	\$5,713	\$6,950
1. Audit-related fees	--	--
2. Tax fees	235	800
3. All other fees	--	--
	-----	-----
Totals	\$5,948 =====	\$7,750 =====

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit  
Number  
-----

- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(Financial statements follow on next page)

Board of Directors and Stockholders  
Eight Dragons Company

We have audited the accompanying balance sheets of Eight Dragons Company (a Nevada corporation) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the each of the two years ended December 31, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Acquisition Corporation as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the each of the two years ended December 31, 2010 and 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

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S. W. HATFIELD, CPA

Dallas, Texas  
January 26, 2011

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**HPC Acquisitions, Inc. - HPCQ**

**Filed: March 17, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0318

SEC APP 0374

## PART II

### Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

Pursuant to a letter from the Financial Industry Regulatory Authority (FINRA) dated October 14, 2008, the Company's common stock was cleared for trading on the OTC Bulletin Board and Pink Sheets. The Company's equity securities trade under the symbol "HPCQ". Information obtained from market activity reports available on the nasdaq.com website shows that there was active trading of the Company's common stock on only six days in 2009 and one day in 2008. The latest trade in proximity to this filing was on February 23, 2010 consisting of 3,000 shares at \$.10 per share. As of the date hereof, there is no Bid or Ask prices quoted for the Company's common stock.

At March 3, 2010, there were approximately 114 holders of record, exclusive of shares held in street name, of the Company's Common Stock.

#### Dividends

Since its inception, no dividends have been paid on the Company's common stock. Future dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

#### Item 6 - Selected Financial Data

Not applicable

### Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

#### (1) General

HPC Acquisitions, Inc. (Company) was initially formed under the laws of the State of Minnesota as Herky Packing Co. on July 17, 1968. The Company initially produced and marketed meat snack foods, principally beef jerky, smoked dried beef and snack sausages through food brokers, distributors and wagon jobbers. Despite a 1970 restructuring, including the relocation to an approximate 12,500 square foot production facility, the Company's efforts were unsuccessful and all operations were terminated by the end of 1970. On April 10, 1972, the Company changed its corporate name to H. P. C. Incorporated. In connection with this name change, the Company acquired Ed Stein's Tire Center, Inc, a Minneapolis, Minnesota-based distributor of Gates tires. This acquisition was unsuccessful and reversed in 1973.

Since December 31, 1973, the Company has had no operations, assets or significant liabilities.

On August 7, 2006, the Company changed its state of incorporation from Minnesota to Nevada by means of a merger with and into HPC Acquisitions, Inc., a Nevada corporation formed on June 12, 2006 solely for the purpose of effecting the reincorporation. The Articles of Incorporation and Bylaws of the Nevada corporation are the Articles of Incorporation and Bylaws of the surviving corporation. Such Articles of Incorporation modified the Company's capital structure to allow for the issuance of up to 50,000,000 shares of \$0.001 par value common stock and up to 10,000,000 shares of \$0.001 par value preferred stock.

## PART II

### Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

Pursuant to a letter from the Financial Industry Regulatory Authority (FINRA) dated October 14, 2008, the Company's common stock was cleared for trading on the OTC Bulletin Board and Pink Sheets. The Company's equity securities trade under the symbol "HPCQ". Information obtained from market activity reports available on the nasdaq.com website shows that there was active trading of the Company's common stock on only 1 day (through February 28, 2011) in 2011, seven days in 2010, six days in 2009 and one day in 2008. The latest trade in proximity to this filing was on February 24, 2011 consisting of 600 shares at \$0.105 per share. As of the date hereof, there is no Bid or Ask quoted for the Company's common stock.

At February 28, 2011, there were approximately 114 holders of record, exclusive of shares held in street name, of the Company's Common Stock.

#### Dividends

Since its inception, no dividends have been paid on the Company's common stock. Future dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

### Item 6 - Selected Financial Data

Not applicable

### Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

#### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

#### (2) General

HPC Acquisitions, Inc. (Company) was initially formed under the laws of the State of Minnesota as Herky Packing Co. on July 17, 1968. The Company initially produced and marketed meat snack foods, principally beef jerky, smoked dried beef and snack sausages, through food brokers, distributors and wagon jobbers. Despite a 1970 restructuring, including the relocation to an approximate 12,500 square foot production facility, the Company's efforts were unsuccessful and all operations were terminated by the end of 1970. On April 10, 1972, the Company changed its corporate name to H. P. C. Incorporated. In connection with this name change, the Company acquired Ed Stein's Tire Center, Inc, a Minneapolis, Minnesota-based distributor of Gates tires. This acquisition was unsuccessful and reversed in 1973.

The Company may adopt a policy under which any consulting or finders fee that may be owed to a third party for services to assist management in evaluating a prospective business opportunity could be paid in stock rather than in cash. Any such issuance of stock would be made on an ad hoc basis. Accordingly, the Company is unable to predict whether, or in what amount, such stock issuance might be made.

It is not currently anticipated that any salary, consulting fee, or finders fee shall be paid to any of the Company's directors or executive officers, or to any other affiliate of the Company except as described under Executive Compensation above.

Although management has no current plans to cause the Company to do so, it is possible that the Company may enter into an agreement with an acquisition candidate requiring the sale of all or a portion of the Common Stock held by the Company's current stockholders to the acquisition candidate or principals thereof, or to other individuals or business entities, or requiring some other form of payment to the Company's current stockholders, or requiring the future employment of specified officers and payment of salaries to them. It is more likely than not that any sale of securities by the Company's current stockholders to an acquisition candidate would be at a price substantially higher than that originally paid by such stockholders. Any payment to current stockholders in the context of an acquisition involving the Company would be determined entirely by the largely unforeseeable terms of a future agreement with an unidentified business entity.

#### Director Independence

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 5065 (a)(2) of the Nasdaq Listing Rules.

#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 6,275	\$ 9,400
2. Audit-related fees	—	—
3. Tax fees	675	—
4. All other fees	—	—
<b>Totals</b>	<b>\$ 6,950</b>	<b>\$ 9,400</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
HPC Acquisitions, Inc.

We have audited the accompanying balance sheets of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 11, 2010 (except for Note I  
as to which the date is February 16, 2010)

# Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 10-K**

**HPC Acquisitions, Inc. - HPCQ**

**Filed: March 01, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0323

SEC APP 0379



## Conflicts of Interest

The sole officer of the Company will not devote more than a small portion of his time to the affairs of the Company. There will be occasions when the time requirements of the Company's business conflict with the demands of the officer's other business and investment activities. Such conflicts may require that the Company attempt to employ additional personnel. There is no assurance that the services of such persons will be available or that they can be obtained upon terms favorable to the Company.

The officer, director and principal stockholder of the Company may actively negotiate for the purchase of a portion of their common stock as a condition to, or in connection with, a proposed merger or acquisition transaction. It is anticipated that a substantial premium may be paid by the purchaser in conjunction with any sale of shares by the Company's officer, director and principal stockholder made as a condition to, or in connection with, a proposed merger or acquisition transaction. The fact that a substantial premium may be paid to the Company's sole officer and director to acquire his shares creates a conflict of interest for him and may compromise his state law fiduciary duties to the Company's other stockholders. In making any such sale, the Company's sole officer and director may consider his own personal pecuniary benefit rather than the best interests of the Company and the Company's other stockholders, and the other stockholders are not expected to be afforded the opportunity to approve or consent to any particular buy-out transaction involving shares held by Company management.

The Company may adopt a policy under which any consulting or finders fee that may be owed to a third party for services to assist management in evaluating a prospective business opportunity could be paid in stock rather than in cash. Any such issuance of stock would be made on an ad hoc basis. Accordingly, the Company is unable to predict whether, or in what amount, such stock issuance might be made.

It is not currently anticipated that any salary, consulting fee, or finders fee shall be paid to any of the Company's directors or executive officers, or to any other affiliate of the Company except as described under Executive Compensation above.

Although management has no current plans to cause the Company to do so, it is possible that the Company may enter into an agreement with an acquisition candidate requiring the sale of all or a portion of the Common Stock held by the Company's current stockholders to the acquisition candidate or principals thereof, or to other individuals or business entities, or requiring some other form of payment to the Company's current stockholders, or requiring the future employment of specified officers and payment of salaries to them. It is more likely than not that any sale of securities by the Company's current stockholders to an acquisition candidate would be at a price substantially higher than that originally paid by such stockholders. Any payment to current stockholders in the context of an acquisition involving the Company would be determined entirely by the largely unforeseeable terms of a future agreement with an unidentified business entity.

## Director Independence

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 5605(a)(2) of the NASDAQ Listing Rules.

## Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 5,750	\$ 6,275
2. Audit-related fees	—	—
3. Tax fees	400	675
4. All other fees	—	—
Totals	\$ 6,150	\$ 6,950

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
HPC Acquisitions, Inc.

We have audited the accompanying balance sheets of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HPC Acquisitions, Inc. (a Nevada corporation) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 6, 2011 (except for Note J  
as to which the date is March 1, 2011)

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**Marketing Acquisition CORP - MAQC**

**Filed: March 05, 2010 (period: December 31, 2009)**

**Annual report with a comprehensive overview of the company**

FW-3711-SEC 0326

SEC APP 0382

## Additional Risks-Doing Business in Foreign Country

The Company may effectuate a business combination with a merger target whose business operations or even headquarters, place of formation or primary place of business are located outside the United States of America. In such event, the Company may face the significant additional risks associated with doing business in that country. In addition to the language barriers, different presentations of financial information, different business practices, and other cultural differences and barriers that may make it difficult to evaluate such a merger target, ongoing business risks result from the international political situation, uncertain legal systems and applications of law, prejudice against foreigners, corrupt practices, uncertain economic policies and potential political and economic instability that may be exacerbated in various foreign countries.

## Taxation

Federal and state tax consequences will, in all likelihood, be major considerations in any business combination that the Company may undertake. Currently, such transactions may be structured so as to result in tax-free treatment to both companies, pursuant to various federal and state tax provisions. The Company intends to structure any business combination so as to minimize the federal and state tax consequences to both the Company and the target entity; however, there can be no assurance that such business combination will meet the statutory requirements of a tax-free reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. A non-qualifying reorganization could result in the imposition of both federal and state taxes, which may have an adverse effect on both parties to the transaction.

## Item 2 - Properties

The Company currently maintains a mailing address at 174 FM 1830, Argyle, Texas 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## PART II

## Item 4 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's securities are eligible for trading on the OTC Bulletin Board under the Commission's Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is MAQC. As of the date of this report, there have been limited and sporadic trades of the Company's securities. The last reported trade and posted closing price of the Company's common stock, per [www.bigcharts.com](http://www.bigcharts.com), was approximately \$0.25 per share for approximately 100 shares.

As of December 31, 2009, there were a total of 1,853,207 shares of our common stock held by approximately 363 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

The following table sets forth the quarterly average high and low closing bid prices per share of the Common Stock:

	High	Low
Fiscal year ended December 31, 2008		
Quarter ended March 31, 2008	\$ 1.25	\$ 1.25
Quarter ended June 30, 2008	\$ 2.05	\$ 1.01
Quarter ended September 30, 2008	\$ 1.25	\$ 1.01
Quarter ended December 31, 2008	\$ 1.01	\$ 0.51
Fiscal year ended December 31, 2009		
Quarter ended March 31, 2009	\$ 0.51	\$ 0.15
Quarter ended June 30, 2009	\$ 0.20	\$ 0.11
Quarter ended September 30, 2009	\$ 0.20	\$ 0.11
Quarter ended December 31, 2009	\$ 1.01	\$ 0.11

The source for the high and low closing bids quotations was [www.bigcharts.com](http://www.bigcharts.com).

### Common Stock

Our authorized capital stock consists of 100,000,000 shares of \$0.001 par value common stock and 50,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

### Preferred Stock

The Company is also authorized to issue up to 50,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 50 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

### Restricted Securities

We currently have 1,666,668 outstanding shares which may be deemed restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

### Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

## Reports to Stockholders

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 5 - Selected Financial Data

Not applicable

## Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### (2) General

The Company was originally incorporated as Marketing Educational Corp. on July 26, 1990 in accordance with the Laws of the State of Florida.

The Company was originally formed for the purpose of direct marketing of certain educational materials and photography packages. The educational materials marketed by the Company consisted of encyclopedias, learning books, educational audio and video tapes which were designed to be used in various combinations to accommodate the educational levels and needs of families with children of all ages.

### Item 13 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
1. Audit fees	\$ 4,500	\$ 4,500		
2. Audit-related fees	-	-		
3. Tax fees	-	700		
4. All other fees	-	-		
Totals	\$ 4,500	\$ 5,150		

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

### Item 14 - Exhibits, Financial Statement Schedules

#### Exhibit Number

- 3i.1 Articles of Incorporation (\*)
- 3i.2 Articles of Merger (\*)
- 3.2 By-Laws (\*)
- 4.1 Specimen of Certificate of Common Stock (\*\*)
- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(\*) - Incorporated by reference to the Company's Registration Statement on Form 10-SB (File No. 0-52072) on June 21, 2006.

(\*\*) - Incorporated by reference to the Company's Registration Statement on Form S-18 (File No. 0-19276) on March 26, 1991.

(Financial statements follow on next page.)

Letterhead of S. W. Hatfield, CPA

Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders  
Marketing Acquisition Corporation

We have audited the accompanying balance sheets of Marketing Acquisition Corporation (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the each of the two years ended December 31, 2009 and 2008, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Acquisition Corporation as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the each of the two years ended December 31, 2009 and 2008, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield,  
CPA S.  
W.  
HATFIELD,  
CPA

Dallas, Texas  
March 2, 2010

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**FORM 8-K**

**Marketing Acquisition CORP - MAQC**

**Filed: May 05, 2010 (period: May 04, 2010)**

Report of unscheduled material events or corporate changes.

FW-3711-SEC 0338

SEC APP 0388

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 4, 2010

**Marketing Acquisition Corporation**  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
(State of incorporation)

0-52072  
(Commission File Number)

62-1299374  
(IRS Employer ID  
Number)

174 FM 1830, Argyle, Texas 76226  
(Address of Principal Executive Offices)

(972) 233-0300  
(Registrant's Telephone Number)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 4.01 - Changes in Registrant's Certifying Accountant.**

On May 4, 2010, the Board of Directors of the Company was notified by its registered independent certified public accounting firm, S. W. Hatfield, CPA ("SWHCPA") of Dallas, Texas that, due to the partner rotation rules and regulations of the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002, SWHCPA is unable to continue as the Company's auditor and has resigned, effective immediately.

The Company's Board of Directors has accepted the resignation of SWHCPA.

No accountant's report on the financial statements for either of the past two (2) years contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope or accounting principles, except for a going concern opinion expressing substantial doubt about the ability of the Company to continue as a going concern.

During the Company's two most recent fiscal years (ended December 31, 2009 and 2008) and from January 1, 2010 to the date of this Report, there were no disagreements with SWHCPA on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure. For the years ended December 31, 2009 and 2008, and from January 1, 2010 through the date of this report, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

The Company provided SWHCPA with a copy of the foregoing disclosure and requested SWHCPA to furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the statements made therein. A copy of SWHCPA's letter dated May 4, 2010 is filed as Exhibit 10.1 to this Current Report on Form 8-K.

On May 4, 2010, the Company's Board of Directors approved the engagement of Blanchfield, Meyer, Kober & Rizzo, LLP of Hauppauge, NY (BMK&R) as the Company's new registered independent public accounting firm to audit the Company's financial statements for the year ending December 31, 2010 and subsequent periods. Pursuant to SEC Release 34-42266, BMK&R will also review the Company's financial statements to be included in Quarterly Reports on Form 10-Q.

The Company did not consult with BMK&R at any time prior to May 4, 2010, including the Company's two most recent fiscal years ended December 31, 2009 and 2008, and the subsequent interim period from January 1, 2010 through the date of this Report, with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events set forth in Item 304(a)(1)(v) of Regulation S-K.

**Item 9.01. Financial Statements and Exhibits.**  
(d) Exhibits.

16.1 Letter from S. W. Hatfield, CPA

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Marketing Acquisition Corporation**

Dated: May 4, 2010

By: /s/ Timothy P. Halter  
President, Chief Executive Officer,  
Chief Financial Officer and Director

**Exhibit No. 16.1**

Marketing Acquisition Corporation

File No. 0-52072

Form 8 -K

Report date: May 4, 2010

**Letterhead of S. W. Hatfield, CPA**

May 4, 2010

U. S. Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549

Gentlemen:

On May 4, 2010, this Firm received the final draft copy of a Current Report on Form 8-K to be filed by Marketing Acquisition Corporation (SEC File #0-52072, CIK # 1002396) (Company) reporting an Item 4.01 - Changes in Registrant's Certifying Accountant.

We have no disagreements with the statements made in the draft Form 8-K, Item 4.01 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

S. W. Hatfield, CPA

Dallas, Texas

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## **FORM 10-K**

**Marketing Acquisition CORP - MAQC**

**Filed: March 28, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0337

SEC APP 0392

### Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

### Item 4 - [Removed and Reserved]

## PART II

### Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's securities are eligible for trading on the OTC Bulletin Board under the Commission's Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is MAQC. As of the date of this report, there have been limited and sporadic trades of the Company's securities. The last reported trade and posted closing price of the Company's common stock, per [www.otcmarkets.com](http://www.otcmarkets.com), was on March 18, 2011 for 100 shares at approximately \$0.30 per share.

As of February 2, 2011, there were a total of 1,853,207 shares of our common stock held by approximately 363 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

The following table sets forth the quarterly average high and low closing bid prices per share for the Common Stock:

	High	Low
Fiscal year ended December 31, 2009		
Quarter ended March 31, 2009	\$ 0.51	\$ 0.15
Quarter ended June 30, 2009	\$ 0.20	\$ 0.11
Quarter ended September 30, 2009	\$ 0.20	\$ 0.11
Quarter ended December 31, 2009	\$ 1.01	\$ 0.11
Fiscal year ended December 31, 2010		
Quarter ended March 31, 2010	\$ 1.01	\$ 0.25
Quarter ended June 30, 2010	\$ 0.25	\$ 0.025
Quarter ended September 30, 2010	\$ 0.025	\$ 0.025
Quarter ended December 31, 2010	\$ 4.50	\$ 0.018
Fiscal year ended December 31, 2011		
Quarter ended March 31, 2011 (through March 21, 2011)	\$ 2.75	\$ 0.018

The source for the high and low closing bids quotations was [www.otcmarkets.com](http://www.otcmarkets.com).

### Common Stock

Our authorized capital stock consists of 100,000,000 shares of \$0.001 par value common stock and 50,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

### Preferred Stock

The Company is also authorized to issue up to 50,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 50 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.



## Restricted Securities

We currently have 1,666,668 outstanding shares which may be deemed restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

## Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

## Reports to Stockholders

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 6 - Selected Financial Data

Not applicable

## Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.



## Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

### Resignation of S. W. Hatfield, CPA

On May 4, 2010, the Board of Directors of the Company was notified by its registered independent certified public accounting firm, S W. Hatfield, CPA ("SWHCPA") of Dallas, Texas that, due to the partner rotation rules and regulations of the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002, SWHCPA is unable to continue as the Company's auditor and had resigned, effective immediately. The Company's Board of Directors accepted the resignation of SWHCPA.

No accountant's report on the financial statements for either of the past two (2) years contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope or accounting principles, except for a going concern opinion expressing substantial doubt about the ability of the Company to continue as a going concern.

During the Company's two most recent fiscal years (ended December 31, 2009 and 2008) and from January 1, 2010 to May 4, 2010, there were no disagreements with SWHCPA on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure. For the years ended December 31, 2009 and 2008, and from January 1, 2010 through May 4, 2010, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

The Company provided SWHCPA with a copy of the foregoing disclosure and SWHCPA furnished to the Company a letter addressed to the Securities and Exchange Commission stating whether it agrees with the statements made therein. A copy of SWHCPA's letter, dated May 4, 2010, was filed as Exhibit 16.1 to our Current Report on Form 8-K.

### Appointment of Blanchfield, Meyer, Kober & Rizzo, LLP

On May 4, 2010, the Company's Board of Directors approved the engagement of Blanchfield, Meyer, Kober & Rizzo, LLP of Hauppauge, NY ("BMK&R") as the Company's new registered independent public accounting firm to audit the Company's financial statements for the year ending December 31, 2010 and subsequent periods. Pursuant to SEC Release 34-42266, BMK&R will also review the Company's financial statements to be included in Quarterly Reports on Form 10-Q.

The Company did not consult with BMK&R at any time prior to May 4, 2010, including the Company's two most recent fiscal years ended December 31, 2009 and 2008, and the subsequent interim period from January 1, 2010 through the date of this Report, with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events set forth in Item 304(a)(1)(v) of Regulation S-K.

## Item 9A - Controls and Procedures

**Disclosure Controls and Procedures.** Our management, under the supervision and with the participation of our Chief Executive and Financial Officer ("Certifying Officer"), has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 promulgated under the Exchange Act as of the end of the period covered by this Annual Report. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Certifying Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Certifying Officer concluded that as of such date, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in our reports is recorded, processed, summarized and reported within the time periods specified by the SEC due to a weakness in our controls described below. However, our Certifying Officer believes that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the respective periods presented.

**Management's Annual Report on Internal Control over Financial Reporting.** Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act.

Internal control over financial reporting is defined under the Exchange Act as a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

<u>Name and address (2)</u>	<u>Shares Beneficially Owned (1)</u>	
	<u>Number of Shares</u>	<u>Percentage(3)</u>
Glenn A. Little 211 West Wall Street Midland, Texas 79701	416,668	22.48%
All Directors and Executive Officers (1 person)	1,250,000	67.45%

- (1) On February 1, 2011, there were 1,853,207 shares of our common stock outstanding and no shares of preferred stock issued and outstanding. We have no outstanding stock options or warrants.
- (2) Under applicable Commission rules, a person is deemed the "beneficial owner" of a security with regard to which the person directly or indirectly, has or shares (a) the voting power, which includes the power to vote or direct the voting of the security, or (b) the investment power, which includes the power to dispose, or direct the disposition, of the security, in each case irrespective of the person's economic interest in the security. Under Commission rules, a person is deemed to beneficially own securities which the person has the right to acquire within 60 days through the exercise of any option or warrant or through the conversion of another security.
- (3) In determining the percent of voting stock owned by a person on December 31, 2010 (a) the numerator is the number of shares of common stock beneficially owned by the person, including shares the beneficial ownership of which may be acquired within 60 days upon the exercise of options or warrants or conversion of convertible securities, and (b) the denominator is the total of (i) the 1,853,207 shares of common stock outstanding on December 31, 2010, and (ii) any shares of common stock which the person has the right to acquire within 60 days upon the exercise of options or warrants or conversion of convertible securities. Neither the numerator nor the denominator includes shares which may be issued upon the exercise of any other options or warrants or the conversion of any other convertible securities.
- (4) Mr. Halter is our president and director. He also is a member of Halter Financial Investments GP, LLC, the general partner of Halter Financial Investments L.P. Halter Financial Investments, L.P. ("*HFI*") is a Texas limited partnership of which Halter Financial Investments GP, LLC, a Texas limited liability company ("*HFI GP*"), is the sole general partner. The limited partners of HFI are: (i) TPH Capital, LP, a Texas limited partnership of which TPH Capital GP, LLC, a Texas limited liability company ("*TPH GP*"), is the general partner and Timothy P. Halter is the sole member of TPH GP, (ii) Bellifield, LP, a Texas limited partnership of which Bellifield Capital Management, LLC, a Texas limited liability company ("*Bellifield LLC*") is the sole general partner and David Brigante is the sole member of Bellifield LLC; (iii) Colhurst Capital LP, a Texas limited partnership of which Colhurst Capital GP LLC, a Texas limited liability company ("*Colhurst LLC*"), is the general partner and George L. Diamond is the sole member of Colhurst LLC; and (iv) Rivergreen Capital, LLC, a Texas limited liability company ("*Rivergreen LLC*"), of which Marat Rosenberg is the sole member. As a result, each of the foregoing persons may be deemed to be a beneficial owner of the shares held of record by HFI. HFI's address is 174 FM 1830, Argyle, TX 76226.

#### Changes in Control

There are currently no arrangements which may result in a change in control of the Company. **Item 13 - Certain Relationships and Related Transactions, and Director Independence**

The Company currently maintains a mailing address at 174 FM 1830, Argyle, Texas 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

#### Item 14 - Principal Accounting Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, Blanchfield, Meyer, Kober & Rizzo, LLP of Hauppauge, New York or S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees		
Blanchfield, Meyer, Kober & Rizzo, LLP	\$ 8,100	\$ -
S. W. Hatfield, CPA	2,250	4,500
2. Audit-related fees	-	-
3. Tax fees	235	-
4. All other fees	-	-
	<hr/>	<hr/>
Totals	\$ 6,985	\$ 4,500

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

#### PART IV

#### Item 15 - Exhibits, Financial Statement Schedules

##### Exhibit Number

- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(Financial statements follow on next page)

Letterhead of S. W. Hatfield, CPA  
Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders Marketing Acquisition Corporation

We have audited the accompanying balance sheet of Marketing Acquisition Corporation (a Nevada corporation) as of December 31, 2009 and the related statement of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Acquisition Corporation as of December 31, 2009 and the results of its operations and its cash flows for the year ended December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield,  
CPA  
S. W. HATFIELD,  
CPA

Dallas, Texas  
March 2, 2010

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Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-12G**

**Renewable Energy Acquisition Corp. - N/A**

**Filed: March 03, 2010 (period: )**

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0345

SEC APP 0400

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Renewable Energy Acquisition Corp.

We have audited the accompanying balance sheets of Renewable Energy Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009, 2008 and 2007 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008, the period from June 21, 2007 (date of incorporation) through December 31, 2007 and for the period from June 21, 2007 (date of incorporation) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewable Energy Acquisition Corp. (a development stage company) as of as of December 31, 2009, 2008 and 2007 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008, the period from June 21, 2007 (date of incorporation) through December 31, 2007 and for the period from June 21, 2007 (date of incorporation) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

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S. W. HATFIELD, CPA

Dallas, Texas  
February 12, 2010 (except for Note I  
as to which the date is February 17, 2010)

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**FORM 10-K**

**Renewable Energy Acquisition Corp. - N/A**

**Filed: March 09, 2011 (period: December 31, 2010)**

**Annual report with a comprehensive overview of the company**

FW-3711-SEC 0347

SEC APP 0402

## Item 2 - Properties

The Company currently maintains a mailing address at 10935 57<sup>th</sup> Avenue North, Plymouth, Minnesota 55442. The Company's telephone number there is (952) 541-1155. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's executive officer and director.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

## Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading and Eligibility for Future Sale

Our common stock is not trading on any stock exchange or over-the-counter. We are not aware of any market activity in our common stock since its inception through the date of this filing.

### Holders

As of February 25, 2011, there were four stockholders of record, who owned all of the 1,100,000 shares of our common stock issued and outstanding.

### Dividends

We have not paid any cash dividends to date and do not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of our business.

### Securities Authorized for Issuance Under Equity Compensation Plans

We do not have compensation plans under which equity securities are authorized for issuance to any person.

## Item 6 - Selected Financial Data

Not applicable

## Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.



**Director Independence**

The Board of Directors has determined that none of its directors is "independent" under the criteria set forth in Rule 5065(a)(2) of the Nasdaq Listing Rules. The board does not have a separately designated audit, nominating, or compensation committee, so the functions normally attributed to these committees are performed by the entire board. Accordingly, none of our directors is "independent" under applicable Nasdaq Listing Rules that define independence for purposes of directors performing the functions of such committees.

**Item 14 - Principal Accountant Fees and Services**

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 4,918	\$ —
2. Audit-related fees	—	—
3. Tax fees	620	—
4. All other fees	—	—
<b>Totals</b>	<b>\$ 5,538</b>	<b>\$ —</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

**Item 15 - Exhibits and Financial Statement Schedules**

31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(Financial statements begin on the following page)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Renewable Energy Acquisition Corp.

We have audited the accompanying balance sheets of Renewable Energy Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from June 21, 2007 (date of incorporation) through December 31, 2010, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewable Energy Acquisition Corp. (a development stage company) as of as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from June 21, 2007 (date of incorporation) through December 31, 2010, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 25, 2011 (except for Note I  
as to which the date is March 7, 2011)

# Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 10-K**

**Renewable Energy Acquisition Corp. - N/A**

**Filed: March 16, 2012 (period: December 31, 2011)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0351

SEC APP 0406

## **Employees**

The Company currently has no employees. Management of the Company expects to use consultants, attorneys and accountants as necessary, and does not anticipate a need to engage any full-time employees so long as it is seeking and evaluating business opportunities. The need for employees and their availability will be addressed in connection with the decision whether or not to acquire or participate in specific business opportunities.

## **Item 1A - Risk Factors**

Not applicable.

## **Item 1B - Unresolved Staff Comments**

None

## **Item 2 - Properties**

The Company currently maintains a mailing address at 10935 57<sup>th</sup> Avenue North, Plymouth, Minnesota 55442. The Company's telephone number there is (952) 541-1155. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's executive officer and director.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

## **Item 3 - Legal Proceedings**

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## **Item 4 - Mine Safety Disclosures**

Not applicable to the Company.

## **PART II**

## **Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

### **Market for Trading and Eligibility for Future Sale**

Our common stock is not trading on any stock exchange or over-the-counter. We are not aware of any market activity in our common stock since its inception through the date of this filing.

### **Holders**

As of February 14, 2012, there were four stockholders of record, who owned all of the 1,100,000 shares of our common stock issued and outstanding.

### **Transfer Agent**

The Company operates as its own transfer agent.

## Dividends

We have not paid any cash dividends to date and do not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of our business.

## Securities Authorized for Issuance Under Equity Compensation Plans

We do not have compensation plans under which equity securities are authorized for issuance to any person.

### **Item 6 - Selected Financial Data**

Not applicable

### **Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **(1) Caution Regarding Forward-Looking Information**

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

#### **(2) General**

Renewable Energy Acquisition Corp. (Company) was incorporated on June 21, 2007 under the laws of the State of Nevada.

The Company was formed to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in either the renewable energy or the environmental industry and their related infrastructures. To date, our efforts have been limited to organizational activities. As the Company has had no substantial operations or substantial assets since inception, the Company is considered in the development stage.

#### **(3) Results of Operations**

The Company had no operating revenue for either of the years ended December 31, 2011 or 2010, respectively.

General and administrative expenses for each of the years ended December 31, 2011 and 2010 were approximately \$13,600 and \$9,700, respectively. These expenses were directly related to the maintenance of the corporate entity and the preparation and filing of periodic reports pursuant to the Exchange Act. Included in the Calendar 2011 expenses was an additional approximate \$2,000 related to new expenses for compliance with the SEC's XBRL exhibit filing rules. It is anticipated that future expenditure levels will remain relatively constant, if not decline slightly, as the Company intends to fully comply with its periodic reporting requirements. Earnings per share for the respective years ended December 31, 2011 and 2010 were \$(0.01) and \$(0.01) based on the post-forward split weighted-average shares issued and outstanding at the end of each respective period.

#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2011	Year ended December 31, 2010
1. Audit fees	\$ 6,975	\$ 4,918
2. Audit-related fees	—	—
3. Tax fees	225	620
4. All other fees	—	—
Totals	<u>\$ 7,200</u>	<u>\$ 5,538</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

#### Item 15 - Exhibits and Financial Statement Schedules

- 3.1 Articles of Incorporation (\*)
- 3.2 By-Laws (\*)
- 10.1 Promissory Note dated June 29, 2007 issued to Craig Laughlin (\*)
- 10.2 Promissory Note dated June 29, 2007 issued to Larry Hopfenspirger (\*)
- 10.3 Form of Subscription Agreement with Craig Laughlin and Larry Hopfenspirger - June 2007 (\*)
- 10.4 Form of Subscription Agreement with Corey Sandberg and Dan Ye - September 2009 (\*)
- 10.5 Form of Subscription Agreement with Craig Laughlin and Larry Hopfenspirger for exchange of promissory notes - September 2009 (\*)
- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T.

(\*) Incorporated by reference to the Company's Registration Statement on Form 10 (File No. 000-53900) on March 3, 2010.

(Financial statements begin on the following page)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Renewable Energy Acquisition Corp.

We have audited the accompanying balance sheets of Renewable Energy Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2011 and 2010 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2011 and 2010 and for the period from June 21, 2007 (date of incorporation) through December 31, 2011, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renewable Energy Acquisition Corp. (a development stage company) as of as of December 31, 2011 and 2010 and the results of its operations and cash flows for each of the years ended December 31, 2011 and 2010 and for the period from June 21, 2007 (date of incorporation) through December 31, 2011, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 14, 2012 (except for Note I  
as to which the date is March 14, 2012)

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**SIGNET INTERNATIONAL HOLDINGS, INC. - SIGN**

**Filed: April 12, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0356

SEC APP 0411



**Item 4 - Submission of Matters to a Vote of Security Holders**

None

**PART II**

**Item 5 - Market for Company's Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities**

We filed a request for clearance of quotations on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5) with NASD Regulation Inc. On March 7, 2007, we were issued a clearance letter and the trading symbol "SIGN" was issued on our common stock.

We have a limited trading market exists for our equity securities. As such, the market price of our common stock is subject to significant fluctuations in response to variations in our quarterly operating results, general trends in the market, and other factors, over many of which we have little or no control. In addition, broad market fluctuations, as well as general economic, business and political conditions, may adversely affect the market for our common stock, regardless of our actual or projected performance.

The ask/high and bid/low information for each calendar quarter in the previous two (2) years, as obtained from www.bigcharts.com, are as follows:

	High	Low
Fiscal year ended December 31, 2008		
Quarter ended March 31, 2008	\$ 0.75	\$ 0.30
Quarter ended June 30, 2008	\$ 0.70	\$ 0.30
Quarter ended September 30, 2008	\$ 0.30	\$ 0.30
Quarter ended December 31, 2008	\$ 0.30	\$ 0.30
Fiscal year ended December 31, 2009		
Quarter ended March 31, 2009	\$ 0.51	\$ 0.16
Quarter ended June 30, 2009	\$ 11.00	\$ 0.16
Quarter ended September 30, 2009	\$ 11.00	\$ 0.96
Quarter ended December 31, 2009	\$ 2.00	\$ 0.36

Dividends

Holders of our common stock are entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available therefore. We have never declared or paid any dividends on our common stock. We intend to retain any future earnings for use in the operation and expansion of our business. Consequently, we do not anticipate paying any cash dividends on our common stock to our stockholders for the foreseeable future.

Equity Compensation Plan Information

We do not have any plans, formal or informal, to provide compensation under which our equity securities are authorized for issuance:

Equity compensation plans approved by security holders - None  
Equity compensation plans not approved by security holders - None

## Transfer Agent

Our independent stock transfer agent is Olde Monmouth Stock Transfer Co., Inc. Their address is 200 Memorial Parkway, Atlantic Highlands, N.J. 07716. Their contact numbers are (732) 872-2727 for voice calls and (732) 872-2728 for fax transmissions.

## Recent Sales of Unregistered Securities

On April 16, 2007, we issued 270,000 shares of unregistered, restricted common stock for the acquisition of certain broadcast and other production rights. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On May 2, 2007, we sold, in a private transaction, 6,800 shares of unregistered, restricted common stock at a price of \$1.00 per share for cash. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On May 22, 2007, we issued 113,662 shares of unregistered, restricted common stock for the acquisition of intellectual properties related to literary works. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On August 30, 2007, we sold, in a private transaction, 12,500 shares of unregistered, restricted common stock at a price of \$1.00 per share for cash. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On June 5, 2008, we sold, in a private transaction, 3,000 shares of unregistered, restricted common stock for cash proceeds of \$800, which approximated the fair value and closing quoted price of the Company's common stock on the transaction date. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On July 24, 2008, we issued 20,000 shares of unregistered, restricted common stock as a deposit on and in consideration for a Purchase Option Agreement executed on July 23, 2008 with a TV distribution and syndication company. The deposit/option fee will be deducted from the total 100,000 shares of unregistered, restricted common stock to be issued upon closing of the transaction upon exercise of the option. The total shares issued and to be issued are part of the terms of the Purchase Option Agreement that specifies a total purchase price of \$3.0 million plus a management contract to be in place shortly after closing. The terms of the management contract require a payment of \$20,000 per month to the present manager/owner. The term of Purchase Option Agreement is one year from date of execution.

On August 19, 2008, we sold, in a private transaction, 5,000 shares of unregistered, restricted common stock for cash proceeds of \$3,000, which approximated the fair value and closing quoted price of our common stock on the transaction date. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On August 22, 2008, we sold, in a private transaction, 174,000 shares of unregistered, restricted common stock for cash proceeds of \$55,000, which approximated the fair value and closing quoted price of the Company's common stock on the transaction date. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On May 5, 2009, we sold, in a private transaction, 25,000 shares of unregistered, restricted common stock for cash proceeds of \$25,000, which approximated the fair value and closing quoted price of the Company's common stock on the transaction date. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On August 4, 2009, we issued 1,000 shares of unregistered, restricted common stock in payment of consulting fees valued at \$1,000, which approximated the fair value and closing quoted price of the Company's common stock on the transaction date, to an unrelated individual. These shares were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On September 18, 2009, in connection with an Asset Purchase Agreement, we issued 100,000 shares of common stock valued at \$5.00 per share as a down payment against the Agreement. These shares were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and no underwriter was used in this transaction.

On October 26, 2009, pursuant to an Investment Agreement executed on October 23, 2007, we sold 89,260 shares of the Company's common stock for cash proceeds of approximately \$31,241 or \$0.35 per share, which approximated the "fair value" of the Company's common stock on the date of the transaction. This transaction was in accordance with a Registration Rights Agreement executed on November 5, 2007 with a Private Equity Fund whereby the Company agreed to sell an indeterminate amount of its shares to the Fund and provided for the registration of said shares pursuant to a Registration Statement on Form SB-2 under the Securities Act of 1933 as amended. The Company incurred costs of raising capital of approximately \$5,300 on this transaction.

#### Reports to Stockholders

We intend to remain compliant with its obligations under the Securities Exchange Act of 1934, as amended, and, therefore, plan to furnish our stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event we enter into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, we may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. We intend to maintain compliance with the periodic reporting requirements of the Securities Exchange Act of 1934.

#### **Item 6-Selected Financial Data**

N/A

PART IV

Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 18,365	\$ 16,688
2. Audit-related fees	-	-
3. Tax fees	1,000	2,250
4. All other fees	-	-
<b>Totals</b>	<b>\$ 19,365</b>	<b>\$ 18,938</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before our auditor is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

-approved by our audit committee; or

-entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

We do not have an audit committee. Our entire board of directors pre-approves all services provided by our independent auditors.

The pre-approval process has just been implemented in response to the new rules. Therefore, our board of directors does not have records of what percentage of the above fees were pre-approved. However, all of the above services and fees were reviewed and approved by the entire board of directors either before or after the respective services were rendered.

Item 15 - Exhibits, Financial Statement Schedules

- 2.1 Stock Purchase Agreement dated July 8, 2005 between Scott Raleigh and Signet Entertainment Corporation. (1)
- 2.2 First Amendment to Stock Purchase Agreement and Share Exchange dated September 8, 2005 between SignetInternational Holdings, Inc. and Signet Entertainment Corporation. (2)
- 2.3 Final Amendment to Stock Purchase Agreement and Share Exchange dated September 8, 2005 between Signet International Holdings, Inc. and Signet Entertainment Corporation.(3)

Letterhead of S. W. Hatfield, CPA

Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Stockholders  
Signet International Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Signet International Holdings, Inc. (a Delaware corporation and a development stage company) and Subsidiary (a Florida corporation) as of December 31, 2009 and 2008 and the related consolidated statements of operations and comprehensive loss, consolidated changes in shareholders' deficit and consolidated statements of cash flows for each of the years ended December 31, 2009 and 2008 and for the period from October 17, 2003 (date of inception) through December 31, 2009, respectively. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Signet International Holdings, Inc. and Subsidiary as of December 31, 2009 and 2008 and the results of its consolidated operations and its consolidated cash flows each of the years ended December 31, 2009 and 2008 and for the period from October 17, 2003 (date of inception) through December 31, 2009, respectively, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant shareholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

By: /s/ S. W. HATFIELD, CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
April 7, 2010 (except for Note M as to  
which the date is April 9, 2010)

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**FORM 8-K**

**SIGNET INTERNATIONAL HOLDINGS, INC. - SIGN**

Filed: April 13, 2010 (period: April 09, 2010)

Report of unscheduled material events or corporate changes.

FW-3711-SEC 0362

SEC APP 0417

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K  
CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 9, 2010

**Signet International Holdings, Inc.**  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State of incorporation)

0-51185  
(Commission File Number)

16-1732674  
(IRS Employer ID Number)

205 Worth Avenue, Suite 316, Palm Beach, Florida 33480  
(Address of principal executive offices)

(561) 832-2000  
(Registrant's telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 4.01 - Changes in Registrant's Certifying Accountant.**

On April 9, 2010, the Board of Directors of the Company was notified by its registered independent certified public accounting firm, S. W. Hatfield, CPA ("SWHCPA") of Dallas, Texas that, due to the partner rotation rules and regulations of the U. S. Securities and Exchange Commission and Sarbanes-Oxley Act of 2002, SWHCPA is unable to continue as the Company's auditor and has resigned, effective immediately.

The Company's Board of Directors has accepted the resignation of SWHCPA.

No accountant's report on the financial statements for either of the past two (2) years contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope or accounting principles, except for a going concern opinion expressing substantial doubt about the ability of the Company to continue as a going concern.

During the Company's two most recent fiscal years (ended December 31, 2009 and 2008) and from January 1, 2010 to the date of this Report, there were no disagreements with SWHCPA on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure. For the years ended December 31, 2009 and 2008, and from January 1, 2010 through the date of this report, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

The Company is in the process of securing a qualified replacement for SWHCPA.

The Company provided SWHCPA with a copy of the foregoing disclosure and requested SWHCPA to furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the statements made therein. A copy of SWHCPA's letter dated April 9, 2010 is filed as Exhibit 10.1 to this Current Report on Form 8-K.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

16.1 Letter from S. W. Hatfield, CPA

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Signet International Holdings, Inc.**

Dated: April 9, 2010

By: /s/ Ernest W. Letiziano  
Ernest W. Letiziano  
President, Chief Executive Officer,  
Chief Financial Officer and Director



**Exhibit No. 16.1**  
Signet International Holdings, Inc.  
File No. 000-51185  
Form 10-K  
For the year ended December 31, 2009

**Letterhead of S. W. Hatfield, CPA**

April 9, 2010

U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Gentlemen:

On April 9, 2010, this Firm received the final draft copy of a Current Report on Form 8-K to be filed by Signet International Holdings, Inc. (SEC File #000-51175, CIK # 1317833) (Company) reporting an Item 4.01 - Changes in Registrant's Certifying Accountant.

We have no disagreements with the statements made in the draft Form 8-K, Item 9 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

S. W. Hatfield, CPA  
Dallas, Texas

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**FORM 10-12G/A**

**SMSA CRANE ACQUISITION CORP. - SSCR**

**Filed: February 22, 2010 (period: )**

**Amendment to a previously filed 10-12G**

FW-3711-SEC 0366

SEC APP 0421

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-12G/A  
Amendment No. 1

GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**SMSA CRANE ACQUISITION CORP.**  
(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction  
of incorporation)

**27-0984742**  
(I.R.S. Employer  
Identification Number)

**174 FM 1830**  
**Argyle, Texas**  
(Address of principal executive offices)

**76226**  
(Zip Code)

**(972) 233-0300**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, "accelerated filer," and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Crane Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Crane Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Crane Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield  
CPA

W.  
HATFIELD,  
CPA

Dallas, Texas  
February 17, 2010 (except for Note 1  
as to which the date is February 19, 2010)

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## **FORM 10-K**

**SMSA CRANE ACQUISITION CORP. - SSCR**

**Filed: March 07, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0369

SEC APP 0424

## Item 1A - Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

## Item 1B - Unresolved Staff Comments

None

## Item 2 - Properties

The Company currently maintains a mailing address at 1397 Dominion Plaza, Suite 100, Tyler, TX 75703. The Company's telephone number there is (903) 593-8885. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

## Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading and Eligibility for Future Sale

There is no public trading market for our securities. Our shares are eligible for quotation on the OTC Bulletin Board under the symbol "SSCR". As of the date of this filing, there has been no known trading in the Company's common stock.

### Holders

As of March 1, 2011, there were a total of 10,000,005 shares of our common stock held by approximately 483 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

### Capital Stock

Our authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our Company.

#### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

#### Securities Eligible for Future Sale

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a) (1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the 500,005 plan shares, which may have been deemed to have occurred through the solicitation of acceptances of the plan of reorganization, and the issuance of the plan shares pursuant to the plan of reorganization. In general, offers and sales of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof are free to resell such securities without registration under the Securities Act.

#### Restricted Securities

We currently have 9,500,000 outstanding shares which may be deemed restricted securities as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfy the current public information requirements of the rule.

#### Rule 144

On February 15, 2008, amendments to Rule 144 became effective and will apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of securities of the same class then outstanding; or,
- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;
- *provided*, in each case, which we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

## Restrictions on the Reliance of Rule 144 by Shell Companies or Former Shell Companies

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company;
- The issuer of the securities is subject to the reporting requirements of Section 14 or 15(d) of the Exchange Act;
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

## Recent Sales of Unregistered Securities

Pursuant to the Plan of Reorganization, we issued an aggregate of 500,005 shares of our common stock to 482 of our holders of unsecured debt and administrative claims. Such shares were issued in accordance with Section 1145 under the United States Bankruptcy Code and the transaction was thus exempt from the registration requirements of Section 5 of the Securities Act of 1933.

On November 5, 2010, the Company entered into the Share Purchase Agreement with Shelton pursuant to which she acquired 9,500,000 shares of our common stock for approximately \$9,500 cash or \$0.001 per share. As a result of this transaction, 10,000,005 shares of our common stock are currently issued and outstanding. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration on these shares and no underwriter was used in this transaction.



#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 4,300	\$ 2,900
2. Audit-related fees	-	-
3. Tax fees	355	-
4. All other fees	-	-
<b>Totals</b>	<b>\$ 4,655</b>	<b>\$ 2,900</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

#### PART IV

#### Item 15 - Exhibits and Financial Statement Schedules

##### Exhibit Number

- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(Financial statements follow on next page)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Crane Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Crane Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Crane Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 7, 2011 (except for Note J  
as to which the date is March 1, 2011)

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**FORM 10-K**

**SMSA GAINESVILLE ACQUISITION CORP. - SACQ**

Filed: March 16, 2010 (period: December 31, 2009)

Annual report with a comprehensive overview of the company

FW-3711-SEC 0375

SEC APP 0430

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

### Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## PART II

### Item 4 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

The Company's securities are currently not eligible for trading on any exchange or quotation medium. The Company has filed an application to have its shares of common stock become eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5).

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the Plan of Reorganization and the issuance of the Plan Shares pursuant to the Plan of Reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

#### Holder

As of December 31, 2009, there were a total of 500,005 shares of our common stock outstanding, held by approximately 482 stockholders of record.

#### Common Stock

Our authorized capital stock consists of 100,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

## Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10,000,000 shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

### Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of \$0.001 par value Preferred Stock and no shares are issued and outstanding as of the date of this Report.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our \$0.001 par value preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our Board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

### Restricted Securities

We currently do not have any outstanding restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a reverse merger transaction. The securities we issue in a merger transaction will most likely be restricted securities.

Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

### Dividends

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## Transfer Agent

Our independent stock transfer agent is Securities Transfer Corporation. Their address is 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034. Their contact numbers are (469) 633-0101 for voice calls and (469) 633-0088 for fax transmissions. Their website is located at [www.stctransfer.com](http://www.stctransfer.com).

## Reports to Stockholders

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## Item 5 - Selected Financial Data

Not applicable

## Item 6 - Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

### (2) General

SMSA Gainesville Acquisition Corp. was organized on September 9, 2009 as a Nevada corporation to effect the reincorporation of Senior Management Services of Gainesville, Inc., a Texas corporation, mandated by the plan of reorganization discussed below. In accordance with the confirmed plan of reorganization, our current business plan is to seek to identify a privately-held operating company desiring to become a publicly held company by merging with us through a reverse merger or acquisition. We are a development stage company and a shell company as defined in Rule 405 under the Securities Act of 1933, or the Securities Act, and Rule 12b-2 under the Securities Exchange Act of 1934, or the Exchange Act. As a shell company, we have no operations and no or nominal assets.

The Company may adopt a policy under which any consulting or finders fee that may be paid to a third party for services to assist management in evaluating a prospective business opportunity could be paid in stock rather than in cash. Any such issuance of stock would be made on an ad hoc basis. Accordingly, the Company is unable to predict whether, or in what amount, such stock issuance might be made.

It is not currently anticipated that any salary, consulting fee, or finders fee shall be paid to any of the Company's directors or executive officers, or to any other affiliate of the Company except as described under Executive Compensation above.

Although management has no current plans to cause the Company to do so, it is possible that the Company may enter into an agreement with an acquisition candidate requiring the sale of all or a portion of the Common Stock held by the Company's current stockholders to the acquisition candidate or principals thereof, or to other individuals or business entities, or requiring some other form of payment to the Company's current stockholders, or requiring the future employment of specified officers and payment of salaries to them. It is more likely than not that any sale of securities by the Company's current stockholders to an acquisition candidate would be at a price substantially higher than that originally paid by such stockholders. Any payment to current stockholders in the context of an acquisition involving the Company would be determined entirely by the largely unforeseeable terms of a future agreement with an unidentified business entity.

#### Director Independence

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 4200 (a) (15) of the NASDAQ Marketplace Rules.

#### Item 13 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2009	Year ended December 31, 2008
1. Audit fees	\$ 3,000	\$ --
2. Audit-related fees	--	--
3. Tax fees	--	--
4. All other fees	--	--
<b>Totals</b>	<b>\$ 3,000</b>	<b>\$ --</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Gainesville Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Gainesville Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Gainesville Acquisition Corp. (a development stage company) as of December 31, 2009 and 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2009, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/  
S.  
W.  
Hatfield  
CPA

W.  
HATFIELD,  
CPA

Dallas, Texas  
March 11, 2009 (except for Note I  
as to which the date is March 15, 2009)

3/5 2010



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**FORM 10-K**

**SMSA GAINESVILLE ACQUISITION CORP. - SACQ**

**Filed: March 08, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 038

SEC APP 0436

## Employees

We have no employees. Our president and sole director, Paul Interrante, will be responsible for managing our administrative affairs, including our reporting obligations pursuant to the requirements of the Exchange Act. It is anticipated that Mr. Interrante may engage consultants, attorneys and accountants as necessary for us to conduct our business operations and to implement and successfully complete our business plan. We do not anticipate employing any full-time employees until we have achieved our business purpose.

## Item 1A - Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

## Item 1B - Unresolved Staff Comments

None

## Item 2 - Properties

The Company currently maintains a mailing address at 5956 Sherry Lane, Suite 1000, Dallas, TX 75225. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

## Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading and Eligibility for Future Sale

There is no public trading market for our securities. Our shares are eligible for quotation on the OTC Bulletin Board under the symbol "SACQ". As of the date of this filing, there has been no known trading in the Company's common stock.

### Holders

As of March 3, 2011, there were a total of 10,000,005 shares of our common stock held by approximately 483 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

### Capital Stock

Our authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our Company.

#### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

#### Securities Eligible for Future Sale

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the 500,005 plan shares, which may have been deemed to have occurred through the solicitation of acceptances of the plan of reorganization, and the issuance of the plan shares pursuant to the plan of reorganization. In general, offers and sales of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof are free to resell such securities without registration under the Securities Act.

#### Restricted Securities

We currently have 9,500,000 outstanding shares which may be deemed restricted securities as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfy the current public information requirements of the rule.

#### Rule 144

On February 15, 2008, amendments to Rule 144 became effective and will apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of securities of the same class then outstanding; or,
- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;
- *provided*, in each case, which we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

## **Restrictions on the Reliance of Rule 144 by Shell Companies or Former Shell Companies**

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company;
- The issuer of the securities is subject to the reporting requirements of Section 14 or 15(d) of the Exchange Act;
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

## **Recent Sales of Unregistered Securities**

Pursuant to the Plan of Reorganization, we issued an aggregate of 500,005 shares of our common stock to 482 of our holders of unsecured debt and administrative claims. Such shares were issued in accordance with Section 1145 under the United States Bankruptcy Code and the transaction was thus exempt from the registration requirements of Section 5 of the Securities Act of 1933.

On August 4, 2010, the Company entered into the Share Purchase Agreement with Interrante pursuant to which he acquired 9,500,000 shares of our common stock for approximately \$9,500 cash or \$0.001 per share. As a result of this transaction, 10,000,005 shares of our common stock are currently issued and outstanding. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration on these shares and no underwriter was used in this transaction.

## **Dividends**

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

## **Transfer Agent**

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

## **Reports to Stockholders**

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. It is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

## **Item 6 - Selected Financial Data**

Not applicable

## **Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **(1) Caution Regarding Forward-Looking Information**

(4) Mr. Interrante is our president and sole director.

#### Changes in Control

On August 4, 2010, the Company entered into the Share Purchase Agreement with Interrante pursuant to which he acquired 9,500,000 shares of our common stock for approximately \$9,500 cash or \$0.001 per share. As a result of this transaction, 10,000,005 shares of our common stock are currently issued and outstanding. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration on these shares and no underwriter was used in this transaction.

#### Item 13 - Certain Relationships and Related Transactions, and Director Independence

The Company currently maintains a mailing address at 5956 Sherry Lane, Suite 1000, Dallas, TX 75225. The Company's telephone number there is (972) 233-0300. The Company pays no rent or other fees for the use of the mailing address.

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 5605(a)(2) of the NASDAQ Listing Rules.

#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 4,975	\$ 3,000
2. Audit-related fees	-	-
3. Tax fees	355	-
4. All other fees	-	-
Totals	<u>\$ 5,330</u>	<u>\$ 3,000</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
SMSA Gainesville Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Gainesville Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010, respectively. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Gainesville Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 8, 2011 (except for Note J  
as to which the date is March 3, 2011)

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**FORM 10-12G**

**SMSA Humble Acquisition Corp - SMHQ**

**Filed: August 27, 2010 (period: )**

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0387

SEC APP 0442

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through June 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

Hatfield CPA

HATFIELD, CPA

Dallas, Texas  
August 25, 2010 (except for Note I  
as to which the date is August 26, 2010)

/s/ S. W.

S. W.



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**FORM 10-12G**

**SMSA Humble Acquisition Corp - SMHQ**

Filed: October 29, 2010 (period: )

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0389

SEC APP 0444

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 26, 2010

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-12G/A**

**SMSA Humble Acquisition Corp - SMHQ**

**Filed: December 10, 2010 (period: )**

**Amendment to a previously filed 10-12G**

FW-3711-SEC 0391

SEC APP 0446

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 26, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$5,766 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 26, 2010. No reliance should be placed on this opinion.

S. W. HATFIELD, CPA

Dallas, Texas  
December 8, 2010

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## **FORM 10-K**

**SMSA Humble Acquisition Corp - SMHQ**

**Filed: March 14, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0393

SEC APP 0448

## Competition

We are and will continue to be an insignificant participant in the business of seeking mergers with and acquisitions of privately held business entities. We expect to encounter substantial competition in our efforts to locate potential business combination opportunities. The competition may in part come from business development companies, venture capital partnerships and corporations, small investment companies and brokerage firms. Most of these organizations are likely to be in a better position than us to obtain access to potential business acquisition candidates because they have greater experience, resources and managerial capabilities than we do. We also will experience competition from other public companies with similar business purposes, some of which may also have funds available for use by an acquisition candidate.

## Employees

We have no employees. Our president and sole director, Timothy P. Halter, will be responsible for managing our administrative affairs, including our reporting obligations pursuant to the requirements of the Exchange Act. It is anticipated that HFI or Mr. Halter may engage consultants, attorneys and accountants as necessary for us to conduct our business operations and to implement and successfully complete our business plan. We do not anticipate employing any full-time employees until we have achieved our business purpose.

## Item 1A - Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

## Item 1B - Unresolved Staff Comments

None

## Item 2 - Properties

The Company currently maintains a mailing address at 174 FM 1830, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

## Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading and Eligibility for Future Sale

There is no public trading market for our securities. We have filed an application with the Financial Industry Regulatory Authority to make our shares eligible for quotation on the OTC Bulletin Board. As of the date of this filing, there has been no known trading in the Company's common stock.

### Holdings

As of March 10, 2011, there were a total of 530,612 shares of our common stock held by approximately 567 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

## Capital Stock

Our authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our Company.

### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

### Securities Eligible for Future Sale

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the 530,612 plan shares, which may have been deemed to have occurred through the solicitation of acceptances of the plan of reorganization, and the issuance of the plan shares pursuant to the plan of reorganization. In general, offers and sales of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof are free to resell such securities without registration under the Securities Act.

### Restricted Securities

We currently have no outstanding shares which may be deemed restricted securities as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfy the current public information requirements of the rule.

### Rule 144

On February 15, 2008, amendments to Rule 144 became effective and will apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of securities of the same class then outstanding; or,
- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;
- *provided*, in each case, which we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

#### **Restrictions on the Reliance of Rule 144 by Shell Companies or Former Shell Companies**

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company;
- The issuer of the securities is subject to the reporting requirements of Section 14 or 15(d) of the Exchange Act;
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

#### **Recent Sales of Unregistered Securities**

Pursuant to the Plan of Reorganization, we issued an aggregate of 530,612 shares of our common stock to 567 of our holders of unsecured debt and administrative claims. Such shares were issued in accordance with Section 1145 under the United States Bankruptcy Code and the transaction was thus exempt from the registration requirements of Section 5 of the Securities Act of 1933.

#### **Dividends**

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

#### **Transfer Agent**

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

#### **Reports to Stockholders**

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. It is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

#### **Item 6 - Selected Financial Data**

Not applicable



- (3) In determining the percent of voting stock owned by a person on December 31, 2010 (a) the numerator is the number of shares of common stock beneficially owned by the person, including shares the beneficial ownership of which may be acquired within 60 days upon the exercise of options or warrants or conversion of convertible securities, and (b) the denominator is the total of (i) the 530,612 shares of common stock outstanding on December 31, 2010, and (ii) any shares of common stock which the person has the right to acquire within 60 days upon the exercise of options or warrants or conversion of convertible securities. Neither the numerator nor the denominator includes shares which may be issued upon the exercise of any other options or warrants or the conversion of any other convertible securities.
- (4) Mr. Halter is our president and director. He also is a member of Halter Financial Investments GP, LLC, the general partner of Halter Financial Investments L.P. Halter Financial Investments, L.P. ("*HFI*") is a Texas limited partnership of which Halter Financial Investments GP, LLC, a Texas limited liability company ("*HFI GP*"), is the sole general partner. The limited partners of HFI are: (i) TPH Capital, LP, a Texas limited partnership of which TPH Capital GP, LLC, a Texas limited liability company ("*TPH GP*"), is the general partner and Timothy P. Halter is the sole member of TPH GP, (ii) Bellifield, LP, a Texas limited partnership of which Bellifield Capital Management, LLC, a Texas limited liability company ("*Bellifield LLC*") is the sole general partner and David Brigante is the sole member of Bellifield LLC; (iii) Colhurst Capital LP, a Texas limited partnership of which Colhurst Capital GP LLC, a Texas limited liability company ("*Colhurst LLC*"), is the general partner and George L. Diamond is the sole member of Colhurst LLC; and (iv) Rivergreen Capital, LLC, a Texas limited liability company ("*Rivergreen LLC*"), of which Marat Rosenberg is the sole member. As a result, each of the foregoing persons may be deemed to be a beneficial owner of the shares held of record by HFI. HFI's address is 174 FM 1830, Argyle, TX 76226.
- (5) Donald Hardy, Chloe Kaufman and Estate of Ina Tarrant are joint tenants in common and are each deemed beneficial owners of the 31,000 shares. Their address is c/o Mike Freden, Noteboom Law Firm, 669 Airport Freeway Suite 100, Hurst, TX 76053.

#### Changes in Control

There are currently no arrangements which may result in a change in control of the Company.

#### Item 13 - Certain Relationships and Related Transactions, and Director Independence

The Company currently maintains a mailing address at 174 FM 1830, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other activities of the Company's sole officer and director.

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling stockholder, the Company has no independent directors, as defined in Rule 5605(a)(2) of the NASDAQ Listing Rules.

#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 4,225	\$ -
2. Audit-related fees	-	-
3. Tax fees	-	-
4. All other fees	-	-
<b>Totals</b>	<b>\$ 4,225</b>	<b>\$ -</b>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Humble Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Humble Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Humble Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 10, 2011 (except for Note J  
as to which the date is March 14, 2011)

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**FORM 10-12G**

**SMSA Katy Acquisition Corp - SCQO**

Filed: August 25, 2010 (period: )

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0399

SEC APP 0454

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through June 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

Hatfield CPA

/s/ S. W.

S. W.

HATFIELD, CPA

Dallas, Texas  
August 24, 2010

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**FORM 10-12G**

**SMSA Katy Acquisition Corp - SCQO**

**Filed: October 27, 2010 (period: )**

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0401

SEC APP 0456

As filed with the Securities and Exchange Commission on October 27, 2010.

Registration No.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G**

GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**SMSA KATY ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction  
of incorporation)

**27-2969241**  
(I.R.S. Employer  
Identification Number)

**174 FM 1830**  
**Argyle, Texas**  
(Address of principal executive offices)

**76226**  
(Zip Code)

**(972) 233-0300**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

<u>Title of each class to be so registered</u>	<u>Name of each exchange on which each class is to be registered</u>
None	None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:

**Common Stock, \$0.001 par value.**  
(Title of Class)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 25, 2010

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**FORM 10-12G/A**

**SMSA Katy Acquisition Corp - SCQO**

**Filed: November 30, 2010 (period: )**

**Amendment to a previously filed 10-12G**

FW-3711-SEC 0404

SEC APP 0459



As filed with the Securities and Exchange Commission on November 30, 2010.

Registration No. 000-54092

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G/A**

**Amendment No. 1 to  
GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**SMSA KATY ACQUISITION CORP.**  
(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction  
of incorporation)

**27-2969241**  
(I.R.S. Employer  
Identification Number)

**174 FM 1830**  
**Argyle, Texas**  
(Address of principal executive offices)

**76226**  
(Zip Code)

**(972) 233-0300**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:  
**Common Stock, \$0.001 par value**  
(Title of Class)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 25, 2010

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**FORM 10-12G/A**

**SMSA Katy Acquisition Corp - SCQO**

**Filed: December 20, 2010 (period: )**

Amendment to a previously filed 10-12G

FW-3711-SEC 0407

SEC APP 0462

As filed with the Securities and Exchange Commission on December 20, 2010.

Registration No. 000-54092

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G/A**

**Amendment No. 2 to  
GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**SMSA KATY ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction  
of incorporation)

**27-2969241**  
(I.R.S. Employer  
Identification Number)

**174 FM 1830**  
**Argyle, Texas**  
(Address of principal executive offices)

**76226**  
(Zip Code)

**(972) 233-0300**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:  
**Common Stock, \$0.001 par value**  
(Title of Class)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated statements of cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 25, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$9,236 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 25, 2010. No reliance should be placed on this opinion.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
December 17, 2010

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-12G/A**

**SMSA Katy Acquisition Corp - SCQO**

**Filed: December 20, 2010 (period: )**

Amendment to a previously filed 10-12G

FW-3711-SEC 0410

SEC APP 0465

As filed with the Securities and Exchange Commission on December 20, 2010.

Registration No. 000-54092

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G/A**

**Amendment No. 2 to  
GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**SMSA KATY ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction  
of incorporation)

**27-2969241**  
(I.R.S. Employer  
Identification Number)

**174 FM 1830**  
**Argyle, Texas**  
(Address of principal executive offices)

**76226**  
(Zip Code)

**(972) 233-0300**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:  
**Common Stock, \$0.001 par value**  
(Title of Class)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated statements of cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 25, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$9,236 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 25, 2010. No reliance should be placed on this opinion.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
December 17, 2010



Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**SMSA Katy Acquisition Corp - SCQO**

**Filed: March 14, 2011 (period: December 31, 2010)**

Annual report with a comprehensive overview of the company

FW-3711-SEC 0413

SEC APP 0468

## Competition

We are and will continue to be an insignificant participant in the business of seeking mergers with and acquisitions of privately held business entities. We expect to encounter substantial competition in our efforts to locate potential business combination opportunities. The competition may in part come from business development companies, venture capital partnerships and corporations, small investment companies and brokerage firms. Most of these organizations are likely to be in a better position than us to obtain access to potential business acquisition candidates because they have greater experience, resources and managerial capabilities than we do. We also will experience competition from other public companies with similar business purposes, some of which may also have funds available for use by an acquisition candidate.

## Employees

We have no employees. Our president and sole director, Timothy P. Halter, will be responsible for managing our administrative affairs, including our reporting obligations pursuant to the requirements of the Exchange Act. It is anticipated that HFI or Mr. Halter may engage consultants, attorneys and accountants as necessary for us to conduct our business operations and to implement and successfully complete our business plan. We do not anticipate employing any full-time employees until we have achieved our business purpose.

## Item 1A - Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

## Item 1B - Unresolved Staff Comments

None

## Item 2 - Properties

The Company currently maintains a mailing address at 174 FM 1830, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

## Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading and Eligibility for Future Sale

There is no public trading market for our securities. We have filed an application with the Financial Industry Regulatory Authority to make our shares eligible for quotation on the OTC Bulletin Board. As of the date of this filing, there has been no known trading in the Company's common stock.

### Holders

As of March 10, 2011, there were a total of 530,612 shares of our common stock held by approximately 567 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

## Capital Stock

Our authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our Company.

### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

### Securities Eligible for Future Sale

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the 530,612 plan shares, which may have been deemed to have occurred through the solicitation of acceptances of the plan of reorganization, and the issuance of the plan shares pursuant to the plan of reorganization. In general, offers and sales of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof are free to resell such securities without registration under the Securities Act.

### Restricted Securities

We currently have no outstanding shares which may be deemed restricted securities as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfy the current public information requirements of the rule.

### Rule 144

On February 15, 2008, amendments to Rule 144 became effective and will apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of securities of the same class then outstanding; or,
- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;
- *provided*, in each case, which we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

#### **Restrictions on the Reliance of Rule 144 by Shell Companies or Former Shell Companies**

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company;
- The issuer of the securities is subject to the reporting requirements of Section 14 or 15(d) of the Exchange Act;
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

#### **Recent Sales of Unregistered Securities**

Pursuant to the Plan of Reorganization, we issued an aggregate of 530,612 shares of our common stock to 567 of our holders of unsecured debt and administrative claims. Such shares were issued in accordance with Section 1145 under the United States Bankruptcy Code and the transaction was thus exempt from the registration requirements of Section 5 of the Securities Act of 1933.

#### **Dividends**

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

#### **Transfer Agent**

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

#### **Reports to Stockholders**

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. It is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

#### **Item 6 - Selected Financial Data**

Not applicable

- (3) In determining the percent of voting stock owned by a person on December 31, 2010 (a) the numerator is the number of shares of common stock beneficially owned by the person, including shares the beneficial ownership of which may be acquired within 60 days upon the exercise of options or warrants or conversion of convertible securities, and (b) the denominator is the total of (i) the 530,612 shares of common stock outstanding on December 31, 2010, and (ii) any shares of common stock which the person has the right to acquire within 60 days upon the exercise of options or warrants or conversion of convertible securities. Neither the numerator nor the denominator includes shares which may be issued upon the exercise of any other options or warrants or the conversion of any other convertible securities.
- (4) Mr. Halter is our president and director. He also is a member of Halter Financial Investments GP, LLC, the general partner of Halter Financial Investments L.P. Halter Financial Investments, L.P. ("HFI") is a Texas limited partnership of which Halter Financial Investments GP, LLC, a Texas limited liability company ("HFIGP"), is the sole general partner. The limited partners of HFI are: (i) TPH Capital, LP, a Texas limited partnership of which TPH Capital GP, LLC, a Texas limited liability company ("TPH GP"), is the general partner and Timothy P. Halter is the sole member of TPH GP, (ii) Bellifield, LP, a Texas limited partnership of which Bellifield Capital Management, LLC, a Texas limited liability company ("Bellifield LLC") is the sole general partner and David Brigante is the sole member of Bellifield LLC; (iii) Colhurst Capital LP, a Texas limited partnership of which Colhurst Capital GP LLC, a Texas limited liability company ("Colhurst LLC"), is the general partner and George L. Diamond is the sole member of Colhurst LLC; and (iv) Rivergreen Capital, LLC, a Texas limited liability company ("Rivergreen LLC"), of which Marat Rosenberg is the sole member. As a result, each of the foregoing persons may be deemed to be a beneficial owner of the shares held of record by HFI. HFI's address is 174 FM 1830, Argyle, TX 76226.
- (5) Donald Hardy, Chloe Kaufman and Estate of Ina Tarrant are joint tenants in common and are each deemed beneficial owners of the 31,000 shares. Their address is c/o Mike Freden, Noteboom Law Firm, 669 Airport Freeway Suite 100, Hurst, TX 76053.

#### Changes in Control

There are currently no arrangements which may result in a change in control of the Company.

#### Item 13 - Certain Relationships and Related Transactions, and Director Independence

The Company currently maintains a mailing address at 174 FM 1830, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other activities of the Company's sole officer and director.

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling stockholder, the Company has no independent directors, as defined in Rule 5605(a)(2) of the NASDAQ Listing Rules.

#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 4,225	\$ -
2. Audit-related fees	-	-
3. Tax fees	-	-
4. All other fees	-	-
Totals	<u>\$ 4,225</u>	<u>\$ -</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Katy Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Katy Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Katy Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 9, 2011 (except for Note J  
as to which the date is March 14, 2011)

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**FORM 10-12G**

**SMSA KERRVILLE ACQUISITION CORP. - SKER**

Filed: February 15, 2011 (period: )

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0419

SEC APP 0474

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Kerrville Acquisition Corp.

We have audited the accompanying consolidated balance sheet of SMSA Kerrville Acquisition Corp. (a Nevada corporation and a development stage company) and Subsidiary as of December 31, 2010 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010. These consolidated financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMSA Kerrville Acquisition Corp. and Subsidiary (a development stage company) as of December 31, 2010 and the results of its consolidated operations and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is currently dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 28, 2011 (except for Note J  
as to which the date is February 11, 2011)

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**FORM 10-12G/A**

**SMSA KERRVILLE ACQUISITION CORP. - SKER**

**Filed: March 23, 2011 (period: )**

Amendment to a previously filed 10-12G

FW-3711-SEC 0421

SEC APP 0476

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10/A

GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS

Pursuant to Section 12(b) or 12(g) of  
The Securities Exchange Act of 1934

**SMSA Kerrville Acquisition Corp.**  
(Exact Name of Registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation or organization)

000-54275  
(Commission File No.)

27-3924073  
(I.R.S. Employer  
Identification No.)

2591 Dallas Parkway, Suite 102, Frisco, Texas  
(Address of principal executive offices)

75034  
(Zip Code)

Issuer's telephone number: (972) 963-0001

Securities to be registered under Section 12(b) of the Act:

Title of Each Class  
to be so Registered:  
None

Name of Each Exchange on which  
Each Class is to be Registered:  
None

Securities to be registered under Section 12(g) of the Act:

Common Stock, Par Value \$.001  
(Title of Class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  
Non-accelerated filer  
(Do not check if a smaller reporting company)

Accelerated filer  
Smaller reporting company[x]

**REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
SMSA Kerrville Acquisition Corp.

We have audited the accompanying consolidated balance sheet of SMSA Kerrville Acquisition Corp. (a Nevada corporation and a development stage company) and Subsidiary as of December 31, 2010 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010. These consolidated financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 28, 2011 (except for Note J  
as to which the date is February 11, 2011)

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**FORM 10-12G/A**

**SMSA KERRVILLE ACQUISITION CORP. - SKER**

Filed: April 05, 2011 (period: )

Amendment to a previously filed 10-12G

FW-3711-SEC 0424

SEC APP 0479

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**U.S. SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10/A**  
(Amendment No. 2)

**GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS**

Pursuant to Section 12(b) or 12(g) of  
The Securities Exchange Act of 1934

**SMSA Kerrville Acquisition Corp.**

(Exact Name of Registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation or organization)

000-54275  
(Commission File No.)

27-3924073  
(I.R.S. Employer  
Identification No.)

2591 Dallas Parkway, Suite 102, Frisco, Texas  
(Address of principal executive offices)

75034  
(Zip Code)

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Issuer's telephone number: (972) 963-0001

Securities to be registered under Section 12(b) of the Act:

Title of Each Class  
to be so Registered:  
None

Name of Each Exchange on which  
Each Class is to be Registered:  
None

Securities to be registered under Section 12(g) of the Act:

Common Stock, Par Value \$.001  
(Title of Class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  
Non-accelerated filer  
(Do not check if a smaller reporting company)

Accelerated filer  
Smaller reporting company

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Kerrville Acquisition Corp.

We have audited the accompanying consolidated balance sheet of SMSA Kerrville Acquisition Corp. (a Nevada corporation and a development stage company) and Subsidiary as of December 31, 2010 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010. These consolidated financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMSA Kerrville Acquisition Corp. and Subsidiary (a development stage company) as of December 31, 2010 and the results of its consolidated operations and cash flows for the period from November 9, 2010 (date of inception) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is currently dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporation. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 28, 2011 (except for Note J  
as to which the date is February 11, 2011)

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-K**

**SMSA KERRVILLE ACQUISITION CORP. - SKER**

Filed: March 26, 2012 (period: December 31, 2011)

Annual report with a comprehensive overview of the company

FW-3711-SEC 0427

SEC APP 0482

**Item 1A - Risk Factors**

Not applicable.

**Item 1B - Unresolved Staff Comments**

None

**Item 2 - Properties**

Our executive, administrative and operating offices are located at 2591 Dallas Parkway, Suite 102, Frisco Texas 75034. In connection with the Securities Transfer Corporation's discontinuing providing EDGAR services and the commencement of our business operations on April 1, 2011, we began to sublease approximately 200 square feet of office space from Securities Transfer Corporation at a cost of \$400 per month, which approximates the cost of such space to Securities Transfer Corp, on a month-to-month basis. We paid or accrued approximately \$3,600 during the year ended December 31, 2011 for the use of this space. We do not have a written lease or sublease agreement with Securities Transfer Corp. We believe that our facilities are adequate for our needs and that additional suitable space will be available on acceptable terms as required.

**Item 3 - Legal Proceedings**

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

**Item 4 - Mine Safety Disclosures**

Not applicable to the Company.

**PART II**

**Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Market for Trading and Eligibility for Future Sale**

Pursuant to a letter from the Financial Industry Regulatory Authority (FINRA) dated January 23, 2012, the Company's common stock was cleared for trading on the OTC Bulletin Board and Pink Sheets. The Company's equity securities trade under the symbol "SKER". Information obtained from market activity reports available on the websites, [www.bigcharts.com](http://www.bigcharts.com) and [www.otcmarkets.com](http://www.otcmarkets.com), disclose no trading activity since our approval date for trading through March 20, 2012. Additionally, there is no published Bid or Ask price on either of these sources.

At March 20, 2012, there were approximately 483 holders of record, exclusive of shares held in street name, of the Company's Common Stock.

**Dividends**

Since its inception, no dividends have been paid on the Company's common stock. Future dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

**Item 6 - Selected Financial Data**

Not applicable



## Director Independence

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 5605(a)(2) of the NASDAQ Listing Rules.

## Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2011	Year ended December 31, 2010
1. Audit fees	\$ 9,045	\$ -
2. Audit-related fees	-	-
3. Tax fees	-	-
4. All other fees	-	-
Totals	<u>\$ 9,045</u>	<u>\$ -</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountant, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

## Item 15 - Exhibits and Financial Statement Schedules

### Exhibit    Description

- 2.1    Stock Exchange Agreement (\*)
- 3.1    Articles of Incorporation (\*)
- 3.2    Bylaws (\*)
- 4.1    Specimen Stock Certificate (\*)
- 31.1    Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1    Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
- 101    Interactive data files pursuant to Rule 405 of Regulation S-T.

(\*) Incorporated by reference to the Company's Registration Statement on Form 10 (File No. 000-54275) on February 15, 2011.

(Financial statements follow starting at page F-1)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Kerrville Acquisition Corp.

We have audited the accompanying consolidated balance sheet of SMSA Kerrville Acquisition Corp. (a Nevada corporation) and Subsidiary as of December 31, 2011 and 2010 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the year ended December 31, 2011 and for the period from November 9, 2010 (date of inception) through December 31, 2010. These consolidated financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SMSA Kerrville Acquisition Corp. and Subsidiary as of December 31, 2011 and 2010 and the results of its consolidated operations and cash flows for the year ended December 31, 2011 and for the period from November 9, 2010 (date of inception) through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
March 22, 2012

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Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-12G**

**SMSA SHREVEPORT ACQUISITION CORP - N/A**

**Filed: November 01, 2010 (period: )**

General registration filing of securities under section 12(g) of the Securities Exchange Act

**FW-3711-SEC 043**

SEC APP 0486

As filed with the Securities and Exchange Commission on November 1, 2010.

Registration No.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G**

GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**SMSA SHREVEPORT ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation)

27-3462958  
(I.R.S. Employer  
Identification Number)

174 FM 1830  
Argyle, Texas  
(Address of principal executive offices)

76226  
(Zip Code)

(972) 233-0300  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:  
Common Stock, \$0.001 par value  
(Title of Class)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Shreveport Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Shreveport Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Shreveport Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 27, 2010

Morningstar<sup>®</sup> Document Research<sup>SM</sup>

**FORM 10-12G**

**SMSA SHREVEPORT ACQUISITION CORP - N/A**

Filed: January 27, 2011 (period: )

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0434

SEC APP 0489

As filed with the Securities and Exchange Commission on January 27, 2011.

Registration No.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G**

GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**SMSA SHREVEPORT ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation)

27-3462958  
(I.R.S. Employer  
Identification Number)

12890 Hilltop Road  
Argyle, Texas  
(Address of principal executive offices)

76226  
(Zip Code)

(972) 233-0300  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:

Common Stock, \$0.001 par value  
(Title of Class)

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Shreveport Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Shreveport Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the each of the years ended December 31, 2010, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Shreveport Acquisition Corp. (a development stage company) as of December 31, 2010, 2009 and 2008 and the results of its operations and cash flows for the each of the years ended December 31, 2010, 2009 and 2008 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

On October 27, 2010, we initially issued a Report of Registered Independent Certified Public Accounting Firm on the financial statements of SMSA Shreveport Acquisition Corp. as of and for the years ended December 31, 2009 and 2008, respectively. Subsequent to the date of that Report, Management of the Company discovered that certain 2009 payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of December 31, 2009. The results of these findings resulted the reclassification of an approximate \$348 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows as of December 31, 2009 and for the year then ended.

Accordingly, we withdraw our opinion dated October 27, 2010. No reliance should be placed on this opinion.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 25, 2011



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**FORM 10-12G/A**

**SMSA SHREVEPORT ACQUISITION CORP - N/A**

Filed: March 07, 2011 (period: )

Amendment to a previously filed 10-12G

FW-3711-SEC 0437

SEC APP 0492

As filed with the Securities and Exchange Commission on March 7, 2011.

Registration No. 000-54169

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

Amendment No. 1 to  
**FORM 10-12G/A**

GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**SMSA SHREVEPORT ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation)

27-3462958  
(I.R.S. Employer  
Identification Number)

12890 Hilltop Road  
Argyle, Texas  
(Address of principal executive offices)

76226  
(Zip Code)

(972) 233-0300  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:

Common Stock, \$0.001 par value  
(Title of Class)

directors, officers and principal stockholders.

**ITEM 8. LEGAL PROCEEDINGS**

Other than being subject to the provisions of the Plan and confirmation order, we are not a party to any legal proceedings.

**ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

**Market Information**

There is no public trading market for our securities. We will seek to make our shares eligible for quotation on the OTC Bulletin Board. However, the Plan provides that no active trading market shall exist for our securities until after the consummation of a business combination. No assurance can be given that an active market will exist after we complete a business combination. The Plan further provides that our stockholders are enjoined from trading, selling or assigning their Plan Shares until we consummate a transaction. HFG, however, may transfer in a private transaction, a portion of its shares of our common stock prior to the consummation of a business combination to a single transferee or group of transferees under common control and to HFG employees and representatives, subject to compliance with applicable federal and state securities laws. Any such transferee shall be subject to the same restrictions as applicable to HFG under the Plan.

Effective May 3, 2010, HFG transferred 415,960 Plan Shares to its affiliate, HFI.

We have no equity compensation or other types of employee benefit plans.

#### **Transfer Agent**

We have engaged Securities Transfer Corporation, 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034 (telephone number 469.633.0100) as our transfer agent. The Plan Shares have been issued and are being held by the transfer agent until a business combination is consummated.

#### **Reports to Stockholders**

We plan to furnish our stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by our independent registered public accounting firm. In the event we enter into a business combination with another company, we anticipate that management will continue furnishing annual reports to stockholders. Additionally, we may, in our sole discretion, issue unaudited quarterly or other interim reports to our stockholders when we deem appropriate. Upon effectiveness of this registration statement, we intend to maintain compliance with the periodic reporting requirements of the Exchange Act.

*Holdings.* As of March 7, 2011, there were a total of 525,034 shares of our common stock outstanding, held by approximately 482 stockholders of record.

*Dividends.* We have not declared any dividends on our common stock since inception and do not intend to pay dividends on our common stock in the foreseeable future.

#### **Securities Eligible for Future Sale**

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a) (1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the Plan Shares which may have been deemed to have occurred through the solicitation of acceptances of the plan of reorganization and the issuance of the Plan Shares pursuant to the plan of reorganization. In general, offers and sale of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof, are free to resell such securities without registration under the Securities Act.

We currently do not have any outstanding restricted securities as defined in Rule 144. We do not intend to issue any securities prior to consummating a business transaction. The securities we issue in a merger transaction will most likely be restricted securities. Since we are a blank check or shell company, we believe the resale of restricted securities we issue in a merger transaction will be subject to the restrictions as stated below.

#### **Rule 144**

On February 15, 2008 amendments to Rule 144 became effective and will apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

Source: SMSA SHREVEPORT ACQUISITION CORP. 10-12G/A, March 07, 2011

Powered by **FINW** sat **SEC** 04/11

SEC APP 0496

- 1% of the total number of securities of the same class then outstanding; or
- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

*provided*, in each case, which we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

***Restrictions on the Reliance of Rule 144 by Shell Companies or Former Shell Companies***

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company;
- The issuer of the securities is subject to the reporting requirements of Section 14 or 15(d) of the Exchange Act;
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

As a result, it is likely that pursuant to Rule 144, stockholders who receive our restricted securities in a business combination will not be able to sell our shares without registration until one year after we have completed our initial business combination.

***Rule 145***

In the business combination context, Rule 145 has imposed on affiliates of either the acquiror or the target company restrictions on public resales of securities received in a business combination, even where the securities to be issued in the business combination were registered under the Securities Act. These restrictions were designed to prevent the rapid distribution of securities into the public markets after a registered business combination by those who were in a position to influence the business combination transaction. The recent adopted amendments to Rule 145 eliminate these restrictions in most circumstances.

Under the new amendments, affiliates of a target company who receive registered shares in a Rule 145 business combination transaction, and who do not become affiliates of the acquiror, will be able to immediately resell the securities received by them into the public markets without registration (except for affiliates of a shell company as discussed in the following section). However, those persons who are affiliates of the acquiror, and those who become affiliates of the acquiror after the acquisition, will still be subject to the Rule 144 resale conditions generally applicable to affiliates, including the adequate current public information requirement, volume limitations, manner-of-sale requirements for equity securities, and, if applicable, a Form 144 filing.

***Application of Rule 145 to Shell Companies***

Public resales of securities acquired by affiliates of acquirers and target companies in business combination transactions involving shell companies will continue to be subject to restrictions imposed by Rule 145. If the business combination transaction is not registered under the Securities Act, then the affiliates must look to Rule 144 to resell their securities (with the additional Rule 144 conditions applicable to shell company securities). If the business combination transaction is registered under the Securities Act, then affiliates of the acquirer and target company may resell the securities acquired in the transaction, subject to the following conditions:

- The issuer must meet all of the conditions applicable to shell companies under Rule 144;
- After 90 days from the date of the acquisition, the affiliates may resell their securities subject to Rule 144's volume limitations, adequate current public information requirement, and manner-of-sale requirements;
- After six months from the date of the acquisition, selling security-holders who are not affiliates of the acquirer may resell their securities subject only to the adequate current public information requirement of Rule 144; and
- After one year from the date of the acquisition, selling security-holders who are not affiliates or the acquirer may resell their securities without restriction.

#### **ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES**

Pursuant to the plan of reorganization, we issued an aggregate of 525,034 shares of our common stock to 482 of our holders of unsecured debt and administrative claims. Such shares were issued in accordance with Section 1145 under the United States Bankruptcy Code and the transaction was thus exempt from the registration requirements of Section 5 of the Securities Act of 1933.

#### **ITEM 11. DESCRIPTION OF SECURITIES TO BE REGISTERED**

##### **Capital Stock**

Our authorized capital stock consists of 100 million shares of common stock and 10 million shares of preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10 million shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

##### **Provisions Having A Possible Anti-Takeover Effect**

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Shreveport Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Shreveport Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the each of the years ended December 31, 2010, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Shreveport Acquisition Corp. (a development stage company) as of December 31, 2010, 2009 and 2008 and the results of its operations and cash flows for the each of the years ended December 31, 2010, 2009 and 2008 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

On October 27, 2010, we initially issued a Report of Registered Independent Certified Public Accounting Firm on the financial statements of SMSA Shreveport Acquisition Corp. as of and for the years ended December 31, 2009 and 2008, respectively. Subsequent to the date of that Report, Management of the Company discovered that certain 2009 payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of December 31, 2009. The results of these findings resulted the reclassification of an approximate \$348 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows as of December 31, 2009 and for the year then ended.

Accordingly, we withdraw our opinion dated October 27, 2010. No reliance should be placed on this opinion.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
January 25, 2011



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## **FORM 15-12G**

**SMSA SHREVEPORT ACQUISITION CORP - N/A**

**Filed: August 08, 2011 (period: )**

Certification of termination of registration of a class of security under Section 12(g) or notice of suspension of duty to file reports under Section 13 and 15(d) of the Act Section 12 (g).

FW-3711-SEC 0445

SEC APP 0500

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 15

CERTIFICATION AND NOTICE OF TERMINATION OF REGISTRATION UNDER SECTION 12(g)  
OF THE SECURITIES EXCHANGE ACT OF 1934 OR SUSPENSION OF DUTY TO FILE REPORTS  
UNDER SECTIONS 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number: 000-54169

SMSA Shreveport Acquisition, Corp.  
(Exact name of registrant as specified in its charter)

12890 Hilltop Rd., Argyle, TX, 76226  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Common Stock, \$.001 par value per share  
(Title of each class of securities covered by this Form)

(Titles of all other classes of securities for which a duty to file reports under section 13(a) or 15(d) remains)

Please place an X in the box(es) to designate the appropriate rule provision(s) relied upon to terminate or suspend the duty to file reports:

- Rule 12g-4(a)(1)   
Rule 12g-4(a)(2)   
Rule 12h-3(b)(1)(i)   
Rule 12h-3(b)(1)(ii)   
Rule 15d-6

Approximate number of holders of record as of the certification or notice date: 482

Pursuant to the requirements of the Securities Exchange Act of 1934, Timothy P. Halter  
has caused this certification/notice to be signed on its behalf by the undersigned duly authorized person.

Date: August 8, 2011 By: /s/ Timothy P. Halter

Instruction: This form is required by Rules 12g-4, 12h-3 and 15d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934. The registrant shall file with the Commission three copies of Form 15, one of which shall be manually signed. It may be signed by an officer of the registrant, by counsel or by any other duly authorized person. The name and title of the person signing the form shall be typed or printed under the signature.

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**FORM 10-12G**

**SMSA Treemont Acquisition Corp - SAQU**

**Filed: August 27, 2010 (period: )**

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0447

SEC APP 0502

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through June 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of June 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the six months ended June 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through June 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

Hatfield CPA

HATFIELD, CPA

/s/ S. W.

S. W.

Dallas, Texas  
August 25, 2010 (except for Note I  
as to which the date is August 26, 2010)

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**FORM 10-12G**

**SMSA Treemont Acquisition Corp - SAQU**

Filed: October 29, 2010 (period: )

General registration filing of securities under section 12(g) of the Securities Exchange Act

FW-3711-SEC 0449

SEC APP 0504

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
October 26, 2010

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**FORM 10-12G/A**

**SMSA Treemont Acquisition Corp - SAQU**

**Filed: December 10, 2010 (period: )**

Amendment to a previously filed 10-12G

FW-3711-SEC 0451

SEC APP 0506

As filed with the Securities and Exchange Commission on December 10, 2010.

Registration No. 0-54096

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-12G/A**

Amendment No. 1 to  
GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(B) OR (G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

**SMSA TREEMONT ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation)

27-2969090  
(I.R.S. Employer  
Identification Number)

174 FM 1830  
Argyle, Texas  
(Address of principal executive offices)

76226  
(Zip Code)

(972) 233-0300

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class  
to be so registered  
None

Name of each exchange on which  
each class is to be registered  
None

Securities to be registered pursuant to Section 12 (g) of the Exchange Act:

Common Stock, \$0.001 par value  
(Title of Class)



LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying restated balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, restated changes in stockholders' equity (deficit) and restated cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of September 30, 2010, December 31, 2009 and 2008 and the results of its operations and cash flows for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 through September 30, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

We initially issued a Report of Independent Certified Public Accountants (Report) on the above listed financial statements on October 26, 2010. Subsequent to the date of that Report, Management of the Company discovered that certain payments of expenses by the Company's controlling stockholder as required by the Plan of Reorganization had not been recorded in accordance with the Plan of Reorganization in the Company's balance sheet. Accordingly, this matter created a situation requiring the restatement of the Company's balance sheet as of September 30, 2010, December 31, 2009 and 2008 and for the nine months ended September 30, 2010, the years ended December 31, 2009 and 2008 and for the period from August 1, 2007 (date of bankruptcy settlement) through September 30, 2010, respectively. The results of these findings resulted the reclassification of an approximate \$5,766 from current liabilities to additional paid-in capital in the accompanying balance sheet, statement of changes in stockholders equity (deficit) and cash flows.

Accordingly, we withdraw our opinion dated October 26, 2010. No reliance should be placed on this opinion.

S. W. HATFIELD, CPA

Dallas, Texas  
December 8, 2010

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**FORM 10-K**

**SMSA Treemont Acquisition Corp - SAQU**

Filed: March 14, 2011 (period: December 31, 2010)

Annual report with a comprehensive overview of the company

FW-3711-SEC 0454

## Competition

We are and will continue to be an insignificant participant in the business of seeking mergers with and acquisitions of privately held business entities. We expect to encounter substantial competition in our efforts to locate potential business combination opportunities. The competition may in part come from business development companies, venture capital partnerships and corporations, small investment companies and brokerage firms. Most of these organizations are likely to be in a better position than us to obtain access to potential business acquisition candidates because they have greater experience, resources and managerial capabilities than we do. We also will experience competition from other public companies with similar business purposes, some of which may also have funds available for use by an acquisition candidate.

## Employees

We have no employees. Our president and sole director, Timothy P. Halter, will be responsible for managing our administrative affairs, including our reporting obligations pursuant to the requirements of the Exchange Act. It is anticipated that HFI or Mr. Halter may engage consultants, attorneys and accountants as necessary for us to conduct our business operations and to implement and successfully complete our business plan. We do not anticipate employing any full-time employees until we have achieved our business purpose.

## Item 1A - Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

## Item 1B - Unresolved Staff Comments

None

## Item 2 - Properties

The Company currently maintains a mailing address at 174 FM 1830, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's sole officer and director.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

### Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market for Trading and Eligibility for Future Sale

There is no public trading market for our securities. We have filed an application with the Financial Industry Regulatory Authority to make our shares eligible for quotation on the OTC Bulletin Board. As of the date of this filing, there has been no known trading in the Company's common stock.

#### Holders

As of March 10, 2011, there were a total of 530,612 shares of our common stock held by approximately 567 stockholders of record. There are no shares of our preferred stock outstanding at the date of this report.

## Capital Stock

Our authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 10,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our Company.

### Provisions Having A Possible Anti-Takeover Effect

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

### Securities Eligible for Future Sale

We relied, based on the confirmation order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act of 1933, as amended, both the offer of the 530,612 plan shares, which may have been deemed to have occurred through the solicitation of acceptances of the plan of reorganization, and the issuance of the plan shares pursuant to the plan of reorganization. In general, offers and sales of securities made in reliance on the exemption afforded under Section 1145(a)(1) of the Bankruptcy Code are deemed to be made in a public offering, so that the recipients thereof are free to resell such securities without registration under the Securities Act.

### Restricted Securities

We currently have no outstanding shares which may be deemed restricted securities as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfy the current public information requirements of the rule.

### Rule 144

On February 15, 2008, amendments to Rule 144 became effective and will apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding a sale, (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and (iii) if the sale occurs prior to satisfaction of a one-year holding period, we provide current information at the time of sale.

Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the total number of securities of the same class then outstanding; or,
- the average weekly trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;
- *provided*, in each case, which we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

#### **Restrictions on the Reliance of Rule 144 by Shell Companies or Former Shell Companies**

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company;
- The issuer of the securities is subject to the reporting requirements of Section 14 or 15(d) of the Exchange Act;
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

#### **Recent Sales of Unregistered Securities**

Pursuant to the Plan of Reorganization, we issued an aggregate of 530,612 shares of our common stock to 567 of our holders of unsecured debt and administrative claims. Such shares were issued in accordance with Section 1145 under the United States Bankruptcy Code and the transaction was thus exempt from the registration requirements of Section 5 of the Securities Act of 1933.

#### **Dividends**

Dividends, if any, will be contingent upon the Company's revenues and earnings, if any, and capital requirements and financial conditions. The payment of dividends, if any, will be within the discretion of the Company's Board of Directors. The Company presently intends to retain all earnings, if any, and accordingly the Board of Directors does not anticipate declaring any dividends prior to a business combination.

#### **Transfer Agent**

Our independent stock transfer agent is Securities Transfer Corporation, located in Frisco, Texas. The mailing address and telephone number are: 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034; (469) 633-0101.

#### **Reports to Stockholders**

The Company plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. It is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

#### **Item 6 - Selected Financial Data**

Not applicable

- (3) In determining the percent of voting stock owned by a person on December 31, 2010 (a) the numerator is the number of shares of common stock beneficially owned by the person, including shares the beneficial ownership of which may be acquired within 60 days upon the exercise of options or warrants or conversion of convertible securities, and (b) the denominator is the total of (i) the 530,612 shares of common stock outstanding on December 31, 2010, and (ii) any shares of common stock which the person has the right to acquire within 60 days upon the exercise of options or warrants or conversion of convertible securities. Neither the numerator nor the denominator includes shares which may be issued upon the exercise of any other options or warrants or the conversion of any other convertible securities.
- (4) Mr. Halter is our president and director. He also is a member of Halter Financial Investments GP, LLC, the general partner of Halter Financial Investments L.P. Halter Financial Investments, L.P. ("*HFI*") is a Texas limited partnership of which Halter Financial Investments GP, LLC, a Texas limited liability company ("*HFI GP*"), is the sole general partner. The limited partners of HFI are: (i) TPH Capital, LP, a Texas limited partnership of which TPH Capital GP, LLC, a Texas limited liability company ("*TPH GP*"), is the general partner and Timothy P. Halter is the sole member of TPH GP, (ii) Bellifield, LP, a Texas limited partnership of which Bellifield Capital Management, LLC, a Texas limited liability company ("*Bellifield LLC*") is the sole general partner and David Brigante is the sole member of Bellifield LLC; (iii) Colhurst Capital LP, a Texas limited partnership of which Colhurst Capital GP LLC, a Texas limited liability company ("*Colhurst LLC*"), is the general partner and George L. Diamond is the sole member of Colhurst LLC; and (iv) Rivergreen Capital, LLC, a Texas limited liability company ("*Rivergreen LLC*"), of which Marat Rosenberg is the sole member. As a result, each of the foregoing persons may be deemed to be a beneficial owner of the shares held of record by HFI. HFI's address is 174 FM 1830, Argyle, TX 76226.
- (5) Donald Hardy, Chloe Kaufman and Estate of Ina Tarrant are joint tenants in common and are each deemed beneficial owners of the 31,000 shares. Their address is c/o Mike Freden, Noteboom Law Firm, 669 Airport Freeway Suite 100, Hurst, TX 76053.

#### Changes in Control

There are currently no arrangements which may result in a change in control of the Company.

#### Item 13 - Certain Relationships and Related Transactions, and Director Independence

The Company currently maintains a mailing address at 174 FM 1830, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other activities of the Company's sole officer and director.

Pursuant to the Company's current structure of having a sole director, who is also the Company's sole officer and controlling stockholder, the Company has no independent directors, as defined in Rule 5605(a)(2) of the NASDAQ Listing Rules.

#### Item 14 - Principal Accountant Fees and Services

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas.

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees	\$ 4,225	\$ -
2. Audit-related fees	-	-
3. Tax fees	-	-
4. All other fees	-	-
Totals	<u>\$ 4,225</u>	<u>\$ -</u>

We have considered whether the provision of any non-audit services, currently or in the future, is compatible with S. W. Hatfield, CPA maintaining its independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: S. W. Hatfield, CPA did not charge the Company any fees for financial information system design and implementation fees.

LETTERHEAD OF S. W. HATFIELD, CPA

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
SMSA Treemont Acquisition Corp.

We have audited the accompanying balance sheets of SMSA Treemont Acquisition Corp. (a Nevada corporation and a development stage company) as of December 31, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and statements of cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 (date of bankruptcy settlement) through December 31, 2010. These financial statements are the sole responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMSA Treemont Acquisition Corp. (a development stage company) as of December 31, 2010 and 2009 and the results of its operations and cash flows for each of the years ended December 31, 2010 and 2009 and for the period from August 1, 2007 through December 31, 2010, in conformity with generally accepted accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note D to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note D. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield CPA  
S. W. HATFIELD, CPA

Dallas, Texas  
February 10, 2011 (except for Note J  
as to which the date is March 14, 2011)

F - 2

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**FORM 8-K**

**SMSA Treemont Acquisition Corp - SAQU**

**Filed: May 16, 2011 (period: May 13, 2011)**

Report of unscheduled material events or corporate changes.

FW-3711-SEC 0460

SEC APP 0515



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 13, 2011

**SMSA Treemont Acquisition Corp.**

(Exact name of registrant as specified in its charter)

<b>Nevada</b> (State or other jurisdiction of incorporation)	<b>000-54096</b> (Commission File Number)	<b>27-2969090</b> (IRS Employer Identification No.)
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**Ruixing Industry Park  
Room 206, Building #6, Unit #3  
#17 Pengjizhen Guodao,  
Dongping County  
Shandong Province, 271509  
People's Republic of China**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **86-538-241-8001**

**174 FM 1830, Argyle, TX 76226**  
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which reflect our views with respect to future events and financial performance. These forward-looking statements are subject to certain uncertainties and other factors that could cause actual results to differ materially from such statements. These forward-looking statements are identified by, among other things, the words "anticipates," "believes," "estimates," "expects," "plans," "projects," "targets" and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that may cause actual results to differ from those projected include the risk factors specified below.

## USE OF DEFINED TERMS AND TREATMENT OF STOCK

Except as otherwise indicated by the context, references in this report to:

- "SMSA," "the Company," "we," "us," or "our," refers to the combined business of SMSA Treemont Acquisition Corp., and its wholly-owned subsidiaries, Xiangrui Pharmaceutical International Limited, and Shandong Xiangrui Pharmacy Co., Ltd.;
- "SMSA" refers to SMSA Treemont Acquisition Corp.;
- "Xiangrui" refers to Xiangrui Pharmaceutical International Limited, a BVI company and our direct, wholly owned subsidiary, and/or its direct and indirect subsidiaries, as the case may be;
- "WFOE" refers to Tai'an Yisheng Management & Consulting Co., Ltd., a PRC corporation and our direct, wholly owned subsidiary, and/or its direct and indirect subsidiaries, as the case may be;
- "Shandong Xiangrui" refers to Shandong Xiangrui Pharmacy Co., Ltd., a PRC corporation;
- "China," "Chinese" and "PRC," refer to the People's Republic of China;
- "BVI" refers to the British Virgin Islands;
- "RMB" refers to Renminbi, the legal currency of China;
- "U.S. dollar," "\$" and "US\$" refer to the legal currency of the United States;
- "Securities Act" refers to the U.S. Securities Act of 1933, as amended; and
- "Exchange Act" refers to the U.S. Securities Exchange Act of 1934, as amended.

## ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On May 13, 2011, we entered into a share exchange agreement (the "Share Exchange Agreement") with Xiangrui, and Mr. Chongxin Xu, the sole shareholder of Xiangrui. Pursuant to the Share Exchange Agreement, on May 13, 2011, Mr. Xu transferred to us all of the shares of the capital stock of Xiangrui in exchange for 12,363,885 newly issued shares of our common stock, which constituted 93% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of the transactions contemplated by the Share Exchange Agreement.

The foregoing description of the terms of the Share Exchange Agreement is qualified in its entirety by reference to the provisions of the document filed as Exhibit 2.1 to this report, which is incorporated by reference herein.

## ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On May 13, 2011, we completed an acquisition of Xiangrui pursuant to the Share Exchange Agreement. The acquisition was accounted for as a recapitalization effected by a share exchange. Xiangrui is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of the acquired entity have been brought forward at their book value and no goodwill has been recognized.

## FORM 10 DISCLOSURE

As disclosed elsewhere in this report, on May 13, 2011, we acquired Xiangrui in a reverse acquisition transaction. Item 2.01(f) of Form 8-K states that if the registrant was a shell company like we were immediately before the reverse acquisition transaction disclosed under Item 2.01, then the registrant must disclose the information that would be required if the registrant were filing a general form for registration of securities on Form 10.

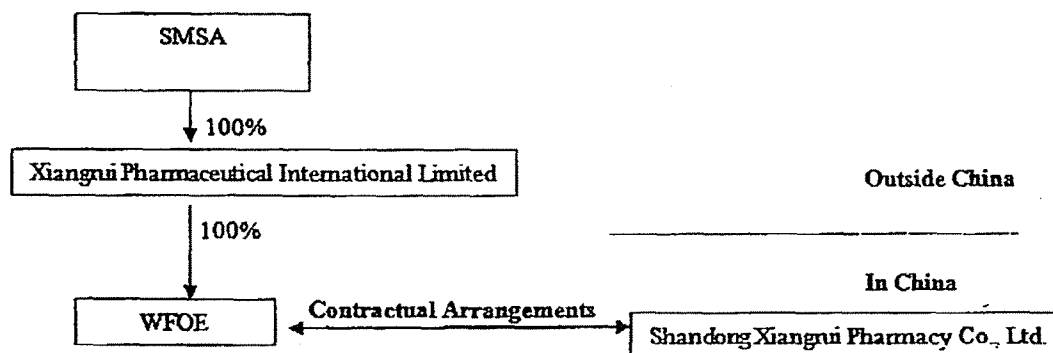
Accordingly, we are providing below the information that would be included in a Form 10 if we were to file a Form 10. Please note that the information provided below relates to the combined enterprises after the acquisition of Xiangrui, except that information relating to periods prior to May 13, 2011, the date of the reverse acquisition, only relate to Xiangrui unless otherwise specifically indicated.

## BUSINESS

### Our Corporate Structure

We are a Nevada holding company for several direct and indirect subsidiaries in the BVI and China. We own all of the issued and outstanding capital stock of Xiangrui, a BVI corporation. Xiangrui is a holding company that owns 100% of the outstanding capital stock of WFOE, a PRC corporation, which has contractual arrangements with Shandong Xiangrui and its shareholders that enable us to substantially control Shandong Xiangrui.

The following chart reflects our organizational structure as of the date of this report.



## Our Corporate History

We were originally incorporated in the State of Nevada on May 3, 2010 to effect the reincorporation of Treemont Management Services, Inc., a Texas corporation, mandated by the plan of reorganization discussed below.

On January 17, 2007 Treemont Management Services, Inc. and its affiliated companies (collectively "SMS Companies"), filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code. On August 1, 2007, the bankruptcy court confirmed the First Amended, Modified Chapter 11 Plan (the "Plan"), as presented by SMS Companies and their creditors. The effective date of the Plan was August 10, 2007.

On May 13, 2011, we entered into the Share Exchange Agreement with Xiangrui and its sole shareholder, Mr. Xu. Pursuant to the Share Exchange Agreement we issued 12,363,885 newly created shares to Mr. Xu, and became the sole shareholder of Xiangrui. The shares we issued to Mr. Xu constitutes 93% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of the transactions contemplated by the Share Exchange Agreement.

Upon the closing of share exchange transaction, Mr. Timothy P. Halter, our sole director and officer, submitted a resignation letter pursuant to which he resigned from all offices that he held effective immediately and from his position as our director that will become effective on the tenth day following the mailing by us of an information statement, or the Information Statement, to our stockholders that complies with the requirements of Section 14f-1 of the Exchange Act, which will be mailed out on or about May 18, 2011. Dianshun Zhang and Guangyin Meng were appointed as our directors effective upon the closing of the reverse acquisition. In addition, our executive officers were replaced by the Shandong Xiangrui executive officers upon the closing of the reverse acquisition as indicated in more detail below.

For accounting purposes, the share exchange transaction was treated as a reverse acquisition with Xiangrui as the acquirer and SMSA as the acquired party. When we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of Shandong Xiangrui on a single entity basis unless the context suggests otherwise.

### *Background and History of Xiangrui*

Xiangrui was incorporated in the British Virgin Islands on November 29, 2010. Xiangrui is a holding company that has no operations or assets other than its ownership of all of the capital stock of the WFOE. The WFOE was incorporated in China on May 6, 2011, as a wholly foreign owned enterprise in China, and has a series of contractual arrangements with Shandong Xiangrui and its shareholders which enable us to substantially control Shandong Xiangrui, through which we conduct our operations in China.

### *VIE Arrangements*

PRC laws and regulations restrict foreign ownership of domestic companies within the corn refinery industry due to national security reasons. To comply with these foreign ownership restrictions, SMSA conducts its operations in China through variable interest entities. Xiangrui owns 100% of the issued and outstanding capital stock of the WFOE. On May 9, 2011, the WFOE entered into a series of variable interest entity contractual agreements (the "VIE Agreements") with Shandong Xiangrui and the shareholders of Shandong Xiangrui namely Mr. Wang Xuchin, Mr. Huang Lingfa, Mr. Qiao Binglong and Mr. Wang Guo (collectively referred to as the "Shandong Xiangrui Shareholders") who are all PRC citizens. Pursuant to the VIE Agreements, we control Shandong Xiangrui. The VIE Agreements are comprised of a series of agreements, including an Exclusive Technical and Consulting Service Agreement, Management Fee Payment Agreement, Equity Interest Pledge Agreement, Exclusive Equity Interest Purchase Agreement, Operating Agreement and Proxy Agreement, through which the WFOE has the right to advise, consult, manage and operate Shandong Xiangrui for an annual consulting services fee in the amount of Shandong Xiangrui's yearly net income before tax. In order to further reinforce the WFOE's rights to control and operate Shandong Xiangrui, the Shandong Xiangrui Shareholders have entrusted their shareholder's rights in Shandong Xiangrui to a person designated by the WFOE. The terms of the VIE Agreements are more fully described below:

In instances described above where we indicate that we relied upon Section 4(2) of the Securities Act in issuing securities, our reliance was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there were only a limited number of offerees; (c) there were no subsequent or contemporaneous public offerings of the securities by us; (d) the securities were not broken down into smaller denominations; and (e) the negotiations for the sale of the stock took place directly between the offeree and us.

#### **ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

On May 13, 2011 concurrent with the share exchange transaction, our board of directors recommended and approved the dismissal of S.W. Hatfield CPA, or S.W. Hatfield, as our independent auditor, effective upon the filing of the consummation of the share exchange transaction.

SW Hatfield's reports on our financial statements as of and for the fiscal years ended December 31, 2009 and December 31, 2010 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that its report for the fiscal year ended December 31, 2010 contained a going concern qualification as to the ability of us to continue.

During our two most recent fiscal years ended 2009 and 2010 and during the subsequent interim period through the date of this report, there were (1) no disagreements with S.W. Hatfield on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of S.W. Hatfield, would have caused S.W. Hatfield to make reference to the subject matter of the disagreements in connection with its reports, and (2) no events of the type listed in paragraphs (A) through (D) of Item 304(a)(1)(v) of Regulation S-K.

Concurrent with the decision to dismiss S.W. Hatfield as our independent auditor, our board of directors elected to continue the existing relationship of our new subsidiary Xiangrui with BDO China Shu Lun Pan CPAs and appointed BDO China Shu Lun Pan CPAs as our independent registered public accounting firm.

During the fiscal years ended 2009 and 2010 and through the date hereof, neither us nor anyone acting on our behalf consulted BDO China Shu Lun Pan CPAs with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us or oral advice was provided that BDO China Shu Lun Pan CPAs concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable events set forth in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

We furnished S.W. Hatfield with a copy of this disclosure on May 13, 2011, providing S.W. Hatfield with the opportunity to furnish us with a letter addressed to the SEC stating whether it agrees with the statements made by us herein in response to Item 304(a) of Regulation S-K and, if not, stating the respect in which it does not agree. A letter from S.W. Hatfield, dated May 16, 2011 is filed as Exhibit 16.1 to this report

#### **ITEM 5.01 CHANGES IN CONTROL OF REGISTRANT**

Reference is made to the disclosure set forth under Item 2.01 of this report, which disclosure is incorporated herein by reference.

As a result of the closing of the reverse acquisition with Xiangrui, the former shareholder of Xiangrui owns 93% of the total outstanding shares of our capital stock and 93% total voting power of all our outstanding voting securities.

#### **ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS**

In connection with the closing of the reverse acquisition on May 13, 2011, Mr. Timothy P. Halter, our sole director and officer, submitted a resignation letter pursuant to which he resigned from all offices of that he held effective immediately and from his position as our director that will become effective on the tenth day following the mailing by us of the Information Statement to our stockholders, which will be mailed out on or about May 17, 2011. The resignation of Mr. Timothy P. Halter is not in connection with any known disagreement with us on any matter.

# Morningstar<sup>®</sup> Document Research<sup>SM</sup>

## **FORM 10-K**

**Truewest Corp - TRWS**

**Filed: November 15, 2010 (period: September 30, 2010)**

Annual report with a comprehensive overview of the company

## Taxation

Federal and state tax consequences will, in all likelihood, be major considerations in any business combination that the Company may undertake. Currently, such transactions may be structured so as to result in tax-free treatment to both companies, pursuant to various federal and state tax provisions. The Company intends to structure any business combination so as to minimize the federal and state tax consequences to both the Company and the target entity; however, there can be no assurance that such business combination will meet the statutory requirements of a tax-free reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. A non-qualifying reorganization could result in the imposition of both federal and state taxes, which may have an adverse effect on both parties to the transaction.

## Item 1B - Unresolved Staff Comments

None

## Item 2 - Properties

The Company currently maintains a mailing address at 211 West Wall Street, Midland, Texas 79701. The Company's telephone number there is (432) 682-1761. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

## Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

## Item 4 - [Removed and Reserved]

## PART II

## Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for Trading

The Company's securities are eligible for trading on the OTC Bulletin Board under SEC Rule 15c2-11, Subsection (a)(5). The Company's trading symbol is "TRWS" As of the date of this report, the Company's securities have experienced irregular and infrequent trading volumes and pricing.

The table below sets forth the high and low bid prices for the Company's common stock as obtained from the OTCMarkets.com website. Bids represent inter-dealer prices, without retail mark-up, markdown or commissions, and may not represent actual transactions. We specifically note that the last three documented trades of the Company's securities, dated April 30, 2010, August 24, 2010 and September 1, 2010 were for 100, 100 and 200 shares each, respectively, as reported on <http://www.otcm Markets.com/stock/TRWS/chart>, with the last reported trade being dated September 1, 2010 at \$0.20 per share.

The following table sets forth the high and low closing bid prices for the periods indicated.

	<u>High</u>	<u>Low</u>
<u>Year ended September 30, 2009</u>		
1st Quarter (October 2008-December 2008)	\$ 3.00	\$ 1.25
2nd Quarter (January 2009-March 2009)	\$ 1.25	\$ 1.25
3rd Quarter (April 2009-June 2009)	\$ 1.25	\$ 1.25
4th Quarter (July 2009-September 2009)	\$ 1.25	\$ 0.20
<u>Year ended September 30, 2010</u>		
1st Quarter (October 2009-December 2009)	\$ 0.20	\$ 0.20
2nd Quarter (January 2010-March 2010)	\$ 0.20	\$ 0.20
3rd Quarter (April 2010-June 2010)	\$ 0.20	\$ 0.20
4th Quarter (July 2010-September 2010)	\$ 0.20	\$ 0.20

These quotations were sourced from <http://www.otcm Markets.com/stock/TRWS/chart>. Accordingly, these quotations may or may not necessarily represent actual transactions.

As of November 9, 2010, there were approximately 296 shareholders of record of the Company's common stock

Common Stock

The Company's Articles of Incorporation authorize the issuance of 100,000,000 shares of \$0.001 par value Common Stock. Each record holder of Common Stock is entitled to one vote for each share held on all matters properly submitted to the stockholders for their vote. The Company's Articles of Incorporation do not permit for cumulative voting for the election of directors.

Holders of outstanding shares of Common Stock are entitled to such dividends as may be declared from time to time by the Board of Directors out of legally available funds; and, in the event of liquidation, dissolution or winding up of the affairs of the Company, holders are entitled to receive, ratably, the net assets of the Company available to stockholders after distribution is made to the preferred stockholders, if any, who are given preferred rights upon liquidation. Holders of outstanding shares of Common Stock have no preemptive, conversion or redemptive rights. All of the issued and outstanding shares of Common Stock are, and all unissued shares when offered and sold will be, duly authorized, validly issued, fully paid, and non-assessable. To the extent that additional shares of the Company's Common Stock are issued, the relative interests of then existing stockholders may be diluted.

Preferred Stock

The Company's Articles of Incorporation allow for the issuance of up to 50,000,000 shares of \$0.001 par value Preferred Stock.

As of the date of this filing, there are no shares of Preferred Stock issued and outstanding.

Stock Option Plan

The Company currently has no stock option plan.

Dividend policy

No dividends have been paid to date and the Company's Board of Directors does not anticipate paying dividends in the foreseeable future. It is the current policy to retain all earnings, if any, to support future growth and expansion.

Recent Issuances of Unregistered Securities

None

Recent Acquisition of Securities

None



**Item 12 - Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth, as of the date of this Annual Report, the number of shares of Common Stock owned of record and beneficially by executive officers, directors and persons who hold 5% or more of the outstanding Common Stock of the Company. Also included are the shares held by all executive officers and directors as a group.

Name and address (2)	Shares Beneficially Owned (1)	
	Number of Shares	Percentage (3)
Glenn A. Little (4)	384,875	85.38%
Directors and officers as a group (1 person)	384,875	85.38%

- (1) On November 9, 2010, there were 450,800 shares of our common stock outstanding and no shares of preferred stock issued and outstanding. We have 101,200 outstanding stock warrants and no outstanding stock options.
- (2) Under applicable SEC rules, a person is deemed the "beneficial owner" of a security with regard to which the person directly or indirectly, has or shares (a) the voting power, which includes the power to vote or direct the voting of the security, or (b) the investment power, which includes the power to dispose, or direct the disposition, of the security, in each case irrespective of the person's economic interest in the security. Under SEC rules, a person is deemed to beneficially own securities which the person has the right to acquire within 60 days through the exercise of any option or warrant or through the conversion of another security.
- (3) In determining the percent of voting stock owned by a person on September 30, 2010 (a) the numerator is the number of shares of common stock beneficially owned by the person, including shares the beneficial ownership of which may be acquired within 60 days upon the exercise of options or warrants or conversion of convertible securities, and (b) the denominator is the total of (i) the 450,800 shares of common stock outstanding on September 30, 2010, and (ii) any shares of common stock which the person has the right to acquire within 60 days upon the exercise of options or warrants or conversion of convertible securities. Neither the numerator nor the denominator includes shares which may be issued upon the exercise of any options or warrants or the conversion of any other convertible securities.
- (4) Mr. Little is our sole officer and director. Mr. Little's address is 211 West Wall Street, Midland, Texas 79701.

**Item 13 - Certain Relationships, Related Transactions and Director Independence**

The Company currently maintains a mailing address at 211 West Wall Street, Midland, Texas 79701. The Company's telephone number there is (432) 682-1761. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

**Item 14 - Principal Accountant Fees and Services**

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA of Dallas, Texas:

	Year ended September 30, 2010	Year ended September 30, 2009
1. Audit fees	\$ 6,138	\$ 7,800
2. Audit-related fees	—	—
3. Tax fees	300	300
4. All other fees	—	—
<b>Totals</b>	<b>\$ 6,438</b>	<b>\$ 8,100</b>

Report of Registered Independent Certified Public Accounting Firm

Board of Directors and Stockholders  
Truwest Corporation

We have audited the accompanying balance sheets of Truwest Corporation (Company) (a Nevada corporation and a development stage company) as of September 30, 2010 and 2009 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for each of the two years ended September 30, 2010 and 2009, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truwest Corporation as of September 30, 2010 and 2009 and the results of its operations and its cash flows for each of the two years ended September 30, 2010 and 2009, respectively, in conformity with accounting principles generally accepted in the United States of America.

The columns on each of the accompanying statements of operations and comprehensive loss and the statements of cash flows for the period July 5, 1989 (date of inception) through September 30, 2010 are unaudited and, as such, we express no opinion or other form of assurance on the representations made therein.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no viable operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and are discussed in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W.  
Hatfield, CPA  
S. W.  
HATFIELD,  
CPA

Dallas, Texas  
November 9, 2010 (except for Note J  
as to which the date is November 11, 2010)

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## **FORM 8-K**

**VIBE RECORDS, INC. NEVADA - VBRE**

**Filed: January 11, 2011 (period: January 05, 2011)**

Report of unscheduled material events or corporate changes.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report: January 5th, 2011

Vibe Records, Inc. Nevada  
(Exact name of registrant as specified in its charter)

Nevada (State of incorporation)	000-51107 (Commission File Number)	71-0928242 (IRS Employer ID Number)
824 Old Country Road, PO Box 8, Westbury NY (Address of principal executive offices)		11590 (Zip Code)
	(516) 333-2400 (Registrant's telephone number)	

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4c under the Exchange Act (17 CFR 240.13e-4c)

SECTION 4 - MATTERS RELATED TO ACCOUNTANTS AND FINANCIAL STATEMENTS

SECTION 4.01 - CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

DISMISSAL OF INDEPENDENT ACCOUNTANT.

Effective December 30th, 2010, we have dismissed Scott W. Hatfield, CPA as our auditor for our 2010 fiscal year. Mr. Hatfield audited our financial statements for the 2009 fiscal year. Mr. Hatfield's opinion on our financial statements for our 2008 and 2009 fiscal years were qualified as to our ability to remain a going concern. Mr. Hatfield's dismissal was approved by the board of directors. During the two most recent fiscal years and the subsequent interim period preceding Mr. Hatfield's dismissal, there were no disagreements between Mr. Hatfield and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Notwithstanding the absence of disagreement, Mr. Hatfield advised us during the specified period of the following:

That information has come to his attention that he has concluded could potentially materially impacts the fairness or reliability of either (i) a previously issued audit report or the underlying financial statements, or (ii) the financial statements issued or to be issued covering the fiscal period(s) subsequent to the date of the most recent audited financial statements (including information that, unless resolved to his satisfaction, would prevent him from rendering an unqualified audit report on those financial statements).

We have provided a copy of the draft of this Current Report on Form 8-K to Mr. Hatfield and requested him to furnish to us a letter addressed to the Commission stating whether he agrees with the statements made in this report and, if not, stating the respects in which he does not agree.

ENGAGEMENT OF INDEPENDENT ACCOUNTANT.

Effective December 30th, 2010, we have engaged M&K CPAS, PLLC of Houston, Texas, as our independent auditors. We have not consulted with M&K, at any time prior to the date of engagement, (i) application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) Any matter that was either the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) and the related instructions to this item) or a reportable event as described in item 304(a)(1)(v) of Regulation S-K.

SECTION 9.01 - FINANCIAL STATEMENT AND EXHIBITS.

(c) Exhibits

The following Exhibits are hereby filed as part of this Current Report on Form 8-K:

Exhibit	Description
-----	-----
16.1	Letter from Scott W. Hatfield, CPA

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

VIBE RECORDS, INC. NEVADA

Date: January 5th, 2011

By: /s/ Timothy J. Olphie

-----  
Timothy J. Olphie  
Chief Executive Officer,  
Chief Financial Officer and Director

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EXHIBIT NO. 16.1  
Vibe Records, Inc. Nevad  
File No.: 0-51107  
Form 8-K

LETTERHEAD OF S. W. HATFIELD, CPA

January 3, 2011

U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Gentlemen:

On January 3, 2011, this Firm received the final draft copy of a Current Report on Form 8-K to be filed by Vibe Records, Inc. Nevada (SEC File #0-51107, CIK # 1222792) (Company) reporting an Item 4.01 - Changes in Registrant's Certifying Accountant.

We have no disagreements with the statements made in the draft Form 8-K, Item 4.01 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

-----  
S. W. Hatfield, CPA Dallas, Texas

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## **FORM 10-K**

**VIBE RECORDS, INC. NEVADA - VBRE**

**Filed: January 11, 2012 (period: September 30, 2010)**

Annual report with a comprehensive overview of the company



Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

*We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.*

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

## Item 2. Property

Our principal executive offices are located in East Moriches, New York which we rent for \$2,400 per month. Our lease terminates on September 30, 2012. We believe that our principal executive office space is sufficient for our needs for the foreseeable future.

## Item 3. Legal Proceedings

On August 25, 2009, a former consultant filed an action against us in Supreme Court Kings County (Index No: 21581-09). The action, which alleges that we failed to pay certain fees and failed to timely deliver certain securities due the former consultant, seeks \$900,000 plus attorney fees and costs. On or about January 15, 2010, we filed an answer and counterclaim. While the outcome of this proceeding cannot be predicted at this time we believe that we have meritorious defenses to the action and that the final outcome will not have a material adverse effect on our financial condition.

## PART II

### Item 5. Market for the Registrant's Common Stock, Convertible Preferred Stock and Related Stockholder Matters

Quotations for our common stock are available on the OTC Bulletin Board, OTCMarkets, Yahoo Finance, Google Finance and similar services, under the symbol "VBRE". The following table sets forth the high and low bid prices, for our common stock as reported each quarterly period within the last two fiscal years ended September 30, 2010 as reported by the National Quotation Bureau. The high and low prices reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions (1).

Fiscal year ended September 30, 2009	High	Low
Quarter ended		
December 31, 2008	\$ 0.30	\$ 0.25
March 31, 2009	\$ 0.25	\$ 0.05
June 30, 2009	\$ 0.60	\$ 0.03
September 30, 2009	\$ 0.50	\$ 0.14
Fiscal year ended September 30, 2010	High	Low
Quarter ended		
December 31, 2009	\$ 0.32	\$ 0.10
March 31, 2010	\$ 0.12	\$ 0.04
June 30, 2010	\$ 0.04	\$ 0.01
September 30, 2010	\$ 0.08	\$ 0.02

**Item 14. Principal Accountant Fees and Services**

Fees charged by our principal accountant, S. W. Hatfield, CPA, for the year ended September 30, 2009 and principal accountant Michael T. Studer CPA P.C., for the years ended September 30, 2010 and 2009 (re-audit) were as follows:

	Year Ended September 30, 2010	Year Ended September 30, 2009
1. Audit Fees		
a. S.W. Hatfield, CPA	\$ -	\$ 23,388
b. Michael T. Studer CPA P.C.	15,000	12,500
2. Audit Related Fees	-	-
3. Tax Fees	-	-
4. All Other Fees	-	-
<b>Totals</b>	<b>\$ 15,000</b>	<b>\$ 35,388</b>

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a) Exhibits and Financial Statements**

Financial Statements. See Item 8. Index to Financial Statements

In connection with the Agreement, we entered into a Registration Rights Agreement with the Investor ("Registration Agreement"). Pursuant to the Registration Agreement, we were obligated to file a Registration Statement with the Securities and Exchange Commission ("SEC") covering 7,260,000 shares of the common stock underlying the Investment Agreement within 21 days of the date of the Agreement. In addition, we are obligated to use all commercially reasonable efforts to have the Registration Statement declared effective by the SEC within 90 days after the date that the Registration Statement is filed.

To date, the Company has not filed a Registration Statement and thus has not exercised any Puts under this agreement. While the Registration Statement was neither filed within 21 days or declared effective within 90 days, the Registration Agreement provides for no penalties for such failures. The Investment Agreement with the Investor expires on September 24, 2013.

**Note N – Restatement of Previously Issued Financial Information**

The Company has restated in this Form 10-K its consolidated financial statements at September 30, 2009 and for the year then ended (which was previously included in the Company's Form 10-K filed with the SEC on January 13, 2010) in order to correct errors relating to the accounting for (1) certain issuances of common stock in the years ended September 30, 2008 and 2009, (2) certain personal expenses of the Company's chief executive officer in the year ended September 30, 2009, and (2) the recorded reduction of certain notes payable and accrued interest payable at September 30, 2009.

As previously reported, the Company did not report the September 8, 2008 issuance of a total of 730,000 shares (see Note K). The restatement reflects this issuance.

As previously reported, the Company reported total issuances of 6,685,000 shares of common stock for the year ended September 30, 2009. The restatement reflects the correct total issuances of 6,075,000 shares of common stock.

As previously reported, the Company reported the issuance of 5,000,000 shares of common stock for the retirement of \$45,000 in debt in the year ended September 30, 2009 at the \$45,000 debt amount. The restatement reflects the transaction at the \$625,000 fair value of the 5,000,000 shares of common stock and recognizes the \$580,000 excess of fair value of common stock issued over the amount of debt retired as Professional and Consulting Fees in the Statement of Operations for the year ended September 30, 2009 because the debt arose, as discussed in Note K, out of then currently provided external financial advisor/contract internal accounting services by Profit Planners, Inc.

As previously reported, the Company reported the issuance of an aggregate of 1,655,000 shares of common stock (Officers and Directors – 695,000 shares; Lawyers and Consultants – 960,000 shares) valued at \$484,550 in the financial statements for the year ended September 30, 2009 (Officers and Directors - \$181,400; Lawyers and Consultants – \$303,150). The restatement reflects an aggregate of only 940,000 shares of common stock issued (Officers and Directors - 295,000; Lawyers and Consultants – 645,000 shares) valued at \$256,000 in the financial statements for the year ended September 30, 2009 (Officers and Directors - \$103,250; Lawyers and Consultants - \$152,750).

As a result of the stock issuance corrections described in the preceding two paragraphs, the Company's Net Loss for the year ended September 30, 2009 increased by \$351,449 as follows:

Officers and Directors Compensation	\$ (78,150)
Professional and Consulting Fees	429,599
Net increase in net loss	<u>\$ 351,449</u>

As previously reported, the Company included in Other General and Administrative Expenses in the Statement of Operations for the year ended September 30, 2009 a total of \$23,438 in personal expenses of the Company's chief executive officer paid by the Company. The restatement reflects these expenses as a reduction of the accrued compensation liability to Timothy Olphie as of September 30, 2009.

As previously reported, the Company recorded at September 30, 2009 the reduction of Holdings notes payable totaling \$210,000 and accrued interest payable totaling \$131,792 as a \$341,792 capital contribution by the Company's chief executive officer relating to the purported acceptance by 6 Holdings note holders of common stock owned by the Company's chief executive officer in satisfaction of the debt and accrued interest payable. In fact, 3 of the 6 note holders (\$130,000 total) had effectively received common stock from the Company in satisfaction of their notes in the period ended September 30, 2004 and the other 3 note holders (\$80,000 total) did not receive any common stock from the Company. The restatement reflects the reversal of the recorded transaction, a \$130,000 increase in additional paid-in capital in the year ended September 30, 2004, and reductions to interest expense for all periods.

The effect of the restatement adjustments on the consolidated balance sheet at September 30, 2009 follows:

	As Previously Reported	Adjustments	As restated
Total Assets	\$ 76,901	-	\$ 76,901
<b>Current Liabilities</b>			
Notes and loans payable to bank	\$ 630,381	\$ -	\$ 630,381
Unsecured convertible promissory notes and other notes payable	100,000	80,000	180,000
Accounts payable and other accrued liabilities	368,970	(23,939)	345,031
Accrued interest payable	719,081	49,970	769,051
Notes and advances payable to related parties	1,686,077	500	1,686,577
Total current liabilities and total liabilities	<u>3,504,509</u>	<u>106,531</u>	<u>3,611,040</u>
<b>Stockholders' Deficit</b>			
Preferred Stock	-	-	-
Common Stock	2,125	19,109	21,234
Additional Paid-In Capital	2,998,921	(504,819)	2,494,102
Deficit Accumulated during the Development Stage	(5,693,787)	(355,688)	(6,049,475)
	(2,692,741)	(841,398)	(3,534,139)
Less: Treasury Stock	(734,867)	734,867	-
Total Stockholders' Deficit	<u>(3,427,608)</u>	<u>(106,531)</u>	<u>(3,534,139)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 76,901</u>	<u>\$ -</u>	<u>\$ 76,901</u>

The effect of the restatement adjustments on the consolidated statement of operations for the year ended September 30, 2009 follows:

	As Previously Reported	Adjustments	As Restated
Revenues	\$ -	\$ -	\$ -
<b>Operating Expenses:</b>			
Research and Artist Development	192,818	(11,030)	181,788
Officers and Directors Compensation	192,850	(78,150)	114,700
Professional and Consulting Fees	524,059	429,599	953,658
Other General and Administrative Expenses	121,651	(12,408)	109,243
Total Operating Expenses	<u>1,031,378</u>	<u>328,011</u>	<u>1,359,389</u>
Loss from Operations	<u>(1,031,378)</u>	<u>(328,011)</u>	<u>(1,359,389)</u>

Other (Expense):

Interest Expense	<u>(251,911)</u>	<u>13,000</u>	<u>(238,911)</u>
Total Other Expenses	<u>(251,911)</u>	<u>13,000</u>	<u>(238,911)</u>
Loss before Provision for Income Taxes	(1,283,289)	(315,011)	(1,598,300)
Provision for Income Taxes	-	-	-
Net Loss	<u>\$ (1,283,289)</u>	<u>\$ (315,011)</u>	<u>\$ (1,598,300)</u>
Loss per weighted-average share of common stock outstanding, basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>

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**FORM 10-K**

**VIBE RECORDS, INC. NEVADA - VBRE**

**Filed: January 11, 2012 (period: September 30, 2010)**

Annual report with a comprehensive overview of the company

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-51107

VIBE RECORDS, INC. NEVADA

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

71-0928242

(I.R.S. Employer Identification No.)

61 Watchogue Avenue

East Moriches, NY

(Address of principal executive offices)

11940

(Zip Code)

Registrant's telephone number, including area code: (516) 333-2400

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes

No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, computed by reference to the last reported price at which the stock was sold on December 30, 2011 was \$33.424.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at December 30, 2011
Common Stock, \$0.001 par value per share	33,424,027 shares



## DOCUMENTS INCORPORATED BY REFERENCE

We have not incorporated any documents by reference.

## SUMMARIES OF REFERENCED DOCUMENTS

This annual report on Form 10-K contains references to, summaries of and selected information from agreements and other documents. These agreements and documents are not incorporated by reference; but, they are filed as exhibits to this annual report or to other reports we have filed with the U.S. Securities and Exchange Commission. The summaries of and selected information from those agreements and other documents are not necessarily complete and are qualified in their entirety by the full text of the agreements and documents, which you may obtain from the Public Reference Section of or online from the Commission. See "Where You Can Find Additional Information About Us And Exhibits" for instructions as to how to access and obtain this information.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K and the information incorporated by reference, if any, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections.

This annual report contains forward-looking statements that involve risks and uncertainties. We use words such as "project," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "will," or "may," or other such words, verbs in the future tense and words and phrases that convey similar meaning and uncertainty of future events or outcomes to identify these forward-looking statements. There are a number of important factors beyond our control that could cause actual results to differ materially from the results anticipated by these forward-looking statements. While we make these forward-looking statements based on various factors and derived using numerous assumptions, we have no assurance the factors and assumptions will prove to be materially accurate when the events they anticipate actually occur in the future.

These important factors include those that we discuss in this annual report under the caption "Risk Factors", as well as elsewhere in this annual report. You should read these factors and the other cautionary statements made in this annual report as being applicable to all related forward-looking statements wherever they appear in this annual report. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## WHERE YOU CAN FIND AGREEMENTS AND OTHER DOCUMENTS REFERRED TO IN THIS ANNUAL REPORT

We file reports with the U.S. Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934. You may read and copy any reports and other materials we have filed with the Commission at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site at which you may obtain all reports, proxy and information statements, and other information that we file with the Commission. The address of that web site is <http://www.sec.gov>.

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## PART I

### Item 1. Business

#### *Historical Background*

We were incorporated in Nevada in 2003 with the name "Benacquista Galleries, Inc."

In 2008, Vibe Records, Inc., a privately held Delaware corporation merged into us in a transaction accounted for as a "reverse merger" in which Vibe Records, Inc.'s business and financial statements replace the business and financial statements of Benacquista Galleries, Inc.

In connection with the reverse merger, we changed our name to Vibe Records, Inc. Nevada. "We", "us" and the "Company" refer to Vibe Records, Inc. Nevada. The address of our executive offices is 61 Watchogue Avenue, East Moriches, NY 11940 and our telephone number at that address is (516) 333-2400.

The address of our web site is [www.viberecords.com](http://www.viberecords.com). We maintain two additional web sites at <http://offthehookrecords.com> and <http://offthehookmodels.com>.

#### *General*

We conduct business as an artist and repertoire company (A&R) as well as an independent record label in the music industry. We intend to distribute recordings made by our artists on a national basis, as well as a strategic alliance with a state-of-the-art recording studio and a renowned audio engineer.

We endeavor to discover new recording artists based on our understanding of the current tastes of the market and, based on our experience in music culture, our assessment that the artists will be commercially successful. We attempt to secure exclusive standard industry recording contracts with these artists. Our objective is to contract three to five new artists per year. Upon contracting with a new artist, we oversee identification of an appropriate record producer and oversee the recording process, often conducted via our strategic alliance with a state-of-the-art recording studio and a renowned audio engineer or we schedule time in other studios, advising the artist on all aspects of making a high quality recording. We work with the artist to choose the best songs (i.e. repertoire) to record. For artists who do not write their own music, we will assist in finding songs and songwriters. We assist in selection of accompanists, side-men and other professionals to enhance the artist's chances for success. We maintain contacts with our counterparts at music publishing companies to get new songs and material from songwriters and producers. As the record nears completion, we work closely with the artist to determine if the record will be artistically and commercially acceptable. Once the record is completed, we provide marketing, promotion and distribution.

The experience of our President and Chief Executive Officer, Timothy Olphie, will be extensively relied upon in the artist selection process. Mr. Olphie received several Gold and Platinum awards during his tenure at SOUL/MCA Records due to the success of several recording artists and products including, Public Enemy and the acclaimed film "Juice" and its related soundtrack. To date, Mr. Olphie, as Producer and/or Executive Producer, has concluded approximately twenty artist-recording contracts for both major and independent record labels.

We employ a focused artist selection and development process. The artist's value will be significantly increased through the support of management, modest recording budgets supported by the utilization of a strategic alliance with a state-of-the-art recording studio and a renowned audio engineer with the use of a major manufacturing and worldwide distributing firm. Furthermore, we will utilize these economic efficiencies to seek out and enter into agreements with established artists. Arrangements with established artists will allow us to offer profit sharing ventures with established artists in which the artists submit their master recordings (while retaining their own ownership rights) and license the master recordings to us for manufacture, distribution and promotion.

While developing our artists, we intend to manufacture and distribute their recordings through TuneCore, a public online music distribution website available at [www.tunecore.com](http://www.tunecore.com).

Through these and other endeavors, we intend to simultaneously promote and brand the Vibe Records label utilizing the new "hybrid" digital distribution model via TuneCore a worldwide distribution capacity. We believe that operating in this fashion will reduce overhead.

### **Music Industry**

Recorded music is one of the primary media of entertainment for consumers worldwide and in calendar 2009, according to the International Federation of the Phonograph Industry ("IFPI"), generated \$17 billion in retail value of sales. IFPI is the organization that represents the interests of the recording industry worldwide with a mission to promote the value of recorded music, safeguard the rights of record producers and expand the commercial uses of recorded music in all markets where its members operate.

The Recording Industry Association of America (RIAA) is the trade group that represents the U.S. recording industry. Its members are the record companies that comprise the most vibrant national music industry in the world. RIAA members create, manufacture and/or distribute approximately 90% of all legitimate sound recordings produced and sold in the United States.

There has been a major shift in the distribution of recorded music away from specialty shops towards mass-market and online retailers. Over the course of the last decade, the share of music sales through U.S. stores first grew from 32% of the market in 1997 to 54% in 2004, however, with the subsequent growth of sales via online channels since 2004, the share of music sales through U.S. stores has contracted significantly since 2004, to 33% of the market in 2006. In recent years, online sales of music, as well as the digital downloading of singles and albums, have grown to represent an increasing share of U.S. music sales. According to RIAA, the physical medium's (actual CDs and DVDs) share of U.S. music sales declined by 24.9% from 2007 to 2008 with sales decreasing from \$7.5 billion to \$5.8 billion. During this same period, the sale of music through digital downloads and online purchases increased by 28.1%. The dollar value of online and digital sales increased from \$1.26 billion in 2007 to \$1.64 billion in 2008. Overall shipments of recorded music in the United States did however fall 12% to \$7.7 billion in 2009.

### *Historical Music Sales*

According to RIAA, from 1990 to 1999, the U.S. music recording industry grew at a compound annual growth rate of 7.6%, twice the rate of total entertainment spending. This growth was driven by demand for music, the replacement of LPs and cassettes with CDs, price increases and strong economic growth and was largely paralleled around the world.

The industry began experiencing negative growth rates in 1999, on a global basis, primarily driven by an increase in digital piracy. Other drivers of this decline were and are the overall recessionary economic environment, bankruptcies of record retailers and wholesalers, growing competition for consumer discretionary spending and retail shelf space, and the maturation of the CD format, which has slowed the historical growth pattern of recorded music sales.

Since that time, annual dollar sales of records in the U.S. are estimated to have declined at a compound annual growth rate of 6% (although there was a 2.5% year-over-year increase recorded in 2004). In 2008 the physical business experienced a 15.4% year-over-year decline on a value basis.

### *Current Factors*

The music industry is shifting away from record stores and towards digital downloads. According to the IFPI, single-track downloads totaled nearly \$3.8 billion in 2008, up 24.1% on online singles sold in 2007. The domestic market accounts for the bulk of those sales, with \$1.8 billion in single tracks sold in the U.S. in 2008, up 16.5% from 2007.

According to more recent statistics from the RIAA, a total of 1.13 billion music singles were downloaded in 2009 along with 292.9 million CDs reaching \$2 billion in sales. In 2009, digital formats as a whole comprised a record 41% of total music shipments in the United States (an increase of 34% from 2008) with the total digital music market reaching \$3.1 billion in revenue.

As the major labels stumble, independent labels have gained significant amounts of market share - accounting for a record eighteen percent of record sales in 2005, according to the RIAA. Digital music sales have become a major area for growth with the continuing development of digital music devices including MP3 players and cellular phones.

We believe independent labels are better equipped for Internet marketing via websites and outlets like MySpace, facebook and iTunes and we plan to take advantage of this trend.

### **Marketing**

We believe that we have structured and implemented a highly efficient program to enhance the marketing potential of our new talent. Prior to our anticipated assignment of any of its rights under comprehensive artist recording contracts, we prepare a master/demo recording package. We intend to establish a master/demo recording fund of \$50,000 per artist for this purpose. The package will consist of a professionally produced and engineered three to four song compilations, which will be utilized in conjunction with the solicitation, or if deemed appropriate, possible retention of the artist's property rights.

In no event shall more than \$35,000 of this fund be expended to sign any one artist without the consent of the majority of our board of directors. This fund may, however, be increased by a maximum of 20% with the unanimous consent of the Board. In no event shall the aggregate of the Master/Demo Recording fund expenditures for the three to five new artists each year we undertake (exclusive of our joint ventures) exceed \$150,000. Currently, we do not have the funds available and there is no assurance that we will be able to raise the necessary capital. We intend to adhere to the above-mentioned master/demo recording fund strategy regardless of whether we subsequently assign one or more artists' contracts, in whole or in part. This process as a whole will be facilitated by the efficiencies we intend to utilize pertaining to the critical area of the artist recording budgets (use of strategic alliance with a state of-the-art recording studio and a renowned audio engineer, et. al.).

### **Distribution**

We utilize the online distribution services of Republic Digital Distribution (powered by TuneCore). As a paid member of TuneCore, we and the artist retain all of the rights and royalties associated with the submitted masters (subject to our respective agreement with one another). This arrangement provides us with unlimited visibility to Republic's top A&R executives who closely monitor trends developing through these channels which can lead to exclusive distribution agreements with third party marketing and promotional financing.

### **Intellectual Property**

We have a Trademark License Agreement with Vibe Media, LLC to use "Vibe Records" in the specific stylized form appearing in Reg. No. 1,819,799 ("Trademark"). Our use is limited to the stylized logo as the name of the "record label" for "record distribution" meaning wholesale distribution of music by a record company. We believe the mark is of significant value in identifying our products on CD's, records, tapes and/or other media existing now or in the future. In addition, we believe this affords us brand name marketing capability within the fields of recorded music distribution and merchandising. On September 2, 2004, the mark holder was granted an extension of this trademark under Serial Number # 74389095.

We have pledged our trademark license to Robert S. McCoy, one of our directors, pursuant to a Security Lien Agreement whereby Mr. McCoy holds a superior lien against the Trademark License Agreement with Intermedia Vibe. This lien will be subject to the satisfaction of the loan due to Mr. McCoy as of September 30, 2010 in the aggregate principal amount of \$1,189,118. We accrue interest at a rate of 10 percent per annum.

We own the Internet domain name: [www.viberecords.com](http://www.viberecords.com).

#### **Other Trade names and activities**

We also conduct business under the trade name "Off the Hook Records", a registered trademark, and maintain a website at [www.offthehookrecords.com](http://www.offthehookrecords.com), a domain name which we own. We offer a variety of music and video DVDs at the website with fulfillment through Amazon.com. No revenues have been realized through the activities of Off the Hook Records.

We also conduct business under the trade name "Off the Hook Models", a registered trademark, ("OTH Models") and maintain a website at [www.offthehookmodels.com](http://www.offthehookmodels.com), a domain name which we own. The OTH Models website is a development center unlike a traditional modeling agency. We scout for potential models and talent primarily in person at talent events, venues, etc. Applications can also be submitted online. No revenues have been realized through the activities of OTH Models.

OTH Models intends to hone the marketing tools of its models while promoting their services to industry professionals such as model and talent agencies, casting companies and photographers. OTH Models prides itself on its provision of high quality talent development services including, without limitation, the provision of fashion photo shoots, fashion/styling consultations, professional advice and guidance from a seasoned "New faces" staff, composite cards and headshots. Through the provision of these services, OTH Models endeavors to bridge the gap between aspiring models and industry professionals which require such services.

In order to maintain high industry standards, all potential models and talent are evaluated by OTH Models Development Director for (1) attitude and personality; (2) ambitions, goals and expectations as well as (3) appearance and marketability. Once evaluated, if selected to be a part of OTH Models, the Development Director suggests appropriate marketing tools to facilitate that individual's exposure within the model and talent industry.

Upon completion of development services OTH Models markets their models and talent at no additional cost to the models themselves. Marketing services provided by OTH Models can include composite card distribution and mailings, go-sees and audition notification, interview opportunities with industry professionals and e-mail promotions for models/talent registered with Gigacomps™ - an internet venue where the photographs, resumes and profiles of aspiring models and talent are on display for registered industry professionals.

#### **Competition**

The heightened ability to sell or assign one's rights in potentially successful recording products to the four major manufacturing and distribution firms within the music industry, as well as the expanding opportunities to promote and produce one's talent independently, lead us to believe we have positioned ourselves to compete successfully within the genres of the music industry we intend to focus upon. We further believe that we have focused on a demographic target audience which is experiencing, and will continue to experience, substantial growth and that the Master/Demo Recording marketing model is a highly effective manner in which to market our artists and products.

Nevertheless, our record products are marketed and sold in a segment of the entertainment market that is highly competitive. The principal competitive factors affecting the market for products include product quality, packaging, brand recognition, brand and artist acceptance, and price and distribution capabilities. There can be no assurance that we will be able to compete successfully against current and future competitors based on these and other factors. We also compete with a variety of domestic and international producers and distributors many of whom have substantially greater financial, production, distribution and marketing resources and have achieved a higher level of brand recognition than we have. In the event we become successful in our marketing, promotion and distribution of products bearing our name, it is likely we will experience additional competition in the industry from major labels, each of which is capable of marketing products designed to compete directly with ours. We compete with other music producers and distributors not only for market share, brand acceptance and loyalty, but also for display space in retail establishments and, more importantly, for marketing focus by our distributors and retailers, all of which distribute and sell other manufacturers products. Future competition could result in price reductions, reduced margins and loss of market share, all of which could have a material adverse effect on our business, financial condition and results of operations.

Our website at [www.offthehookmodels.com](http://www.offthehookmodels.com) competes with internet based modeling agencies such as Model Mayhem, One Model Place and New faces.

### **Employees**

Our only full time employee is Mr. Olphic. We also have three independent contractors.

### **Artist Recording Agreements**

#### *Tony Sunshine:*

On July 9, 2010 we secured a production agreement with Tony Sunshine for two (2) singles ready for distribution. The first, "Say Hey", was Produced by Swizz Beatz and mixed by President and CEO, Tim Olphic and Terrance Pender. The second single, #1 Baby, was shipped in February 2011. Tony Sunshine has been performing since age thirteen and subsequently became a member of the rap group "Terror Squad" with Tony. Sunshine and Fat Joe recording together in earnest. Tony Sunshine has also collaborated with R. Kelly, Ginuwine, Fabolous and Capone-N-Noreaga.

After only a few weeks of his September 2010 release on Vibe Records, "Say Hey" had been up-streamed from Republic Digital Distribution's new digital website "Tunecore" into an exclusive distribution deal with Divine Records/Universal Music Group. Members of Tunecore's audience of over seven million voters propelled "Say Hey" into one of the top songs on a weekly - monthly basis. Tony Sunshine's first single, "Say Hey", was recorded and mixed at Vibe Records Studio and featured music created by mega-producer Swizz Beatz. The incredible response to the "Say Hey" has resulted in the execution of a Letter of Intent between Vibe Records and Divine Records for exclusive distribution through Universal Music's Distribution. Tony Sunshine is presently preparing his first full length album with additional contributions from Swizz Beats. No revenues were realized pursuant to the agreement.

#### *Kristen Capolino:*

Ms. Capolino is a 20 year-old the singer, guitarist and songwriter from Wappingers Falls, New York. She has been performing and recording since the age of 14.

On July 1, 2010 we fulfilled our recording artist agreement obligation by releasing, "Kristen Blues" via TuneCore. Pursuant to the terms of this agreement, Ms. Capolino licensed to us the exclusive right to distribute her recordings through December 2011. No revenues were realized pursuant to the agreement.

## Studio Production

In May 2009, we acquired and installed a SSL 4048 mixing and recording console in our recording and production studio which was our corporate headquarters. The studio allowed us to record, mix and master. We believe that the addition of this console to our studio will greatly enhance the quality and marketability of the singles and albums created by our internal artist roster and will allow us to differentiate our product from that of other independent labels. As of December 30, 2011 we sold this equipment.

In addition to the installation of the console we engaged the services of Terrance Pender as our First Audio Engineer and A&R representative. Mr. Pender has over ten years experience as a First Audio Engineer and his responsibilities included supervising and organizing recording sessions, hiring studio musicians and overseeing all aspects of master recordings. During his career, Mr. Pender has produced recordings for Motown Records, J Records, PO Boy Records, FUBU Entertainment, Rockafella Records, and numerous other labels. Mr. Pender has worked with such artists as The Temptations, Old Dirty Bastard, Remy Martin, Ice Cube, RZA, Memphis, Bleek, Fabulous, Nas, Young Guns and many others. We believe that Mr. Pender's engineering talent and understanding of various music markets will greatly enhance the quality and marketability of our recorded product.

## Item 1A. Risk Factors

### RISKS RELATED TO OUR BUSINESS

*The music industry has been declining and may continue to decline, which may adversely affect our prospects and our results of operations.*

Illegal downloading of music from the Internet, piracy, economic recession, and growing competition for consumer discretionary spending and retail shelf space may all be contributing to declines in the recorded music industry. Additionally, the period of growth in recorded music sales driven by the introduction and penetration of the CD format has ended. While CD sales still generate most of the recorded music revenues, CD sales continue to decline industry-wide and we expect that trend to continue. New formats for selling recorded music product have been created, including the legal downloading of digital music using the Internet, physical format product innovations and the distribution of music on mobile devices, and revenue streams from these new channels are beginning to emerge.

These new digital revenue streams are important to offset declines in physical sales and represent the fastest growing area of our industry. While it is believed within the recorded music industry that growth in digital sales will re-establish a growth pattern for all recorded sales, the timing of the recovery cannot be established with accuracy nor can we determine the impact of how these changes will affect individual markets. There can be no assurance that we will ever achieve any revenues or profitable operations through these new digital revenue streams.

*We have incurred operating losses since inception in 2008 and there is no certainty that we will ever achieve profitability.*

We have incurred operating losses since our inception in 2008. We expect to incur significant increasing operating losses for the foreseeable future, primarily due to the expansion of our operations. The negative cash flow from operations is expected to continue and to accelerate in the foreseeable future. Our ability to achieve profitability depends upon our ability to discover new talent and develop existing talent, commercial acceptance for our talent, and our ability to enter into agreements for distribution and manufacturing. There can be no assurance that we will ever achieve any revenues or profitable operations.

*We may be unable to manage our growth or implement our expansion strategy.*

We may not be able to expand our product and service offerings, our client base and markets, or implement the other features of our business strategy at the rate or to the extent presently planned. Our projected growth will place a significant strain on our administrative, operational and financial resources. If we are unable to successfully manage our future growth, establish and continue to upgrade our operating and financial control systems, recruit and hire necessary personnel or effectively manage unexpected expansion difficulties, our financial condition and results of operations could be materially and adversely affected. Furthermore, our growth depends upon our ability to attract new talent and commercially develop existing talent. There can be no assurance that our efforts to attract and develop talent can be accomplished on a profitable basis, if at all. Our expansion of our record distribution and promotions will depend on a number of factors, most notably the timely and successful promotion and sale of our products and our



regional distributors. Our inability to expand sales in a timely manner would have a material adverse effect on our business, operating results and financial condition.

*Our prospects and financial results may be adversely affected if we fail to identify, sign and retain artists that have consumer appeal*

We are dependent on identifying, signing and retaining artists with long-term potential, whose debut albums are well received on release, whose subsequent albums are anticipated by consumers and whose music will continue to generate sales as part of our catalog for years to come. The competition among record companies for such talent is intense. Competition among record companies to sell records is also intense and the marketing expenditures necessary to compete are significant and have increased as well. Our competitive position is dependent on our continuing ability to attract and develop talent whose work can achieve a high degree of public acceptance. Our financial results may be adversely affected if we are unable to identify, sign and retain such artists under terms that are economically attractive to us. You have no assurance we will be able to successfully and profitably obtain and market such talent in the near term or in the future.

The genres of the music industry where we intend to focus are highly competitive and characterized by changing consumer preferences and continuous introduction of new artists. Our goal is to maintain and improve the recording artists currently under and to seek out and recruit additional talent that will appeal to various consumer preferences. We believe that our future growth will depend, in part, on our ability to anticipate changes in consumer preferences and develop and introduce, in a timely manner, artists and products which adequately address such changes. There can be no assurances that we will be successful in recruiting, developing, and marketing such artists and products on a timely and regular basis. Our failure to successfully introduce such artists or products, or the failure of the retail markets to accept them, would have a materially adverse effect on our ability to operate profitably.

No assurance can be given that consumer demand for the genres of the music industry in which we intend to focus will continue in the future or, if such demand does continue, that we will be able to satisfy consumer preferences. Changes in consumer spending can affect both the quantity sold and the price of our products and may therefore affect our operating results.

*If we fail to obtain necessary funds for our operations, we will be unable to maintain and develop and commercialize our products.*

Our present and future capital requirements depend on many factors, including:

- our ability and willingness to enter into new agreements with strategic partners, and the terms of these agreements;
- our ability to enter into new agreements to expand the distribution of our talents records, and the terms of such agreements;
- the costs of recruiting and retaining qualified personnel; and
- the time and costs involved in finding and maintaining talent.

Our ability to continue as a going concern ultimately depends on our ability to increase sales and reduce expenses to a level that will allow us to operate profitably and sustain positive operating cash flows.

*Additional financing may be necessary for the implementation of our growth strategy:*

We expect to require additional debt and/or equity financing to pursue our growth strategy. Given our operating history and existing losses, there can be no assurance that we will be successful in obtaining additional financing. Lack of additional funding could force us to curtail substantially our growth plans. Furthermore, the issuance by us of any additional securities pursuant to any future fundraising activities undertaken by us would dilute the ownership of existing shareholders and may reduce the price of our common stock.

Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize its ability to continue its business and operations.

*We are dependent upon key personnel and consultants.*

Our success is heavily dependent on the continued active participation of our current executive officers listed under "Management." Loss of the services of one or more of these officers could have a material adverse effect upon our business, financial condition or results of operations. Further, our success and achievement of our growth plans depend on our ability to recruit, hire, train and retain other highly qualified technical and managerial personnel. Competition for qualified employees among companies in the music industry is intense, and the loss of any of such persons, or an inability to attract, retain and motivate any additional highly skilled employees required for the expansion of our activities, could have a materially adverse effect on us. Our inability to attract and retain the necessary personnel and consultants and advisors could have a material adverse effect on our business, financial condition or results of operations. We do not carry "key person" insurance covering any members of our senior management.

*We are controlled by current officers, directors and principal stockholders.*

Our directors and executive officers beneficially own approximately 46% of the outstanding shares of our common stock. Accordingly, our executive officers, directors, and principal stockholders will have the ability to control the election of our Board of Directors and the outcome of issues submitted to our common stockholders for a vote.

*We face significant competition.*

Our recorded products will be marketed and sold to a segment of the market that is highly competitive. The principal competitive factors affecting the market for our products include product quality, packaging, brand recognition, brand and artist acceptance, price and distribution capabilities. There can be no assurance that we will be able to compete successfully against current and future competitors based on these and other factors. We also compete with a variety of domestic and international producers and distributors, many of whom have substantially greater financial, production, distribution and marketing resources and have achieved a higher level of brand recognition than we do. In the event we become successful in our marketing, promotion and distribution of products bearing our name, it is likely we will experience additional competition in the industry from major labels, each of which is capable of marketing products designed to compete directly in the genres where we are focused. We compete with other music producers and distributors not only for market share, brand acceptance and loyalty, but also for display space in retail establishments and, more importantly, for marketing focus by our distributors and retailers, all of which distribute and sell other manufacturers products. Future competition could result in price reductions, reduced margins and loss of market share, all of which could have a material adverse effect on our business, financial condition and results of operations.

*Any inability to adequately protect our intellectual property could harm our ability to compete.*

Our future success and ability to compete depends in part upon our intellectual property, which we attempt to protect with a combination of copyright and trademark laws, as well as with contractual provisions. These legal protections afford only limited protection and are time-consuming and expensive to obtain and/or maintain. Further, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We have registered one trademark with the United States Patent and Trademark Office. Any trademarks that are issued to us could be invalidated, circumvented or challenged. While we diligently intend to protect our intellectual property rights, the monitoring of any infringement and/or misappropriation of our intellectual property can be difficult, and there is no guarantee that we would detect any infringement or misappropriation of our intellectual property rights. Even if we detect infringement or misappropriation of our intellectual property rights, litigation to enforce these rights could cause us to divert financial and other resources away from our business operations.

*Our involvement in intellectual property litigation could adversely affect our business.*

Our business and recognition in the music industry is highly dependent upon intellectual property, a field that has encountered increasing litigation in recent years. If we are alleged to infringe the intellectual property rights of a third party, any litigation to defend the claim could be costly and would divert the time and resources of management, regardless of the merits of the claim. There can be no assurance that we would prevail in any such litigation. If we were to lose a litigation relating to intellectual property, we could, among other things, be forced to pay monetary damages and/or to cease the sale or use of certain products. Any of the foregoing may adversely affect our business.

#### **RISKS RELATED TO OUR COMMON STOCK**

*There is not now, and there may not ever be, an active market for our shares of common stock.*

You have no assurance that an active market for our common stock will develop. If an active public market for our common stock does not develop, shareholders may not be able to re-sell the shares of our common stock that they own and may lose all of their investment.

*Our Common Stock price and volume may be volatile.*

We expect the trading price and volume of our Common Stock to fluctuate substantially in the event our trading market becomes active. The price of our Common Stock may be higher or lower than the price you pay for it, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of companies in our industry;
- volatility resulting from trading in derivative securities related to our Common Stock including puts, calls, long-term equity anticipation securities, or short trading positions;
- actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;

- general economic conditions and trends;
- loss of a major funding source; or
- departures of key personnel.

We plan on seeking to reinstate the OTCBB listing of our common stock so that the our stockholders will have the benefit of that trading market, but will likely be traded only in the over-the-counter market for the foreseeable future.

*Sales of a substantial number of shares of our common stock may cause the price of our common stock to decline.*

Should an active public market develop and our stockholders sell substantial amounts of our common stock in the public market, shares sold at a price below the current market price at which the common stock is trading will cause that market price to decline. Moreover, the offer or sale of a large number of shares at any price may cause the market price to fall. These sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

*Additional stock offerings may dilute current stockholders.*

Given our plans and our expectation that we may need additional capital and personnel, we may need to issue additional shares of capital stock or securities convertible or exercisable for shares of capital stock, including preferred stock, options or warrants. The issuance of additional capital stock may dilute the ownership of our current stockholders.

*Our Common Stock is subject to the "Penny Stock" rules of the SEC.*

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

that a broker or dealer approve a person's account for transactions in penny stocks; and  
the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

obtain financial information and investment experience objectives of the person; and  
make a reasonable determination that the transactions in penny stocks are suitable for that person and  
the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

sets forth the basis on which the broker or dealer made the suitability determination; and  
that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

*We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.*

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

**Item 2. Property**

Our principal executive offices are located in East Moriches, New York which we rent for \$2,400 per month. Our lease terminates on September 30, 2012. We believe that our principal executive office space is sufficient for our needs for the foreseeable future.

**Item 3. Legal Proceedings**

On August 25, 2009, a former consultant filed an action against us in Supreme Court Kings County (Index No: 21581-09). The action, which alleges that we failed to pay certain fees and failed to timely deliver certain securities due the former consultant, seeks \$900,000 plus attorney fees and costs. On or about January 15, 2010, we filed an answer and counterclaim. While the outcome of this proceeding cannot be predicted at this time we believe that we have meritorious defenses to the action and that the final outcome will not have a material adverse effect on our financial condition.

**PART II**

**Item 5. Market for the Registrant's Common Stock, Convertible Preferred Stock and Related Stockholder Matters**

Quotations for our common stock are available on the OTC Bulletin Board, OTCMarkets, Yahoo Finance, Google Finance and similar services, under the symbol "VBRE". The following table sets forth the high and low bid prices, for our common stock as reported each quarterly period within the last two fiscal years ended September 30, 2010 as reported by the National Quotation Bureau. The high and low prices reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions (1).

Fiscal year ended September 30, 2009	High	Low
Quarter ended		
December 31, 2008	\$ 0.30	\$ 0.25
March 31, 2009	\$ 0.25	\$ 0.05
June 30, 2009	\$ 0.60	\$ 0.03
September 30, 2009	\$ 0.50	\$ 0.14
Fiscal year ended September 30, 2010	High	Low
Quarter ended		
December 31, 2009	\$ 0.32	\$ 0.10
March 31, 2010	\$ 0.12	\$ 0.04
June 30, 2010	\$ 0.04	\$ 0.01
September 30, 2010	\$ 0.08	\$ 0.02

On December 30, 2011, the National Quotation Bureau, Inc. reported that the closing ask price on our common stock was \$0.001 per share.

#### **Record Holders**

As of December 31, 2010, there were approximately 400 record holders and 300 street name holders of our common stock.

#### **Dividend Policy**

Our Board of Directors determines any payment of dividends to our common stockholders. We have never paid any dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

#### **Recent Sales of Unregistered Securities**

During the quarter ended September 30, 2010, we issued a total of 2,750,000 shares of our common stock in conversion of notes. No commissions or other compensation was paid in connection with the issue of these shares. The shares were issued to existing note holders and their assignees. We have relied on Section 4(2) of the Securities Act of 1933 for an exemption from registration, in that the issue of the shares did not involve a public offering.

#### **Capitalization**

##### Common Stock

The following description of our common stock is qualified in our entirety by reference to our Articles of Incorporation, as amended, our bylaws and Nevada corporation law. We are authorized to issue five hundred million shares of common stock, \$0.001 par value per share. At December 30, 2011, we had 33,424,027 shares issued and outstanding. Holders of our common stock:

- have one vote per share on election of each director and other matters submitted to a vote of stockholders;
- have equal rights with all holders of issued and outstanding common stock to receive dividends from funds legally available therefore, if any, when, as and if declared from time to time by the board of directors;
- are entitled to share equally with all holders of issued and outstanding common stock in all of our assets remaining after payment of liabilities, upon liquidation, dissolution or winding up of our affairs;
- do not have preemptive, subscription or conversion rights; and
- do not have cumulative voting rights.

##### Preferred Stock

On January 19, 2009, our board of directors approved and authorized two series of preferred stock. On or about January 23, 2009, we filed a Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock (the "Series A Preferred Stock") and a Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock ("the Series B Preferred Stock") (together the "Certificates of Designation") with the Secretary of State of Nevada. Pursuant to the Certificates of Designation, we authorized 200,000 shares of our preferred stock to be designated the Series A Preferred Stock and 200,000 shares of our preferred stock to be designated the Series B Preferred Stock.

### *Series A Preferred Stock*

The holders of the Series A Preferred Stock may, in their sole discretion, convert each share of Series A Preferred Stock into 4,000 shares of our common stock at any time following the date of issuance of the Series A Preferred Stock. Adjustments in the conversion ratio will be made in the event of a stock dividend, stock split, reclassification, reorganization, consolidation or merger in a manner which will provide the preferred holders, upon full conversion into common stock, with the same percentage ownership of us that existed immediately prior to such action. The Series A Preferred Stock has the same voting rights as our common stock, on an as converted basis, with the Series A preferred holders having one vote for each share of common stock into which their Series A Preferred Stock is convertible. The holders of the Series A preferred stock have a liquidation preference over our common stock of up to \$100 per Series A share held. We will not pay a dividend on the shares of Series A Preferred Stock.

As of December 30, 2011, there were no shares of the Series A Preferred Stock issued and outstanding.

### *Series B Preferred Stock*

The holders of the Series B Preferred Stock may, in their discretion, convert each share of Series B Preferred stock into 4,000 shares of our common stock at any time following the date of issuance of the Series B Preferred Stock. Adjustments in the conversion ratio will be made in the event of a stock dividend, stock split, reclassification, reorganization, consolidation or merger in a manner which will provide the preferred holders, upon full conversion into common stock, with the same percentage ownership of us that existed immediately prior to such action. The Series B Preferred Stock does not have voting rights on matters presented to our common stockholders, for a vote. The Series B Preferred Stock and has an equal liquidation right with any shares of our Series A Preferred Stock then outstanding. We will not pay a dividend on the shares of Series B Preferred Stock.

As of December 30, 2011, there were no shares of the Series B Preferred Stock issued and outstanding.

### **Item 6. Selected Financial Data;**

Not applicable

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion contains forward-looking statements. Please see "Forward-Looking Statements" and "Risk Factors" for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements.

The following discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles. You should read the discussion and analysis together with such financial statements and the related notes thereto.

#### *Overview*

We are a development stage company led by an experienced management and focused on identifying qualified and talented artists. Our long term role includes nurturing the artist's career through teaching, encouragement and supervision, while concurrently searching for and selecting suitable material, accompanists, side-men, producers and other professionals to enhance the artist's chances for success.



### *Plan of Operations*

We intend to attempt to secure exclusive standard industry recording contracts for between three (3) to five (5) new artists per year through a highly focused artist selection process. We have thus far been unable to fully implement this strategy due to insufficient financial resources. Upon successfully undertaking same, the artist's value will be significantly increased through the support of our specialized and well seasoned management team, modest recording budgets supported by a strategic alliance with a state-of-the-art recording studio and a renowned audio engineer, and the use of a major manufacturing and distributing firm. Furthermore, we will utilize these economic efficiencies to seek out and enter into agreements with pre-established artists. Arrangements with established artists will allow us to offer profit sharing ventures with established artists in which the artists submit their master recordings (while retaining their own ownership rights) and license the master recordings to us for manufacture, distribution and promotion.

Through these and other endeavors, we intend to simultaneously promote and brand the Vibe Records label. We believe that operating in this fashion will reduce overhead.

### *Critical Accounting Policies*

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses our consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, valuation allowances for inventory and accounts receivable, and impairment of long-lived assets. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The result of these estimates and judgments form the basis for making conclusions about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The SEC suggests that all registrants list their most "critical accounting policies" in Management's Discussion and Analysis.

Critical accounting policies are those that are most important to the portrayal of our financial condition and our results of operations, and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies include, but are not limited to, revenue recognition, our ability to collect accounts receivable, the carrying value of inventories and fixed assets, the useful lives of our fixed assets and long-lived assets, the impairment of goodwill, the valuation of common stock related to compensation and other services and the recoverability of deferred tax assets. In applying these policies, management must use its informed judgments and best estimates. Estimates, by their nature, are based on judgments and available information such as the estimated life of fixed assets for depreciation purposes, the market valuation of inventory in reporting inventory at the lower of cost or market, and the determination of the market value of stock when issued as compensation or as repayment for loans. The estimates that we make are based upon historical factors, current circumstances and the experience and judgment of our management. We evaluate our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Changes in such estimates, based on more accurate future information, may affect amounts reported in future periods.

### *Results of Operations*

#### *Years Ended September 30, 2010 and 2009*

We had no revenue producing activities in either of the years ended September 30, 2010 or 2009. For the years ended September 30, 2010 and September 30, 2009 we experienced a net loss of \$1,263,428 and \$1,598,300 respectively.

Other general and administrative expenses increased to \$156,685 from \$109,243 for the years ended September 30, 2010 and 2009, principally due to increased compensation expense. Professional and consulting fees decreased to \$334,974 for the year ended September 30, 2010 as compared to \$953,658 for the year ended September 30, 2009 due to decreased stock-based compensation in 2010. Research and artist development expenses increased to \$215,696 for the year ended September 30, 2010 as compared to \$181,788 for the year September 30, 2009 due to production efforts on various projects as previously discussed.

Other expenses net increased to \$466,133 from \$238,911 for the year ended September 30, 2010 and 2009, principally due to higher interest expense, debt settlements, debt discounts and loss from revaluation of derivative liability. Interest expense increased to \$307,505 for fiscal 2010 as compared to \$238,911 for Fiscal 2009. This expenditure has increased steadily and is expected to stay at or above current levels based on our need for capital and the lack of revenue producing activities.

#### ***Liquidity and Capital Resources***

As of September 30, 2010, we had a working capital deficit of \$4,157,577. If we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to it, this could have a material adverse effect on its business, results of operations liquidity and financial condition.

We have historically incurred recurring losses from operations. Our continuation is dependent upon a successful program of acquisitions and achieving a profitable level of operations. We may need additional financing for ongoing operations of securing (3) – (5) recording artists per year as well as other joint ventures as well as acquisitions. The issuance of additional equity securities by us would result in a significant dilution in the equity interests of our current stockholders. Obtaining loans, assuming those loans would be available, would increase our liabilities and future cash commitments. We cannot assure that we will be able to obtain further funds we desire for our continuing operations or, if available, that funds can be obtained on commercially reasonable terms. If we are not able to obtain additional financing on a timely basis, we would cease our operations.

As shown in the consolidated financial statements, at September 30, 2010 and September 30, 2009, we had cash on hand of \$370 and \$23,809. Net cash used in operating activities for each of the years ended September 30, 2010 and 2009 was \$396,098 and \$331,881 as a direct result of our net operating loss and the absence of any revenue producing activities. Cash flows used in investing activities for each of the years ended September 30, 2010 and 2009 was \$0 and \$62,383 which was used in the acquisition of property, plant and equipment and advances to related entities. Cash flows provided by financing activities were \$372,659 during the year ended September 30, 2010 and \$418,073 for the year ended September 30, 2009. The decrease resulted from lower borrowings from various sources to provide working capital.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

#### **Item 8. Financial Statements and Supplementary Data**

Our consolidated financial statements, together with the Reports of Independent Registered Public Accounting Firm thereon of Michael T. Studer CPA P.C., are provided at the end of this annual report. See Index to Consolidated Financial Statements, appearing on page F-1.

#### **Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

This information has been reported on Form 8-K.

## Item 9A. Controls and Procedures.

**Disclosure Controls and Procedures.** Our management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), both being Mr. Olphie, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Annual Report, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control over Financial Reporting.** Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act.

Internal control over financial reporting is defined under the Exchange Act as a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of our internal control over financial reporting as of September 30, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on this evaluation and those criteria, our management, with the participation of our CEO and CFO, concluded that, as of September 30, 2010, our internal control over financial reporting was not effective, primarily because we have only one employee and are accordingly unable to implement the checks and balances required for effective controls over financial reporting. On the other hand, the one employee is aware of all matters which would require financial reporting.

This Annual Report does not include an attestation report of our registered public accounting firm regarding our internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report.

**Changes in Internal Control over Financial Reporting.** There have not been any changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) that occurred during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### PART III

#### Item 10 Directors, Executive Officers and Corporate Governance

The following table sets forth certain information with respect to our directors and executive officers as of December 28, 2010.

Name	Age	Position	Director Since
Timothy J. Olphie	57	Chairman of the Board, President and Chief Executive Officer and Chief Financial Officer	2008
Robert S. McCoy, Jr.	73	Director	2008
Michael L. Tyler	55	Director, Corporation Secretary	2008

#### **Timothy J. Olphie, CEO, President and Director**

From January 1993 to the present, Mr. Olphie has been employed as an independent record producer. Since May 2008, he has been our CEO, CFO, President and a member of our board of directors. Mr. Olphie received a Bachelor's Degree in Marketing and Management from the State University of New York at Brockport.

Mr. Olphie has been actively involved in the music industry for twenty five years, entering as an Account Representative with the New York City branch office of the American Society of Composers, Authors and Publishers (ASCAP) in 1979. In 1982 Mr. Olphie was offered, and accepted, a position with Record World, a regionally based record franchise. He was promoted to the role of Public Relations Director shortly thereafter and remained with that company until 1989, at which time he accepted a position with CBS Records as an Account Service Representative.

In 1991, Mr. Olphie accepted a position as General Manager of SOUL/MCA Records, a joint venture between Sound of Urban Listeners (SOUL) and MCA Records, Inc. of New York City. His responsibilities included the day-to-day activities of an independent record company distributed by major label and the marketing and management of several SOUL/MCA recording acts. At SOUL/MCA, Mr. Olphie received several Gold and Platinum awards for his role in the success of several recording acts including Public Enemy, the Young Black Teenagers, and the movie "Juice" and its related soundtrack. In addition, Mr. Olphie was responsible for negotiating the terms and promotional success for the "Bomb Squad"; renowned producers, Hank and Keith Shocklee. The likes of Vanessa Williams, "The Right Stuff", Bobby Brown, Bell, Biv, Devoe, "I Thought it was Me", Madonna, "Like a Prayer", Ice Cube, Son of Bazerk, Jody Watley, etc. to name a few. To date, Mr. Olphie has concluded approximately twenty five (25) artist recording contracts for both major and independent record labels as producer and/or executive producer including Danny Gatton on Elektra Entertainment, a division of Warner Communications, Inc. (nominated for "Best Rock Instrumental - 1992 Grammy Awards"); Spectrum City (currently known as Public Enemy) on Hollywood Records, a division of the Walt Disney Company specifically the movie "South Central", Produced by Oliver Stone;

Jammy on Vibe Records, Inc. (distributed nationally by Landmark Distributors, Inc.); Ricca on Epic Records, a division of SONY and Producer of former Vibe Records recording artist Chantele Doucette winner of the 2003 Adult Singer award for CBS Television's Star Search show. In addition, Ms. Doucette was awarded a Sony Music recording contract. In 1993 Mr. Olphie joined Independent National Distribution Inc. (INDI) and became their New York City Sales Representative.

#### **Robert S. McCoy, Jr., Director**

Since May 2008, Robert S. McCoy, Jr. has been a member of our board of directors. Mr. McCoy retired in 2003 after 19 years with Wachovia Corporation and its successor companies. Mr. McCoy had been Vice Chairman and Chief Financial Officer of Wachovia. Prior to joining the banking industry Mr. McCoy was with Price Waterhouse & Co. for 23 years. Mr. McCoy currently serves on the Board of Directors of other public companies (MedCath Corporation and Web.com) as well as on the board of additional private companies in which he is an investor.

#### **Dr. Michael L. Tyler, Director, Secretary**

Dr. Michael L. Tyler is our Corporation Secretary on a part time basis. He devotes very limited time to our business and affairs. Dr. Tyler graduated magna cum laude from Columbia State Community College in Columbia, Tennessee, in 1977 with Associate of Science degrees in chemistry and biology. He continued his education at Memphis State University in Memphis, TN., graduating magna cum laude in 1979 with Bachelor of Science degrees in chemistry and biology. His doctorate degree in dentistry was earned from the University of Tennessee Center for the Health Sciences in Memphis, TN., in 1983. Dr. Tyler has been practicing general and family dentistry for the last 21 years. He is a member of the American Dental Association, Tennessee Dental Association, and Maury County Dental Association. He is on staff at Maury Regional Hospital. He is a member of Rotary International, serving his local club as president, and has been honored with a Paul Harris Fellowship.

#### **General**

Our executive officers are elected by, and serve at the pleasure of, our board of directors. Our directors serve terms of one year each, with the current directors serving until the next annual meeting of stockholders, and in each case until their respective successors are duly elected and qualified. Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders, including the election of directors. Holders of our Series A Preferred Stock are entitled to one vote for each share of common stock into which their preferred shares are convertible on all matters submitted to a vote of the common stockholders, including the election of directors. Cumulative voting with respect to the election of Directors is not permitted by our Articles of Incorporation. Our Board of Directors is elected at the annual meeting of the stockholders or at a special meeting called for that purpose. Each director holds office until the next annual meeting of the stockholders and until the director's successor is elected and qualified. If a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, the vacancy may be filled by the Board of Directors or by the stockholders at the next annual stockholders' meeting or at a special meeting of the stockholders called for that purpose.

#### **Board Meeting Attendance**

During our 2010 fiscal year, our board did not hold any meetings. Our directors approved all necessary actions by unanimous written consent meetings, both regular and special.

#### **Committees of the Board and Independent Directors**

We do not have an audit committee, a nominating committee or a compensation committee. The board believes that we should have each of these board committees, but we do not have independent directors to functionally implement these committees. The functions that would otherwise be discharged by the committees are considered by the full board of directors, including executive compensation. We do not have a policy for considering candidates for directors nominated by our stockholders. Our board will consider candidates nominated by our stockholders on a case by case basis.

We do not have any independent directors.

Our stockholders are welcome to send any communications to our full board of directors or to individual directors.

## Item 11. Executive Compensation

The following table sets forth the annual and long-term compensation paid to our executive officers. No other executive officers earned more than \$100,000 per year at the end of the last completed fiscal year.

### Summary Compensation Table

Name & Principal Position	Year	Salary (\$)	Total (\$)
Timothy J. Olphie President and CEO	2010	83,333 (A)	83,333
	2009	56,250 (A)	56,250

(A) satisfied by issuances of common stock.

### Outstanding Option Awards at Fiscal Year-End Table

None.

### Employee Benefit Plans

In 2008, our board of directors adopted an incentive stock plan that was subsequently approved by our shareholders. The stock plan is intended to promote continuity of management and to provide increased incentive and personal interest in our welfare by those employees and consultants who are primarily responsible for shaping and carrying out our long-range plans and securing our continued growth and financial success. The plan is administered by our board of directors, and they have the authority to select the employees, consultants and non-employee directors who participate in the plan, to determine the awards to be granted to participants, to set the terms and conditions of such awards and to establish, amend or waive rules for the administration of the plan.

The plan provides that up to a total of 5,000,000 shares of common stock, subject to adjustment to reflect stock dividends and other capital changes, are available for issuance under the stock plan. No options to acquire shares are currently outstanding and no options to acquire shares were granted under the plan in 2010.

During 2010, our Board of Directors approved the issuance of an aggregate of 3,333,333 shares of our common stock in lieu of employment compensation to Mr. Tim Olphie pursuant to his employment and compensation agreement. That plan was executed by the unanimous consent of the Board of Directors on January 26, 2009.

### Employment Agreements

On January 16, 2009, we entered into an employment agreement with Mr. Timothy Olphie (the "Olphie Employment Agreement") that has an initial term of three years. Under the Olphie Employment Agreement, Mr. Olphie will continue to serve as our CEO, President and a member of our Board of Directors. Mr. Olphie will receive a base salary of \$75,000 per year, and will be entitled to an annual discretionary bonus. The amount of Mr. Olphie's bonus will be determined by our Board of Directors, and will be based upon the achievement of certain milestones as determined by the Board of Directors. As additional consideration for past services, we granted Mr. Olphie the irrevocable right to be issued, upon 61 days written notice, a total of 7,500 shares of Series A Preferred Stock (which are convertible into a total of 30,000,000 shares of common stock). The power to direct the issuance of such series of Series A Preferred Stock shall be at Mr. Olphie's sole discretion, subject to the 61 day waiting period.

On August 2, 2010, we entered into a First Amendment to Employment Agreement with Mr. Olphie which increased his base salary from \$75,000 to \$125,000.

During the year ended September 30, 2010, Officers' and Directors Compensation includes \$83,333 incurred to Mr. Olphie under the original employment agreement, and its amendment in August 2010, of which \$83,333 arose out of common stock issued in payment of accrued base salary of \$72,728. At September 30, 2010, Accounts Payable and Accrued Expenses include \$0 representing base compensation still owing under the agreements to Mr. Olphie.

During the year ended September 30, 2009, Officers' and Directors Compensation includes \$56,250 incurred to Mr. Olphie under the original employment agreement, of which \$66,000 arose out of common stock issued in payment of accrued base salary of \$56,250. At September 30, 2009, Accounts Payable and Accrued Expenses include \$32,312 representing base compensation still owing under the original agreement to Mr. Olphie.

Officers' and Directors' Compensation for the year ended September 30, 2009 includes \$38,000 incurred to other Officers/Directors consisting of Company common stock issuances (See Note K to the Consolidated Financial Statements).

#### Directors Compensation

We pay compensation of \$5,000 per annum to each of our directors for service on our Board.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table indicates beneficial ownership of our common stock as of December 30, 2011 by:

- Each person or entity known by us to beneficially own more than 5% of the outstanding shares of the our common stock;
- Each of our executive officers and directors; and
- All of our executive officers and directors as a group.

Unless otherwise indicated, the address of each beneficial owner listed below is our address.

Name and Address	Number of Shares	Percentage of Shares Owned
Timothy J. Olphie	8,358,333	25.01%
Robert S. McCoy, Jr.	2,650,000	7.93%
Michael L. Tyler	1,500,000	4.49%
All Officers and Directors as a group (3 persons)	12,508,333	37.42%

#### Item 13. Certain Relationships and Related Transactions, and Director Independence

We have not had transactions, or nor do we proposed transactions, outside of normal employment transactions, with any director, executive officer or beneficial holder of more than 10% of the outstanding common stock, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest. We have no policy regarding entering into transactions with affiliated parties.

**Item 14. Principal Accountant Fees and Services**

Fees charged by our principal accountant, S. W. Hatfield, CPA, for the year ended September 30, 2009 and principal accountant, Michael T. Studer CPA P.C., for the years ended September 30, 2010 and 2009 (re-audit) were as follows:

	Year Ended September 30. <u>2010</u>	Year Ended September 30. <u>2009</u>
1. Audit Fees		
a. S.W. Hatfield, CPA	\$ -	\$ 23,388
b. Michael T. Studer CPA P.C.	15,000	12,500
2. Audit Related Fees	-	-
3. Tax Fees	-	-
4. All Other Fees	-	-
Totals	<u>\$ 15,000</u>	<u>\$ 35,388</u>

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) Exhibits and Financial Statements

Financial Statements. See Item 8. Index to Financial Statements



(b)Exhibits

Exhibit

Number Description

- 3.1 A Articles of Incorporation of Benacquista Galleries Inc., dated January 13, 2003 (incorporated by reference to Exhibit 3.1 on Form SB-2 filed March 31, 2003).
- 3.2 By-laws of Benacquista Galleries Inc., dated January 17, 2003 (incorporated by reference to Exhibit 3.2 on Form SB-2 filed March 31, 2003).
- 4.1 Certificate of Designation, Preferences and Rights of the Series A Convertible Preferred Stock of Vibe Records, Inc. Nevada (incorporated by reference to Exhibit 4.1 to the Form 8-K filed on January 26, 2009).
- 4.2 Certificate of Designation, Preferences and Rights of the Series B Convertible Preferred Stock of Vibe Records, Inc. Nevada (incorporated by reference to Exhibit 4.2 to the Form 8-K filed on January 26, 2009).
- 10.1 Employment Agreement by and between Mr. Tim Olphic and Vibe Records, Inc. Nevada, dated as of January 26, 2009 (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on January 26, 2009).
- 10.1 Amended Employment Agreement by and between Mr. Tim Olphic and Vibe Records, Inc. Nevada, dated as of August 2, 2010 (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed on August 18, 2010)
- 10.2 Incentive Stock Plan
- 31.1\* Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certificate of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* Certificate of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

**VIBE RECORDS INC. NEVADA**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Vibe Records, Inc. Nevada

I have audited the accompanying consolidated balance sheets of Vibe Records, Inc. Nevada (the Company), a development stage company, as of September 30, 2010 and 2009 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' deficit, and cash flows for the years then ended and for the period March 8, 2004 (inception) to September 30, 2010. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vibe Records, Inc. Nevada, a development stage company, as of September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended and for the period March 8, 2004 (inception) to September 30, 2010 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the consolidated financial statements, the Company's present financial situation raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note N to the consolidated financial statements, the Company restated its consolidated financial statements for the year ended September 30, 2009.

/s/ Michael T. Studer CPA P.C.  
Michael T. Studer CPA P.C.

Freeport, New York  
December 30, 2011

**VIBE RECORDS, INC. NEVADA**  
(a development stage company)  
**Consolidated Balance Sheets**  
September 30, 2010 and September 30, 2009

	<u>September 30, 2010</u>	<u>September 30, 2009</u> (As Restated - Note N)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash on hand and in bank	\$ 370	\$ 23,809
<b>TOTAL CURRENT ASSETS</b>	<u>370</u>	<u>23,809</u>
<b>PROPERTY AND EQUIPMENT - AT COST</b>		
Less accumulated depreciation	96,937	96,937
	(61,636)	(43,845)
<b>NET PROPERTY AND EQUIPMENT</b>	<u>35,301</u>	<u>53,092</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 35,671</u>	 <u>\$ 76,901</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Notes and loans payable to bank	\$ 509,779	\$ 630,381
Unsecured convertible promissory and other notes payable	731,017	180,000
Accounts payable and other accrued liabilities	143,122	345,031
Accrued interest payable	996,159	769,051
Notes and advances payable to related parties	1,608,603	1,686,577
Derivative liability for convertible notes	169,267	-
<b>TOTAL CURRENT LIABILITIES AND TOTAL LIABILITIES</b>	<u>4,157,947</u>	<u>3,611,040</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock - \$0.001 par value, 50,000,000 shares authorized:		
Series A - 200,000 shares designated		
Series B - 200,000 shares designated		
None issued and outstanding	-	-
Common stock - \$0.001 par value, 500,000,000 shares authorized: 33,424,027 and 21,234,267 shares issued and outstanding and to be issued respectively (including 1,280,000 shares issuable to two directors from conversion of notes in the year ended September 30, 2007)		
	33,424	21,234
Additional paid in capital	3,157,203	2,494,102
Deficit accumulated during the development stage	(7,312,903)	(6,049,475)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<u>(4,122,276)</u>	<u>(3,534,139)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	 <u>\$ 35,671</u>	 <u>\$ 76,901</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

Source: VIBE RECORDS, INC. NEVADA, 10-K, January 11, 2012

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**VIBE RECORDS, INC. NEVADA**  
(a development stage company)  
**Consolidated Statements of Operations and Comprehensive Loss**  
Years Ended September 30, 2010 and 2009 and  
Period from March 8, 2004 (date of inception) through September 30, 2010

	<b>Year Ended September 30,</b>		<b>March 8, 2004 (Inception) Through September 30,</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
	(As Restated - Note N)		
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>			
Research and artist development costs	215,696	181,788	930,862
Officers and directors compensation	89,940	114,700	479,140
Professional and consulting fees	334,974	953,658	1,817,447
Other general and administrative expenses	156,685	109,243	2,053,349
Provision for impairment loss on write-down of Vibe Records, Inc. "Master Recordings Library" assets	-	-	624,000
<b>TOTAL OPERATING EXPENSES</b>	<b>797,295</b>	<b>1,359,389</b>	<b>5,904,798</b>
<b>LOSS FROM OPERATIONS</b>	<b>(797,295)</b>	<b>(1,359,389)</b>	<b>(5,904,798)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Gains from write-off of debt no longer payable due to statute of limitations	91,359	-	91,359
Interest expense	(307,505)	(238,911)	(1,243,547)
Excess of fair value of common stock issued over the amount of debt retired	(26,259)	-	(26,259)
Accretion of debt discounts expense (relating to beneficial conversion features)	(130,370)	-	(130,370)
Loss from revaluation of derivative liability for convertible notes	(55,858)	-	(55,858)
Finance fees	(37,500)	-	(37,500)
<b>TOTAL OTHER INCOME (EXPENSE) - NET</b>	<b>(466,133)</b>	<b>(238,911)</b>	<b>(1,402,175)</b>
<b>LOSS BEFORE PROVISION FOR INCOME TAXES</b>	<b>(1,263,428)</b>	<b>(1,598,300)</b>	<b>(7,306,973)</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>(5,930)</b>
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (1,263,428)</b>	<b>\$ (1,598,300)</b>	<b>\$ (7,312,903)</b>
Loss per weighted-average share of common stock outstanding, basic and diluted	<b>\$ (0.05)</b>	<b>\$ (0.09)</b>	<b>\$ (0.48)</b>
Weighted-average number of shares of common stock outstanding, basic and diluted	<b>23,617,921</b>	<b>18,286,322</b>	<b>15,129,364</b>

*The accompanying notes are an integral part of these consolidated financial statements.*



**VIBE RECORDS, INC. NEVADA**  
(a development stage company)  
Consolidated Statements of Changes in Stockholders' Deficit  
March 8, 2004 (Inception) to September 30, 2010  
(As Restated - Note N)

	Common Stock, \$0.001 Par		Additional capital	Deficit	Total
	Shares	Amount		Accumulated during the Development Stage	
<b>Balance at March 8, 2004 (date of inception)</b>	-	\$ -	\$ -	\$ -	-
Shares issued for contribution of Vibe Records, Inc. "Master Recordings Library" assets	5,025,000	5,025	618,975	-	624,000
Shares issued in settlement of debt (as restated - Note N)	7,184,201	7,184	157,816	-	165,000
Net loss for the period (as restated - Note N)	-	-	-	(1,661,265)	(1,661,265)
<b>Balance at September 30, 2004 (as restated - Note N)</b>	12,209,201	12,209	776,791	(1,661,265)	(872,265)
Net loss for the year (as restated - Note N)	-	-	-	(673,551)	(673,551)
<b>Balance at September 30, 2005 (as restated - Note N)</b>	12,209,201	12,209	776,791	(2,334,816)	(1,545,816)
Net loss for the year (as restated - Note N)	-	-	-	(753,977)	(753,977)
<b>Balance at September 30, 2006 (as restated - Note N)</b>	12,209,201	12,209	776,791	(3,088,793)	(2,299,793)
Conversion of notes to common stock (as restated - Note N)	1,280,000	1,280	1,598,720	-	1,600,000
Net loss for the year (as restated - Note N)	-	-	-	(620,115)	(620,115)
<b>Balance at September 30, 2007 (as restated - Note N)</b>	13,489,201	13,489	2,375,511	(3,708,908)	(1,319,908)
Effect of reverse acquisition and purchase of treasury stock	1,075,066	1,075	(865,239)	-	(864,164)
Issuance of common stock for:					
Professional and consulting fees (as restated - Note N)	400,000	400	59,600	-	60,000
Officers and directors compensation (as restated - Note N)	330,000	330	49,170	-	49,500
Net loss for the year (as restated - Note N)	-	-	-	(742,267)	(742,267)
<b>Balances at September 30, 2008 (as restated - Note N)</b>	15,294,267	15,294	1,619,042	(4,451,175)	\$ (2,816,839)
Issuance of common stock for:					
Retirement of debt due consultant, including \$580,000 excess of fair value of common stock over the amount of debt retired (charged to professional and	5,000,000	5,000	620,000	-	625,000

Source: VIBE RECORDS, INC. NEVADA, 10-K, January 11, 2012

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consulting fees in the statement of operations) (as restated - Note N)					
Professional and consulting fees (as restated - Note N)	780,000	780	212,720	-	213,500
Officers and directors compensation (as restated - Note N)	295,000	295	102,955	-	103,250
Cancellation of common stock (credited to professional and consulting fees in the statement of operations) (as restated - Note N)	(135,000)	(135)	(60,615)		(60,750)
Net loss for the year (as restated - Note N)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,598,300)</u>	<u>(1,598,300)</u>
<b>Balances at September 30, 2009 (as restated - Note N)</b>	<b>21,234,267</b>	<b>21,234</b>	<b>2,494,102</b>	<b>(6,049,475)</b>	<b>(3,534,139)</b>
Issuance of common stock for:					
Retirement of debt, including \$26,259 excess of fair value of common stock over the amount of debt retired (charged to other expense in the statement of operations)	1,111,971	1,112	46,147	-	47,259
Professional and consulting fees	7,884,456	7,885	456,114	-	463,999
Officers and directors compensation	3,643,333	3,643	141,690	-	145,333
Finance fees	750,000	750	36,750	-	37,500
Cancellation of common stock (credited to professional and consulting fees in the statement of operations)	(1,200,000)	(1,200)	(72,600)	-	(73,800)
Beneficial conversion features of convertible notes	-	-	55,000	-	55,000
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,263,428)</u>	<u>(1,263,428)</u>
<b>Balances at September 30, 2010</b>	<b><u>33,424,027</u></b>	<b><u>\$ 33,424</u></b>	<b><u>\$ 3,157,203</u></b>	<b><u>\$ (7,312,903)</u></b>	<b><u>\$ (4,122,276)</u></b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**VIBE RECORDS, INC. NEVADA**  
(a development stage company)  
**Consolidated Statements of Cash Flows**  
Years Ended September 30, 2010 and 2009 and  
Period from March 8, 2004 (date of inception) through September 30, 2010

	<u>Year Ended September 30,</u>		<u>March 8, 2004</u>
	<u>2010</u>	<u>2009</u>	<u>(Inception)</u>
	(As Restated - Note N)		<u>Through</u>
			<u>September 30,</u>
			<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (1,263,428)	\$ (1,598,300)	\$ (7,312,903)
Adjustments to reconcile net loss to net cash (used in) operating activities:			
Depreciation	17,791	16,221	61,636
Provision for impairment loss on write-down of Vibe Records, Inc. "Master Recordings Library" assets	-	-	624,000
Gains from write-off of debt no longer payable due to statute of limitations	(91,359)	-	(91,359)
Amortization of original issue discounts on notes payable to investors	5,218	-	5,218
Accretion of debt discounts expense (relating to beneficial conversion features)	130,370	-	130,370
Loss from revaluation of derivative liability for convertible notes	55,858	-	55,858
Expenses paid by issuance of common stock:			
Officers and directors compensation	145,333	103,250	298,083
Professional and consulting fees	390,199	732,750	1,182,949
Excess of fair value of common stock issued over the amount of debt retired	26,259	-	26,259
Finance fees	37,500	-	37,500
Increase (Decrease) in:			
Accounts payable and other accrued expenses	(113,306)	209,886	276,724
Accrued interest payable	<u>263,467</u>	<u>204,312</u>	<u>1,032,519</u>
<b>NET CASH (USED) IN OPERATING ACTIVITIES</b>	<u>(396,098)</u>	<u>(331,881)</u>	<u>(3,673,146)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash advanced to affiliated entity	-	(24,490)	(207,199)
Cash paid to acquire property and equipment	<u>-</u>	<u>(37,893)</u>	<u>(96,937)</u>
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>	<u>-</u>	<u>(62,383)</u>	<u>(304,136)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase (decrease) in bank overdraft	-	(417)	-
Cash proceeds received on notes and loans payable to bank	-	-	772,952
Principal payments made in cash on notes and loans payable to bank	(120,602)	(7,908)	(140,500)
Cash proceeds received from issuance of unsecured convertible promissory note and other notes payable	185,000	190,000	590,000
Principal payments made in cash on unsecured convertible promissory and other notes payable	-	(95,000)	(95,000)
Cash proceeds received on notes and advances from officers, directors, and other related parties	323,261	389,229	3,452,898
Principal payments made in cash on notes and advances from officers, directors, and other related parties	(15,000)	(57,831)	(72,831)
Purchase of treasury stock	<u>-</u>	<u>-</u>	<u>(509,867)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>372.659</u>	<u>418.073</u>	<u>3,977.652</u>
INCREASE (DECREASE) IN CASH	(23.439)	23.809	370
CASH AT BEGINNING OF PERIOD	<u>23.809</u>	<u>-</u>	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 370</u>	<u>\$ 23,809</u>	<u>\$ 370</u>
<b>SUPPLEMENTAL DISCLOSURE OF INTEREST AND INCOME</b>			
<b>TAXES PAID</b>			
Interest paid during the period	<u>\$ 44,037</u>	<u>\$ 34,599</u>	<u>\$ 211,029</u>
Income taxes paid during the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,930</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES</b>			
Acquisition of automobile with note payable to bank	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,253</u>
Advances to affiliated entities assigned to repay certain notes and advances from shareholder, officer and director	<u>\$ -</u>	<u>\$ 207,199</u>	<u>\$ 207,199</u>
Acquisition of treasury stock with note payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,000</u>
Common stock issued to settle notes payable and accrued expenses:			
Notes payable and accrued expenses settled	\$ 21,000	\$ 45,000	\$ 1,796,000
Excess of the fair value of the common stock issued over the amount of debt settled (charged to operations)	26,259	-	26,259
Professional and consulting fees (charged to operations)	<u>-</u>	<u>580,000</u>	<u>580,000</u>
Fair value of common stock issued	<u>\$ 47,259</u>	<u>\$ 625,000</u>	<u>\$ 2,402,259</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**VIBE RECORDS, INC. NEVADA**  
(a development stage company)  
**Notes to Consolidated Financial Statements**  
September 30, 2010 and 2009

**NOTE A - Organization and Description of Business**

Vibe Records, Inc. Nevada ("we" "us" or the "Company") was incorporated on January 17, 2003 under the laws of the State of Nevada as Benaquista Galleries, Inc. On May 30, 2008, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Vibe Records, Inc., a privately held Delaware corporation incorporated on March 8, 2004. Pursuant to the terms of the closing of the Merger Agreement, Vibe Records, Inc. was merged with and into the Company. In connection with the closing of the Merger Agreement, our name was changed from Benaquista Galleries, Inc. to Vibe Records, Inc. Nevada. This transaction was accounted for as a reverse merger.

The acquisition of Vibe Records, Inc. (Vibe) by Benaquista Galleries, Inc. (Benaquista) effected a change in control of Benaquista and is accounted for as a "reverse acquisition" whereby Vibe is the accounting acquiror for financial statement purposes. Accordingly, for all periods subsequent to the reverse merger transaction, the financial statements of the Company will reflect the historical financial statements of Vibe from its inception and the operations of Benaquista for all periods subsequent to the May 30, 2008 transaction date. Vibe financial statements include the operations of Vibe Records Holdings, Inc. (Holdings) from March 8, 2004 (date of Vibe's incorporation in Delaware) to September 10, 2007 (date of merger of Vibe and Holdings).

The Company conducts business as an artist and repertoire company as well as an independent record label in the music industry. We intend to distribute recordings made by our artists on a national basis, as well as operate state-of-the-art recording and production facilities. We also maintain websites under the trademarked names "Vibe Records" and "Off the Hook Records." To March 31, 2009, Off the Hook Records, Inc. operated independently of the Company, but has since been dissolved and the trademark "Off the Hook Records" has been transferred to the Company at no cost.

On December 30, 2009, we incorporated a wholly owned subsidiary named Vibe Records, Inc. under the laws of the State of New York, for the purpose of name protection. Since its incorporation, this entity has had no operations.

On October 5, 2011, Off the Hook Models, Inc. ("Models") was incorporated in New York as a wholly owned subsidiary of the Company. Models has had no significant operations to date.

**NOTE B - Going Concern Uncertainty**

As of September 30, 2010, the Company has no revenue producing activities, limited cash on hand, and significant debt related to the financing of its operations. The Company has incurred a net loss of \$1,263,428 and \$1,598,300 for the years ended September 30, 2010 and 2009, respectively, and \$7,312,903 for the period March 8, 2004 (inception) through September 30, 2010 while it has remained in the "development stage." As a result, at September 30, 2010, the Company has a Stockholders' Deficit of \$4,122,276. Because of these factors, the Company's auditor has issued an audit report on the Company's financial statements which includes a paragraph describing our going concern status. This means, in the auditor's opinion, substantial doubt about our ability to continue as a going concern exists at the date of its opinion.

The Company operates as an independent record label and a highly selective Artist and Repertoire company that intends to distribute nationally recordings made by its artists as well as operate state-of-the-art recording and production facilities.

After selecting an artist, the Company intends to nurture each artist's career through teaching, encouraging and supervising the artist, while simultaneously searching for and selecting suitable material, accompanists, side-men, producers and other professionals to enhance that individual's chances for success. The Company intends to attempt to secure exclusive standard industry recording contracts for between three (3) to five (5) new artists per year. The ultimate success of this business plan will extensively rely upon the past history and experience of the Company's President and Chief Executive Officer in the music industry.

The Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a timely basis. Further, the Company faces considerable risk in its business plan. If no additional operating capital is received during the next twelve months, the Company will be forced to rely on existing cash in the bank and additional funds loaned by management and/or significant stockholders.

The Company remains dependent upon additional external sources of financing, including being dependent upon its management and/or significant stockholders to provide sufficient working capital in excess of the Company's initial capitalization to preserve the integrity of the corporate entity.

The Company anticipates offering future sales of equity securities. However, there is no assurance that the Company will be able to obtain additional funding through the sales of additional equity securities or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company.

It is the intent of management and significant stockholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, no formal commitments or arrangements to advance or loan funds to the Company or repay any such advances or loans exist. There is no legal obligation for either management or significant stockholders to provide additional future funding.

In such a restricted cash flow scenario, the Company would be unable to complete its business plan steps, and would, instead, delay all cash intensive activities. Without necessary cash flow, the Company may become dormant until such time as necessary funds can be raised in the equity securities market.

While the Company is of the opinion that good faith estimates of the Company's ability to secure additional capital in the future to reach its goals have been made, there is no guarantee that the Company will receive sufficient funding to sustain operations or implement any future business plan steps.

#### **NOTE C - Summary of Significant Accounting Policies**

##### **I. Preparation of Financial Statements**

###### **a. Basis of Accounting**

The Company follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and has adopted a year-end of September 30.

###### **b. Principles of Consolidation**

The accompanying consolidated financial statements include the financial statements of Vibe Records, Inc. Nevada and its 100% owned subsidiary, Vibe Records, Inc. (a New York State corporation). All significant inter-company accounts and transactions have been eliminated in consolidation.

###### **c. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



2. Cash and Cash Equivalents

For Statement of Cash Flows purposes, the Company considers all cash on hand and in banks, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

3. Property and Equipment

Property and equipment were recorded at cost. Depreciation was calculated on a straight-line basis over the estimated useful lives of five years. Maintenance and repairs are charged to operations as incurred.

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The amount of impairment loss recognized is the amount by which the carrying amounts of the assets exceed the estimated fair values.

4. Stock-based Compensation

The Company does not have a formal stock option plan. However, we offered to some of our employees and consultants stock-based compensation in the form of shares of our common stock. We account for these issuances of common stock to employees and consultants in accordance with ASC 718, "Compensation - Stock Compensation" ("ASC 718"). Under this method, stock compensation expense includes: (1) compensation cost for all share-based payments granted based on the grant date fair value estimated in accordance with ASC 718 and amortized on a straight-line basis over the share-based payments' remaining vesting period.

References to the issuances of restricted stock refer to stock of a public company issued in private placement transactions to individuals who are eligible to sell all or some of their shares of restricted Common Stock pursuant to Rule 144, promulgated under the Securities Act of 1933 ("Rule 144"), subject to certain limitations. In general, pursuant to Rule 144, a stockholder who is not an affiliate and has satisfied a six-month holding period may sell all of his restricted stock without restriction, provided that the Company has current information publicly available. Rule 144 also permits, under certain circumstances, the sale of restricted stock, without any limitations, by a non-affiliate of the Company that has satisfied a one-year holding period.

5. Fair Value of Financial Instruments

The carrying amount of cash, accounts payable and accrued liabilities and notes and advances payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Interest rate risk is the risk that the Company's earnings are subject to fluctuations in interest rates on either investments or on debt and is fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to interest rate risk, if any.

Financial risk is the risk that the Company's earnings are subject to fluctuations in interest rates or foreign exchange rates and are fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to financial risk, if any.

6. Concentrations of Credit Risk

Financial instruments, which potentially subject us to a concentration of risk, include cash and accounts receivable. All of our potential customers are based in the United States at this time and we are not subject to exchange risk for accounts receivable.

The Company maintains its cash in domestic financial institutions subject to insurance coverage issued by the Federal Deposit Insurance Corporation (FDIC). Under FDIC rules, the Company is entitled to aggregate coverage as defined by Federal regulation per account type per separate legal entity per financial institution. The Company has incurred no losses as a result of any unsecured credit risk exposures.

7. Income Taxes

The Company files income tax returns in the United States of America and various states, as appropriate and applicable. The Company is subject to examinations by taxing authorities for the years ended after September 30, 2007.

The Company uses the asset and liability method of accounting for income taxes. At September 30, 2010 and 2009, respectively, the deferred tax asset and deferred tax liability accounts, as recorded when material to the financial statements, are entirely the result of temporary differences. Temporary differences generally represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, primarily accumulated depreciation and amortization, allowance for doubtful accounts and vacation accruals.

The Company has adopted the provisions required by the Income Taxes topic of the FASB Accounting Standards Codification. The Codification Topic requires the recognition of potential liabilities as a result of management's acceptance of potentially uncertain positions for income tax treatment on a "more-likely-than-not" probability of an assessment upon examination by a respective taxing authority. As a result of the implementation of Codification's Income Tax Topic, the Company did not incur any liability for unrecognized tax benefits.

8. Income (Loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the respective period presented in our accompanying financial statements.

Fully diluted earnings (loss) per share is computed similar to basic income (loss) per share except that the denominator is increased to include the number of common stock equivalents (such as convertible debt, options and warrants).

Common stock equivalents represent the dilutive effect of the assumed exercise of stock options and warrants, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net income (loss) position at the calculation date.

For the years ended September 30, 2010 and 2009, diluted common shares excluded 18,426,459 shares and 1,508,940 shares, respectively, from the assumed conversion of outstanding convertible debt (See Note G) as the effect of their inclusion is anti-dilutive.

9. Segment Information

For segment reporting purposes, the Company operated in only one industry segment during the periods represented in the accompanying financial statements and makes all operating decisions and allocates resources based on the best benefit to the Company as a whole.



10. Reclassifications

Certain reclassifications to prior year financial statements have been made to conform to current year presentation. These reclassifications had no effect on net loss for the periods presented.

11. New and Pending Accounting Pronouncements

The Company is of the opinion that any and all pending accounting pronouncements, either in the adoption phase or not yet required to be adopted, will not have a significant impact on the Company's financial position or results of operations.

**NOTE D - Property and Equipment**

Property and equipment consists of the following at September 30, 2010 and 2009, respectively:

	September 30. 2010	September 30. 2009	Estimated useful life
Recording and computer equipment	\$ 54,523	\$ 54,523	5 years
Furniture and fixtures	12,161	12,161	5 years
Automobile	30,253	30,253	5 years
	96,937	96,937	
Less: Accumulated depreciation	(61,636)	(43,845)	
Net property and equipment	\$ 35,301	\$ 53,092	

Depreciation expense for the years ended September 30, 2010 and 2009 was \$17,791 and \$16,221, respectively.

**NOTE E - Master Recordings Library**

In previous years, the Company acquired the rights to use the Vibe Records, Inc. trademark license, master recordings and its name. The Company purchased these rights by issuing stock to effect the initial capitalization of the privately-owned company, Vibe Records, Inc. The Consolidated Statement of Operations and Comprehensive Loss for the period March 8, 2004 (date of inception) through September 30, 2010 reflects a management provision for an impairment loss on the write-down of the "Master Recordings Library" of \$624,000, representing a 100% valuation allowance in regard to these assets.

**NOTE F - Notes and Loans Payable to Bank**

Notes and loans payable to bank consist of:

	September 30,	
	2010	2009
Wachovia Bank Division of Wells Fargo Bank "working capital" line of credit, under a "renewed" Promissory Note dated December 17, 2009 providing for advances up to \$750,000 (\$600,000 plus \$150,000 under a Line of Credit ("Line") pursuant to September 22, 2008 predecessor agreements to Robert S. McCoy Jr. (Company Director and 8% Stockholder) for which the Company is jointly obligated as borrower pursuant to a Security Agreement also dated December 17, 2009 in which deposit accounts and security investments of the Robert S. McCoy, Jr. Living Trust ("the Trust") serve as collateral for the bank, as well as an Unconditional Guaranty on that date by the Trust. The Promissory Note currently bears interest at LIBOR plus 4.7% (plus an additional 3% in the event of default); LIBOR plus 2.9% previously (plus 3% in the event of default). The Company's allocated share of principal due under the Line requires quarterly installments of \$37,500 commencing on March 27, 2010.	\$ 487,500	\$ 599,847
Wells Fargo Bank \$20,000 overdraft line of credit, interest at variable rate (25.99% and 11.24%, respectively), payable monthly and secured by the personal guaranty of Robert	15,632	17,929

McCoy

Wachovia Bank Division of Wells Fargo Bank automobile loan, principal and interest due in monthly installments of \$694 to March 2011, secured by the vehicle	<u>6,647</u>	<u>12,605</u>
Total	<u>\$ 509,779</u>	<u>\$ 630,381</u>

For the years ended September 30, 2010 and 2009, interest expense incurred on notes and loans payable to bank was \$25,216 and \$28,464, respectively. At September 30, 2010 and 2009, accrued interest payable on notes and loans payable to bank was \$ -0- and \$ -0-, respectively.

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**NOTE C – Unsecured Convertible Promissory and Other Notes Payable**

Convertible promissory and other notes payable consist of:

Unsecured subordinated convertible promissory notes issued by Holdings in 2003 and 2004 to 1 and 3 parties, respectively, interest at 10% (default interest at 18%), past due and in default, convertible into shares of common stock at a conversion price of \$1.25 per share (see Notes N and O)

\$ 25,000 \$ 80,000

Adjusted unsecured convertible promissory note dated May 30, 2008 due Donald Shaw, as an investor (which were assigned by James Price, the pre-merger entity's former Chief Executive Officer, pursuant to a Release Agreement dated February 1, 2010), interest at 5%, due August 28, 2008, convertible into shares of common stock at a conversion price of \$0.25 per share, past due and in default. The original convertible promissory note and related accrued interest arose out of Treasury Stock acquired coincident to the "reverse merger" transaction.

361,235 -

Promissory note due Donald Shaw, as an investor (which was assigned by James Price, the pre-merger entity's former Chief Executive Officer), interest at 10%, due on demand

25,000 -

Two unsecured convertible Promissory Notes due Asher Enterprises, Inc. as an investor, issued for proceeds obtained by the Company in a private placement offering, providing for interest at 8% (default rate of 22%), dated March 1, 2010 in the original amount of \$50,000 and due December 1, 2010 (for \$44,000 face value after conversion of \$6,000 to common stock in September 2010 – See Note K) and now past due and in default, and dated July 16, 2010 and due April 20, 2011 (for \$30,000 face value), convertible into shares of common stock at a Variable Conversion Price equal to Market Price, as defined, multiplied by 55% (for \$44,000 face value) and 45% (for \$30,000 face value), less unamortized debt discounts of \$35,542. Both Promissory Notes provide the holder with price protection as to the conversion ratio in the event of transactions in which there is a dilutive effect caused by merger, consolidation or asset distribution, or change in control of the Company.

38,458 -

Two unsecured convertible promissory notes due Paul Ferandell as an investor, issued for proceeds obtained by the Company in a private placement offering, providing for interest at 10%, dated October 28, 2009 and due April 30, 2010 (for \$40,000 face value) and dated December 1, 2009 and due May 1, 2010 (for \$30,000 face value), convertible into shares of common stock at conversion prices of \$0.07 per share (for \$40,000 face value) and \$0.03 per share (for \$30,000 face value) and past due and in default. The October 2009 promissory note provides the holder with price protection as to the conversion ratio in the event of transactions involving combinations, reverse mergers or otherwise.

70,000 -

Two unsecured convertible Promissory Notes due two other investors, issued for proceeds obtained by the Company in a private placement offering, providing for interest at 10% payable in kind, both dated December 20, 2009 and due June 20, 2010, convertible into shares of common stock at a conversion price of \$0.03 per share, now past due and in default. Both promissory notes provide the holder with price protection as to the conversion ratio in the event of transactions involving issue, sale or distribution of shares.

30,000 -

Convertible promissory note due Sean Kiernan as an investor, dated July 15, 2010 and due January 15, 2011, issued for proceeds obtained by the Company in a private placement offering, providing for interest at 10%, convertible into shares of common stock at a conversion price of \$0.03 per share, now past due and in default, less unamortized debt

6,324 -

Source: VIBE RECORDS INC. NEVADA 10-K January 11, 2012

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discounts of \$8.676. The promissory note provides the holder with price protection as to the conversion ratio in the event of transactions involving issue, sale or distribution of shares.

Unsecured convertible promissory notes due two investors derived from a promissory note assigned by the Company's then bookkeeping service on August 15, 2010. The original unsecured note dated August 1, 2009 and due February 1, 2010 provided for interest at 10%, convertible into shares of common stock at a conversion price of \$0.20 per share including accrued interest, now past due and in default. An aggregate of \$25,000 of face value was converted by the assignees on September 21, 2010 (See Note K).

75,000

Unsecured promissory notes due investors (3 and 3, respectively), issued for proceeds obtained principally in August 2009 by the Company in private placement offerings, providing for interest at 10%, now past due and in default

100,000

100,000

Total

\$ 731,017

\$ 180,000

On December 31, 2009 and March 31, 2010, two Holdings notes payable in the amounts of \$25,000 and \$30,000, respectively, became outstanding six years from their maturity dates without any action brought by either of the note holders. Accordingly, based on opinion of counsel that the statute of limitations should bar any payment on the notes, the Company recognized gains totaling \$91,359 from the write-off of these notes (\$55,000 total) and related accrued interest (\$36,359 total) in the statement of operations for the year ended September 30, 2010.

Five of the convertible notes issued in the year ended September 30, 2010 (with a total face value of \$125,000) contain a provision that the conversion price is to be reduced in the event that we are deemed to have sold or issued any shares of common stock for a consideration price per share less than the conversion price. Accordingly, in accordance with EITF Issue No. 07-05, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock", we charged the option value of these convertible notes at the respective dates of issuance (totaling \$347,184) to debt discounts (\$113,409), which are expensed over the terms of the respective notes to increase the carrying values to face values, and to "income (loss) from revaluation of derivative liability for convertible notes" (\$233,775) and credited \$347,184 to "derivative liability for convertible notes payable". Each quarter, the option value of these convertible notes is remeasured and changes are reflected within the "Statement of Operations" as "income (loss) from revaluation of derivative liability for convertible notes". Option values were calculated using the Black-Scholes option pricing model and the following assumptions: Stock prices ranging from \$0.024 to \$0.16 per share, strike prices ranging from \$0.0108 to \$0.044 per share; risk-free interest rates of 0.27%, minimum terms of one year, and expected volatility ranging from 317% to 346%.

Below is a reconciliation of the change in option values from December 20, 2009 to September 30, 2010:

	Common Shares Equivalent	Option Value
Issuances of unsecured convertible notes with EITF 07-05 provision:		
December 20, 2009	1,000,000	\$ 152,900
March 1, 2010	1,136,364	83,637
July 15, 2010	500,000	47,700
July 16, 2010	701,754	62,947
	<u>3,338,118</u>	<u>347,184</u>
Conversion of \$6,000 face value of Asher Enterprises Inc. unsecured \$50,000 convertible note into 540,541 shares of common stock on September 15, 2010 (See Note K concerning charge to operations of \$6,973 for excess of fair value of common stock recorded on beneficial conversion of this debt)	(136,364)	(10,036)
Revaluation credited to operations	<u>4,409,357</u>	<u>(167,881)</u>
Balance, September 30, 2010	<u>7,611,111</u>	<u>\$ 169,267</u>

Two other convertible notes issued in the year ended September 30, 2010 (with a total face value of \$70,000) had conversion prices less than the market price at the respective dates of issuance (as was the case for the above convertible notes with EITF 07-05 provisions). We recognized the intrinsic value of the embedded beneficial conversion features (limited to the face value less other discounts) in these notes totaling \$55,000 as debt discounts (which were expensed as "accretion" over the terms of the respective notes to increase the carrying value to the face value of the notes) and added \$55,000 to additional paid-in capital.

For the year ended September 30, 2010, accretion of debt discounts expense (relating to beneficial conversion features) charged in the "Statement of Operations" was \$130,370, which includes the \$55,000 described in the preceding paragraph.

For the year ended September 30, 2010 and 2009, interest expense incurred on unsecured convertible promissory and other notes payable was \$54,243 (including original issue discount of \$18,820) and \$9,138, respectively. At September 30, 2010 and 2009, accrued interest payable on unsecured convertible promissory and other notes payable was \$50,171 and \$51,108, respectively.

**NOTE H – Notes and Advances Payable to Related Parties**

Notes and advances payable to related parties consist of:

	September 30.	
	2010	2009
Due to Robert McCoy (Director and 8% Stockholder of the Company), informally agreed interest at 10% (including accruing interest at 10% on unpaid accrued interest), due on demand, secured in part by common stock owned by Timothy Olphie (Chief Executive Officer, Director and 26% Stockholder of the Company) whom is the designated escrow agent for shares	\$ 1,189,118	\$ 907,703
Due to Michael Tyler (Director and 5% Stockholder of the Company), interest at 10%, due on demand, secured in part by common stock owned by Timothy Olphie whom is the designated escrow agent for the shares	356,200	338,700
Due to James Price (former Chief Executive Officer of the pre-merger entity), interest at 5%, due August 28, 2008 (assigned to Donald Shaw as an investor pursuant to a Release Agreement dated February 1, 2010 - See Note G)	-	361,235
Due to James Price (former Chief Executive Officer of the pre-merger entity), interest at 10%, due on demand (assigned to Donald Shaw as an investor pursuant to a Release Agreement dated February 1, 2010 - See Note G)	-	25,000
Due to Timothy Olphie (Chief Executive Officer, Director and 26% stockholder of the Company), non-interest bearing and due on demand)	63,285	38,939
Due to Profit Planners Inc. (former external financial advisor/contract internal accounting services provider of the Company until March 31 2010), non-interest bearing and due on demand – arising out of performance of those services (See Note K)	-	15,000
<b>Total</b>	<b>\$ 1,608,603</b>	<b>\$ 1,686,577</b>

For the year ended September 30, 2010 and 2009, interest expense incurred on notes and advances payable to related parties was \$228,046 and \$201,309, respectively. At September 30, 2010 and 2009, accrued interest payable relating to notes and advances payable to related parties was \$945,988 and \$717,943, respectively.

On December 31, 2008 and March 31, 2009, Mr. McCoy agreed to the Company assigning receivables from an affiliated entity Off the Hook Records, Inc. totaling \$207,199 solely to him for advances made to this affiliate by the Company. Of the \$207,199 total, \$8,066 arose in year ended September 30, 2005, \$47,366 arose in year ended September 30, 2006, \$42,911 arose in year ended September 30, 2007, \$84,366 arose in year ended September 30, 2008 and \$24,490 arose in the six months ended March 31, 2009. As a result of this assignment, the Company's loan payable to Mr. McCoy was reduced by \$207,199 during the year ended September 30, 2009 and responsibility for collection of those receivables was transferred from the Company to him personally. Off the Hook Records, Inc. was jointly owned by Mr. McCoy and Mr. Olphie.

**NOTE I – Income Taxes**

The components of income tax (benefit) expense for each of the years ended September 30, 2010 and 2009, respectively, are as follows:

	Year ended September 30. 2010	Year ended September 30. 2009
Federal:		
Current	\$ -	\$ -
Deferred	-	-
Total Federal	-	-
State:		
Current	-	-
Deferred	-	-
Total State	-	-
Total	\$ -	\$ -

The Company files its income tax returns on a calendar year basis and has a cumulative net operating loss carry forward of approximately \$4,000,000 as of September 30, 2010 to offset future taxable income. Subject to current regulations, components of this cumulative carry forward will begin to expire at the end of each fiscal year starting in 2024. The amount and availability of the net operating loss carryforwards may be subject to limitations set forth by the Internal Revenue Code. Factors such as the number of shares ultimately issued within a three year look-back period; whether there is a deemed more than 50 percent change in control; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of the carryforwards.

The Company's income tax expense (benefit) for the years ended September 30, 2010 and 2009, respectively, differed from the statutory federal rate of 34 percent as follows:

	Year Ended September 30, 2010	Year Ended September 30, 2009
Statutory rate applied to loss before income taxes	\$ (430,000)	\$ (543,000)
Increase (decrease) in income taxes resulting from:		
Nondeductible stock-based compensation	204,000	284,000
Nondeductible accretion of debt discounts expense	44,000	-
Nondeductible loss from revaluation of derivative liability for convertible notes	19,000	-
Other, including reserve for deferred tax asset	163,000	259,000
Income tax expense	\$ -	\$ -

Temporary differences due to statutory requirements in the recognition of assets and liabilities for tax and financial reporting purposes, generally include such items as organizational costs, accumulated depreciation and amortization, allowance for doubtful accounts, organizational and start-up costs and vacation accruals. These differences give rise to the financial statement carrying amounts and tax bases of assets and liabilities causing either deferred tax assets or liabilities, as necessary, as of September 30, 2010 and 2009, respectively:

	September 30, 2010	September 30, 2009
Deferred tax assets		
Net operating carryforwards	\$ 1,360,000	\$ 1,197,000
Less valuation allowance	(1,360,000)	(1,197,000)
Net Deferred Tax Asset	\$ -	\$ -

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During the years ended September 30, 2010 and 2009, respectively, the valuation allowance for the deferred tax asset increased by approximately \$163,000 and \$259,000.

#### **NOTE J - Preferred Stock**

On January 19, 2009, our Board of Directors approved the issuance of up to 50,000,000 shares of \$0.001 par value Preferred Stock and authorized the issuance of two separate series.

On or about January 23, 2009, we filed a Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock (the "Series A Preferred Stock") and a Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock ("the Series B Preferred Stock") (together the "Certificates of Designation") with the Secretary of State of Nevada. Pursuant to the Certificates of Designation, we authorized 200,000 shares of our preferred stock to be designated the Series A Preferred Stock and 200,000 shares of our preferred stock to be designated the Series B Preferred Stock.

##### Series A Preferred Stock

The holders of the Series A Preferred Stock may, in their sole discretion, convert each share of Series A Preferred Stock into 4,000 shares of our common stock at any time following the date of issuance of the Series A Preferred Stock. Adjustments in the conversion ratio will be made in the event of a stock dividend, stock split, reclassification, reorganization, consolidation or merger in a manner which will provide the preferred holders, upon full conversion into common stock, with the same percentage ownership of the Company that existed immediately prior to such action. The Series A Preferred Stock has the same voting rights as our common stock, on an as-converted basis, with the Series A preferred holders having one vote for each share of common stock into which their Series A Preferred Stock is convertible. The holders of the Series A preferred stock have a liquidation preference over our common stock of up to \$100 per Series A share held. The Company will not pay a dividend on the shares of Series A Preferred Stock.

As of December 30, 2011, there were no shares of the Series A Preferred Stock issued and outstanding.

##### Series B Preferred Stock

The holders of the Series B Preferred Stock may, in their discretion, convert each share of Series B Preferred stock into 4,000 shares of our common stock at any time following the date of issuance of the Series B Preferred Stock. Adjustments in the conversion ratio will be made in the event of a stock dividend, stock split, reclassification, reorganization, consolidation or merger in a manner which will provide the preferred holders, upon full conversion into common stock, with the same percentage ownership of the Company that existed immediately prior to such action. The Series B Preferred Stock does not have voting rights on matters presented to our common stockholders for a vote. The Series B Preferred Stock has a liquidation preference over our common stock of up to \$100 per Series B share held and has an equal liquidation right with any shares of our Series A Preferred Stock then outstanding. We will not pay a dividend on the shares of Series B Preferred Stock.

As of December 30, 2011, there were no shares of the Series B Preferred Stock issued and outstanding.

#### **NOTE K - Common Stock Transactions**

Effective September 30, 2007, in anticipation of a "reverse merger" transaction with a publicly traded entity, two directors of Vibe Records, Inc. agreed to exchange nonconvertible debt totaling \$1,600,000 (Robert McCoy - \$1,000,000; Michael Tyler - \$600,000) into a total of 1,280,000 shares of common stock (Robert McCoy - 800,000 shares; Michael Tyler - 480,000 shares).

On May 30, 2008, in connection with the Vibe-Benaquista merger, 100% of the outstanding shares of Vibe Records, Inc. were exchanged for 13,489,201 shares of Benaquista common stock, increasing the issued and outstanding shares of Benaquista common stock from 1,075,066 shares to 14,564,267 shares.

Also on May 30, 2008, the Company agreed to purchase 396,910 shares of its common stock from James Price for a price of \$725,000. These shares were not delivered to the Company.

On September 8, 2008, the Company issued a total of 730,000 shares of common stock, 330,000 shares to its three directors, 250,000 shares to three consultants and 150,000 shares to an attorney. The Company reported the \$109,500 total fair value of the common stock as Officers and Directors Compensation (\$49,500) and Professional and Consulting Fees (\$60,000).

In January and February 2009, the Company issued 4,000,000 shares to nine assignees of a note payable to Profit Planners Inc. (former external financial advisor/contract internal accounting services provider of the Company until March 31, 2010), non-interest bearing and due on demand – arising out of performance of those services in settlement of \$40,000 out of a \$45,000 note payable. In June and July 2009, the Company issued an additional 1,000,000 shares of its common stock to two assignees to settle the remaining \$5,000 of the \$45,000 note payable. The Company reported the \$580,000 excess of the fair value, based on the publicly traded stock price) of the common stock issued (\$625,000 total at the respective dates of issuance) over the amount of debt settled (\$45,000) as "Professional and Consulting Fees."

In June 2009, the Company issued a total of 645,000 shares of common stock, 295,000 shares to its three directors and 350,000 shares to four consultants for services, which included 120,000 shares to Profit Planners, Inc. and 100,000 shares (fair value of \$40,000) to the former consultant who brought an action against the Company on August 25, 2009 (see Note L). The Company reported the \$230,750 total fair value of the common stock at the respective dates of issuance as "Officers and Directors Compensation" (\$103,250) and "Professional and Consulting Fees" (\$127,500, including \$42,000 to Profit Planners, Inc.).

In June 2009, the Company cancelled 135,000 shares of common stock which was returned by the entity that provided bookkeeping services to the Company. The \$60,750 fair value was reported as a reduction of Professional and Consulting Fees (based on the publicly traded share price of Company common stock).

On July 21, 2009, the Company issued a total of 430,000 shares of common stock, 200,000 shares to an attorney and a total of 230,000 shares to four consultants for services. The Company reported the \$86,000 total fair value of the common stock as Professional and Consulting Fees (based on the publicly traded share price of Company common stock).

On November 23, 2009, the Company issued a total of 860,000 shares of common stock, 310,000 shares to the Company Chief Executive Officer (See Note M under Employment Agreement"), 100,000 shares to an attorney, and 450,000 shares to two consultants for services of which 300,000 shares were issued to Profit Planners, Inc. The Company reported the \$172,000 total fair value of the common stock (based on the publicly traded share price) as Officers and Directors Compensation (\$62,000) and Professional and Consulting Fees (\$110,000, including \$60,000 to Profit Planners).

On January 12, 2010, the Company issued 571,430 shares of common stock to Paul Ferandell in settlement of a \$15,000 note payable. The Company reported the \$19,286 excess of the fair value of the common stock issued (\$34,286) over the amount of debt settled (\$15,000) within "Other Expenses" (based on the publicly traded share price of Company common stock).

On February 10, 2010, the Company cancelled a total of 1,200,000 shares of common stock which were returned by three assignees of Profit Planners, Inc. The \$73,800 fair value was reported as a reduction of Professional and Consulting Fees.

On February 16, 2010, the Company issued 2,027,500 shares of common stock to Profit Planners, Inc. as additional compensation for services provided to the Company by it. The Company reported the \$121,650 fair value of the common stock as Professional and Consulting Fees (based on the publicly traded share price of Company common stock).

On July 8, 2010, the Company issued 1,000,000 shares of common stock to an entity associated with an entity that formerly provided bookkeeping services to the Company. The Company reported the \$79,500 fair value of the common stock as Professional and Consulting Fees (based on the publicly traded share price of Company common stock).

On August 12, 2010, the Company issued 750,000 shares of common stock to Dutchess Opportunity Fund II, LP pursuant to the Investment Agreement discussed in Note M and reported the \$37,500 fair value of the common stock as Finance Fees within Other Expenses (based on the publicly traded share price of Company common stock).

On August 13, 2010, the Company issued a total of 1,806,966 shares of common stock, 1,656,966 shares to the five partners of a firm currently providing bookkeeping services to the Company and 150,000 shares to a consultant for services. The Company reported the \$90,348 total fair value of the common stock as Professional and Consulting Fees (based on the publicly traded share price of Company common stock).

On September 15, 2010, the Company issued 540,541 shares to Asher Enterprises, Inc. in settlement of \$6,000 of a \$50,000 convertible promissory note. The Company reported the \$6,973 excess of the fair value of the common stock issued (\$12,973) over the amount of debt settled (\$6,000) within Other Expenses (based on the publicly traded share price of Company common stock).

On September 21, 2010, the Company issued a total of 2,500,000 shares of common stock to two assignees of a note payable to a firm currently providing bookkeeping services to the Company in settlement of \$25,000 of the \$100,000 note. The Company reported the \$37,500 excess of the fair value of the common stock issued (\$62,500) over the amount of debt settled (\$25,000) as Professional and Consulting Fees (based on the publicly traded share price of Company common stock).

On September 23, 2010, the Company issued 3,333,333 shares of common stock to the Company's Chief Executive Officer for services (See Note M under "Employment Agreement") and reported the \$83,333 fair value of the common stock as Officers and Directors Compensation (based on the publicly traded share price of Company common stock).

#### **NOTE L - Legal Proceedings**

On August 25, 2009, a former consultant filed an action against the Company. The action, which alleges that the Company failed to pay certain fees and failed to timely deliver certain securities due the former consultant, seeks \$900,000 plus attorneys fees and costs. On or about January 15, 2010, the Company filed an answer and counterclaim. While the outcome of this proceeding cannot be predicted at this time, the Company believes that it has meritorious defenses to the action and that the final outcome will not have a material adverse effect on the Company's financial condition.

On September 2, 2009, the former consultant referred to in the preceding paragraph filed another action naming the Company as a nominal defendant, together with the Company's three directors and one former director. The action, which sought relief of \$282,709 plus attorneys fees and costs, was dismissed by a stipulation of discontinuance with prejudice filed on or about December 1, 2010.

#### **NOTE M - Commitments and Contingencies**

##### Leases

During the years ended September 30, 2010 and 2009, the Company had two locations from which it operated. The first location was subject to a lease which commenced August 1, 2008 and expired July 31, 2011 at a monthly rental of \$3,500 plus taxes, utilities and other expenses. These premises, located in Westbury, New York were occupied by the Company until the July 31, 2011 lease expiration date, and the Company currently has no remaining unpaid rent due under the lease, nor has it incurred any costs associated with exiting the leased premises. The second location, located in Oyster Bay, New York, was subject to a lease which commenced October 1, 2008, expired September 30, 2009 and was continued on a month to month basis to June 2010 at a monthly rental of \$3,500 plus utilities.



Rent expense (included in "Research and Artist Development Costs" in the "Statement of Operations") for the years ended September 30, 2010 and 2009 was \$70,980 and \$97,148, respectively.

#### Employment Agreement

On January 16, 2009, we entered into an employment agreement with Mr. Timothy Olphie (the "Olphie Employment Agreement") that has an initial term of three (3) years. Under the Olphie Employment Agreement, Mr. Olphie will continue to serve as our CEO, President and a member of our Board of Directors. Mr. Olphie will receive a base salary of \$75,000 per year, and will be entitled to an annual discretionary bonus. The amount of Mr. Olphie's bonus will be determined by our Board of Directors, and will be based upon the achievement of certain milestones as determined by the Board of Directors. As additional consideration for past services, the Company granted Mr. Olphie the irrevocable right to be issued, upon 61 days written notice, a total of 7,500 shares of Series A Preferred Stock of the Company (which are convertible into a total of 30,000,000 shares of common stock of the Company). The power to direct the issuance of such series of Series A Preferred Stock shall be at Mr. Olphie's sole discretion, subject to the 61 day waiting period.

On August 2, 2010, we entered into a First Amendment to Employment Agreement with Mr. Olphie which increased his base salary from \$75,000 to \$125,000.

During the year ended September 30, 2010, Officers' and Directors Compensation includes \$83,333 incurred to Mr. Olphie under the original employment agreement, and its amendment in August 2010, of which \$83,333 arose out of common stock issued in payment of accrued base salary of \$72,728. At September 30, 2010, Accounts Payable and Accrued Expenses include \$0 representing base compensation still owing under the agreements to Mr. Olphie.

During the year ended September 30, 2009, Officers' and Directors Compensation includes \$56,250 incurred to Mr. Olphie under the original employment agreement, of which \$66,000 arose out of common stock issued in payment of accrued base salary of \$56,250. At September 30, 2009, Accounts Payable and Accrued Expenses include \$32,312 representing base compensation still owing under the original agreement to Mr. Olphie.

Officers' and Directors' Compensation for the year ended September 30, 2009 includes \$38,000 incurred to other Officers/Directors consisting of Company common stock issuances (See Note K above).

#### Investment Agreement

On September 24, 2010, we entered into an Investment Agreement with Dutchess Opportunity Fund, II, LP (the "Investor"). Pursuant to this Agreement, the Investor shall commit to purchase up to \$5,000,000 of our common stock over the course of thirty-six (36) months. The amount that we shall be entitled to request from each purchase ("Puts") shall be equal to, at our election, either (i) up to \$100,000 or (ii) 200% of the average daily volume (U.S. market only) of the common stock for the three (3) trading days prior to the applicable Put Notice Date, multiplied by the average of the three (3) daily closing prices immediately preceding the Put Date. The Put Notice Date shall be the Trading Day immediately following the day on which the Investor receives a Put Notice. The purchase price shall be set at 94% of the lowest daily volume weighted average price ("VWAP") of the common stock during the Pricing Period. The Pricing Period shall be the five (5) consecutive trading days beginning on the Put Notice Date. We are not entitled to submit a Put Notice until the Pricing Period for the prior Put has been completed. The Investor is not obligated to purchase any shares at a Closing unless a Registration Statement has been declared effective and remains effective and available for the resale of all the Registrable Securities.

In connection with the Agreement, we entered into a Registration Rights Agreement with the Investor ("Registration Agreement"). Pursuant to the Registration Agreement, we were obligated to file a Registration Statement with the Securities and Exchange Commission ("SEC") covering 7,260,000 shares of the common stock underlying the Investment Agreement within 21 days of the date of the Agreement. In addition, we are obligated to use all commercially reasonable efforts to have the Registration Statement declared effective by the SEC within 90 days after the date that the Registration Statement is filed.

To date, the Company has not filed a Registration Statement and thus has not exercised any Puts under this agreement. While the Registration Statement was neither filed within 21 days or declared effective within 90 days, the Registration Agreement provides for no penalties for such failures. The Investment Agreement with the Investor expires on September 24, 2013.

#### Note N – Restatement of Previously Issued Financial Information

The Company has restated in this Form 10-K its consolidated financial statements at September 30, 2009 and for the year then ended (which was previously included in the Company's Form 10-K filed with the SEC on January 13, 2010) in order to correct errors relating to the accounting for (1) certain issuances of common stock in the years ended September 30, 2008 and 2009, (2) certain personal expenses of the Company's chief executive officer in the year ended September 30, 2009, and (2) the recorded reduction of certain notes payable and accrued interest payable at September 30, 2009.

As previously reported, the Company did not report the September 8, 2008 issuance of a total of 730,000 shares (see Note K). The restatement reflects this issuance.

As previously reported, the Company reported total issuances of 6,685,000 shares of common stock for the year ended September 30, 2009. The restatement reflects the correct total issuances of 6,075,000 shares of common stock.

As previously reported, the Company reported the issuance of 5,000,000 shares of common stock for the retirement of \$45,000 in debt in the year ended September 30, 2009 at the \$45,000 debt amount. The restatement reflects the transaction at the \$625,000 fair value of the 5,000,000 shares of common stock and recognizes the \$580,000 excess of fair value of common stock issued over the amount of debt retired as Professional and Consulting Fees in the Statement of Operations for the year ended September 30, 2009 because the debt arose, as discussed in Note K, out of then currently provided external financial advisor/contract internal accounting services by Profit Planners, Inc.

As previously reported, the Company reported the issuance of an aggregate of 1,655,000 shares of common stock (Officers and Directors – 695,000 shares; Lawyers and Consultants – 960,000 shares) valued at \$484,550 in the financial statements for the year ended September 30, 2009 (Officers and Directors - \$181,400; Lawyers and Consultants – \$303,150). The restatement reflects an aggregate of only 940,000 shares of common stock issued (Officers and Directors - 295,000; Lawyers and Consultants – 645,000 shares) valued at \$256,000 in the financial statements for the year ended September 30, 2009 (Officers and Directors - \$103,250; Lawyers and Consultants - \$152,750).

As a result of the stock issuance corrections described in the preceding two paragraphs, the Company's Net Loss for the year ended September 30, 2009 increased by \$351,449 as follows:

Officers and Directors Compensation	\$ (78,150)
Professional and Consulting Fees	429,599
Net increase in net loss	<u>\$ 351,449</u>

As previously reported, the Company included in Other General and Administrative Expenses in the Statement of Operations for the year ended September 30, 2009 a total of \$23,438 in personal expenses of the Company's chief executive officer paid by the Company. The restatement reflects these expenses as a reduction of the accrued compensation liability to Timothy Olphie at September 30, 2009.

As previously reported, the Company recorded at September 30, 2009 the reduction of Holdings notes payable totaling \$210,000 and accrued interest payable totaling \$131,792 as a \$341,792 capital contribution by the Company's chief executive officer relating to the purported acceptance by 6 Holdings note holders of common stock owned by the Company's chief executive officer in satisfaction of the debt and accrued interest payable. In fact, 3 of the 6 note holders (\$130,000 total) had effectively received common stock from the Company in satisfaction of their notes in the period ended September 30, 2004 and the other 3 note holders (\$80,000 total) did not receive any common stock from the Company. The restatement reflects the reversal of the recorded transaction, a \$130,000 increase in additional paid-in capital in the year ended September 30, 2004, and reductions to interest expense for all periods.

The effect of the restatement adjustments on the consolidated balance sheet at September 30, 2009 follows:

	As Previously Reported	Adjustments	As restated
Total Assets	\$ 76,901	-	\$ 76,901
Current Liabilities			
Notes and loans payable to bank	\$ 630,381	\$ -	\$ 630,381
Unsecured convertible promissory notes and other notes payable	100,000	80,000	180,000
Accounts payable and other accrued liabilities	368,970	(23,939)	345,031
Accrued interest payable	719,081	49,970	769,051
Notes and advances payable to related parties	1,686,077	500	1,686,577
Total current liabilities and total liabilities	3,504,509	106,531	3,611,040
Stockholders' Deficit			
Preferred Stock	-	-	-
Common Stock	2,125	19,109	21,234
Additional Paid-In Capital	2,998,921	(504,819)	2,494,102
Deficit Accumulated during the Development Stage	(5,693,787)	(355,688)	(6,049,475)
	(2,692,741)	(841,398)	(3,534,139)
Less: Treasury Stock	(734,867)	734,867	-
Total Stockholders' Deficit	(3,427,608)	(106,531)	(3,534,139)
Total Liabilities and Stockholders' Deficit	\$ 76,901	\$ -	\$ 76,901

The effect of the restatement adjustments on the consolidated statement of operations for the year ended September 30, 2009 follows:

	As Previously Reported	Adjustments	As Restated
Revenues	\$ -	\$ -	\$ -
Operating Expenses:			
Research and Artist Development	192,818	(11,030)	181,788
Officers and Directors Compensation	192,850	(78,150)	114,700
Professional and Consulting Fees	524,059	429,599	953,658
Other General and Administrative Expenses	121,651	(12,408)	109,243
Total Operating Expenses	1,031,378	328,011	1,359,389
Loss from Operations	(1,031,378)	(328,011)	(1,359,389)

Other (Expense):

Interest Expense	<u>(251,911)</u>	<u>13,000</u>	<u>(238,911)</u>
Total Other Expenses	<u>(251,911)</u>	<u>13,000</u>	<u>(238,911)</u>
Loss before Provision for Income Taxes	<u>(1,283,289)</u>	<u>(315,011)</u>	<u>(1,598,300)</u>
Provision for Income Taxes	<u>-</u>	<u>-</u>	<u>-</u>
Net Loss	<u>\$ (1,283,289)</u>	<u>\$ (315,011)</u>	<u>\$ (1,598,300)</u>
Loss per weighted-average share of common stock outstanding, basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>

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**NOTE O - Subsequent Events**

On November 5, 2010, the Company received \$20,000 cash from Asher Enterprises, Inc. as an investor in exchange for a \$20,000 unsecured convertible promissory note. The note bears interest at 8% (default rate of 22%), was due August 8, 2011, and is convertible into shares of common stock at a Variable Conversion Price equal to Market Price, as defined, multiplied by 45%.

On December 29, 2011, the Company entered into an Agreement to Clarify Previously Executed Conflicting Agreements between the Company and Donald D. Shaw ("Shaw"), whereby an Amendment to Debenture Agreement, dated March 17, 2011, between these parties reset the conversion price into common stock of the \$361,235 promissory note payable by the Company held by Shaw was re-affirmed as "equal to the closing price of the common stock on the date of conversion." This promissory note is described in Notes G and H, and it had been assigned by James Price ("Price") pursuant to a Release Agreement dated February 1, 2010 and a Debt Assignment dated February 5, 2010 signed by Price. The clarifying agreement, which was approved by the Company's Board of Directors, also affirmed that Mr. Shaw had rescinded a Notice of Conversion, dated April 7, 2011, for a portion of the note into common stock of the Company.

On March 31, 2011, a Holdings note payable in the amount of \$25,000 became outstanding six years from its March 31, 2005 maturity date without any action brought by the note holder. Accordingly, based on opinion of counsel that the statute of limitations should bar any payment on the note, the Company will recognize a \$44,485 gain from the write-off of this note (\$25,000) and related accrued interest (\$19,485) in the statement of operations for the three months ended March 31, 2011.

On June 4, 2011, the Company sold certain recording and computer equipment to a third party for a total of \$20,000. In the three months ended June 30, 2011, the Company expects to report a gain of \$811 from this sale, as follows:

Sales proceeds	<u>\$ 20,000</u>
Cost of equipment sold	34,000
Accumulated depreciation at June 4, 2011	<u>(14,811)</u>
Net book value of equipment at June 4, 2011	19,189
Gain on sale	<u>\$ 811</u>

On December 29, 2011, the Company entered into an Agreement to Clarify Previously Executed Conflicting Agreements between the Company and DC Consulting International, LLC ("DC"), whereby a Purchase and Assignment Agreement, dated July 15, 2011, between Shaw and DC, and acknowledged by the Company, for which DC paid Shaw \$25,000, these parties reset the conversion price into common stock for the \$361,235 promissory note payable by the Company and now held by DC, was re-affirmed as "equal to the closing price of common stock on the date of conversion." The clarifying agreement, which was approved by the Company's Board of Directors, also affirmed that DC had rescinded a Notice of Conversion, dated September 5, 2011, for a portion of the note into common stock of the Company. To date, DC has not converted any portion of the \$361,235 promissory note. Based on the \$0.0015 closing trading price of the Company's common stock on November 30, 2011, the pro forma number of common shares issuable to DC had it converted the entire \$361,235 promissory note on November 30, 2011 would be 240,823.333 shares. DC has agreed at no time to exercise conversion of a portion of the debt for a number of shares of the Company's common stock which when added to the number of shares it owns will exceed 5% or more of the issued and outstanding shares disclosed on the cover page of the Company's most recent 10K or 10Q Form, whichever is more recent.

On September 14, 2011, the Company executed a Business and Marketing Consulting Agreement (the "Consulting Agreement") with DC. The Consulting Agreement provides for DC to perform certain specified "public relations" oriented functions for the Company for compensation payable in cash or freely tradable Company common stock of \$10,000 per month, with the first payment due October 1, 2011. If the Company elects to compensate Consultant in common stock, the stock is due each month based upon the previous ten day average closing bid price. 2,500,000 freely tradable common shares were due to be issued on signing of this agreement. The term of the agreement is one year commencing September 14, 2011 and is automatically renewed for 6 month terms unless sooner terminated in writing by us no later than 30 days prior to the expiration of the initial term of any renewal period. Under the agreement, the Company has the right to terminate this agreement with 30 days written notice. The Agreement includes an underlying 3% interest bearing convertible promissory note in the amount of \$120,000, with conversion at the lower of (a) the trading price on the date of conversion less 50% or (b) \$0.0001 per share. The promissory note also contains holder "price protection" provisions in the event of stock splits, dividends, Company mergers and other transactions affecting Company common stock outstanding. To date, the Company has not paid any money to DC nor has it delivered any shares to DC. As the Company's transfer agent has frozen our privileges due to nonpayment, the agreement has effectively been postponed to such time as we can issue freely tradable common stock.

In the year ended September 30, 2011, our director Robert McCoy made additional advances (see Note H) to the Company totaling \$357,609. Of the \$357,609, \$171,559 was used to pay principal (\$150,000) and interest (\$21,559) on the Wells Fargo Bank working capital line of credit (see Note F).

On October 1, 2011, the Company issued a Convertible Promissory Note to DC in the amount of \$5,000 in exchange for a \$5,000 cash loan. The Note bears interest at 10%, is due April 1, 2012, and is convertible at DC's option into Company common stock at a conversion price equal to the closing bid price on the date DC gives the Company notice of its conversion.

On October 5, 2011, our subsidiary Vibe Records, Inc. (New York) executed a lease agreement to rent premises located in East Moriches, New York at a monthly rental of \$2,400 plus utilities and other expenses for a term expiring September 30, 2012.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf on January 11, 2012 by the undersigned, thereunto authorized.

**VIBE RECORDS, INC. NEVADA**

By: /s/ Timothy J. Olphie  
Timothy J. Olphie  
Chief Executive Officer, President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities on the date(s) indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Timothy J. Olphie</u>	Chief Executive Officer, President, Chairman of the Board, Director, Secretary and Chief Financial Officer	January 11, 2012
<u>/s/ Michael L. Tyler</u>	Director	January 11, 2012
<u>/s/ Robert S. McCoy, Jr.</u>	Director	January 11, 2012

**CERTIFICATE**  
**PURSUANT TO 15 U.S.C. 78m(a) OR 78o(d)**  
**(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Timothy J. Olphie, certify that:

(1) I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2010 of Vibe Records, Inc. Nevada;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

/s/ Timothy J. Olphie

Timothy J. Olphie  
Principal Executive Officer and Principal Financial Officer  
January 11, 2012



**CERTIFICATE**  
**PURSUANT TO 15 U.S.C. 78m(a) OR 78o(d)**  
**(SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Timothy J. Olphie, certify that:

(1) I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2010 of Vibe Records, Inc. Nevada;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

(4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

(5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

/s/ Timothy J. Olphie

Timothy J. Olphie

Principal Executive Officer and Principal Financial Officer

January 11, 2012

**CERTIFICATE**  
**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

I, Timothy J. Olphie, Chief Executive Officer of Vibe Records, Inc. Nevada (the "Company"), have executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010 (the "Report"). The undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy J. Olphie

Timothy J. Olphie  
Principal Executive Officer and Principal Financial  
Officer  
January 11, 2012

## CERTIFICATE

## PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

I, Timothy J. Olphie, Chief Executive Officer of Vibe Records, Inc. Nevada (the "Company"), have executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010 (the "Report"). The undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy J. Olphie

Timothy J. Olphie  
Principal Executive Officer and Principal Financial  
Officer  
January 11, 2012

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**FORM 8-K**

**VIBE RECORDS, INC. NEVADA - VBRE**

**Filed: January 11, 2011 (period: January 05, 2011)**

Report of unscheduled material events or corporate changes.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20543

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report: January 5th, 2011

Vibe Records, Inc. Nevada  
(Exact name of registrant as specified in its charter)

Nevada (State of incorporation)	000-51107 (Commission File Number)	71-0928242 (IRS Employer ID Number)
824 Old Country Road, PO Box 8, Westbury NY (Address of principal executive offices)		11590 (Zip Code)
	(516) 333-2400 (Registrant's telephone number)	

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4c under the Exchange Act (17 CFR 240.13e-4c)

SECTION 4 - MATTERS RELATED TO ACCOUNTANTS AND FINANCIAL STATEMENTS

SECTION 4.01 - CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

DISMISSAL OF INDEPENDENT ACCOUNTANT.

Effective December 30th, 2010, we have dismissed Scott W. Hatfield, CPA as our auditor for our 2010 fiscal year. Mr. Hatfield audited our financial statements for the 2009 fiscal year. Mr. Hatfield's opinion on our financial statements for our 2008 and 2009 fiscal years were qualified as to our ability to remain a going concern. Mr. Hatfield's dismissal was approved by the board of directors. During the two most recent fiscal years and the subsequent interim period preceding Mr. Hatfield's dismissal, there were no disagreements between Mr. Hatfield and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Notwithstanding the absence of disagreement, Mr. Hatfield advised us during the specified period of the following:

That information has come to his attention that he has concluded could potentially materially impacts the fairness or reliability of either (i) a previously issued audit report or the underlying financial statements, or (ii) the financial statements issued or to be issued covering the fiscal period(s) subsequent to the date of the most recent audited financial statements (including information that, unless resolved to his satisfaction, would prevent him from rendering an unqualified audit report on those financial statements).

We have provided a copy of the draft of this Current Report on Form S-K to Mr. Hatfield and requested him to furnish to us a letter addressed to the Commission stating whether he agrees with the statements made in this report and, if not, stating the respects in which he does not agree.

ENGAGEMENT OF INDEPENDENT ACCOUNTANT.

Effective December 30th, 2010, we have engaged M&K CPAS, PLLC of Houston, Texas, as our independent auditors. We have not consulted with M&K, at any time prior to the date of engagement, (i) application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) and the related instructions to this item) or a reportable event as described in item 304(a)(1)(v) of Regulation S-K.

SECTION 3.01 - FINANCIAL STATEMENT AND EXHIBITS.

(c) Exhibits

The following Exhibits are hereby filed as part of this Current Report on Form S-K:

<u>Exhibit</u>	<u>Description</u>
16.1	Letter from Scott W. Hatfield, CPA

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

VIBE RECORDS, INC. NEVADA

Date: January 5th, 2011

By: /s/ Timothy J. Olphie

-----  
Timothy J. Olphie  
Chief Executive Officer,  
Chief Financial Officer and Director

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EXHIBIT NO. 16.1  
Vibe Records, Inc. Nevada  
File No.: 0-51107  
Form 8-K

LETTERHEAD OF S. W. HATFIELD, CPA

January 3, 2011

U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20543

Gentlemen:

On January 3, 2011, this Firm received the final draft copy of a Current Report on Form 8-K to be filed by Vibe Records, Inc. Nevada (SEC File #0-51107, CIK # 1222792) (Company) reporting an Item 4.01 - Change in Registrant's Certifying Accountant.

We have no disagreements with the statements made in the draft Form 8-K, Item 4.01 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

-----  
S. W. Hatfield, CPA Dallas, Texas

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**FORM 8-K**

**VIBE RECORDS, INC. NEVADA - VBRE**

**Filed: January 26, 2011 (period: January 20, 2011)**

**Report of unscheduled material events or corporate changes.**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report: January 26, 2011

Vibe Records, Inc. Nevada  
(Exact name of registrant as specified in its charter)

Nevada (State of Incorporation)	000-51187 (Commission File Number)	71-0928342 (IRS Employer ID Number)
224 Old Country Road, PO Box 6, Westbury NY (Address of principal executive offices)		11576 (Zip Code)
* (516) 333-2400 (Registrant's telephone number)		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4c under the Exchange Act (17 CFR 240.13e-4c)

SECTION 4 - MATTERS RELATED TO ACCOUNTANTS AND FINANCIAL STATEMENTS

SECTION 4.01. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

DISMISSAL OF INDEPENDENT ACCOUNTANT.

Effective January 20, 2011, M&K CPAS, PLLC of Houston, Texas, resigned as our independent auditors for our 2010 fiscal year. M&K CPAS, PLLC did not audit our financial statements for the 2009 fiscal year or any fiscal year prior to 2009. To the knowledge of our management, there were no disagreements between M&K CPAS, PLLC and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

During the period of M&K CPAS, PLLC engagement (approximately December 29, 2010 to January 20, 2011) that firm did not advise us of any of the following:

(A) that our internal controls necessary for us to develop reliable financial statements do not exist;

(B) that information has come to that firm's attention that has led it to no longer be able to rely on our management's representations, or that has made it unwilling to be associated with the financial statements prepared by our management;

(C) That it needed to expand significantly the scope of its audit, or that information has come to its attention, that if further investigated may cause it to be unwilling to rely on our management's representations or be associated with the registrant's financial statements,

We have provided a copy of the draft of this Current Report on Form 8-K to M&K CPAS, PLLC and requested that firm to furnish to us a letter addressed to the Commission stating whether it agrees with the statements made in this report and, if not, stating the respects in which it does not agree.

ENGAGEMENT OF INDEPENDENT ACCOUNTANT.

Effective January 21, 2011, we have engaged Michael T. Studer CPA P.C. We have not consulted with Michael T. Studer CPA P.C., at any time prior to the date of engagement, (i) application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) Any matter that was either the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) and the related instructions to this item) or a reportable event as described in item 304(a)(1)(vi) of Regulation S-K.

SECTION 9.01. FINANCIAL STATEMENT AND EXHIBITS

(c) Exhibits.

The following Exhibits are hereby filed as part of this Current Report on Form 8-K:

Exhibit -----	Description -----
16.1	Letter from M&K CPAS, PLLC



SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

VIBE RECORDS, INC. NEVADA

Date: January 26, 2011

By: /s/ Timothy J. Olphie

-----  
Timothy J. Olphie  
Chief Executive Officer,  
Chief Financial Officer and Director

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[LETTERHEAD OF M&K CPAS, PLLC]

January 26, 2011

U.S. Securities and Exchange Commission  
Office of the Chief Accountant  
100 F Street NE  
Washington, DC 20549

Re: Vibe Records Inc. Nevada

Ladies and Gentlemen,

We have read the statements under item 4.01 in the Form 8-K dated January 26, 2011, of Vibe Records Inc. Nevada (the Company) to be filed with the Securities and Exchange Commission and we agree with such statements therein as relate to our firm. We have no basis to, and therefore, do not agree or disagree with the other statements made by the Company in the Form 8-K.

Yours very truly,

/s/ M&K CPAS, PLLC

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**FORM 8-K/A**

**VIBE RECORDS, INC. NEVADA - VBRE**

**Filed: February 10, 2011 (period: December 30, 2010)**

Amendment to a previously filed 8-K

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report: December 30, 2010

Vibe Records, Inc. Nevada  
(Exact name of registrant as specified in its charter)

Nevada 000-51107 71-0928242  
(State of incorporation) (Commission File Number) (IRS Employer ID Number)

204 Old Country Road, PO Box 8, Westbury NY 11590  
(Address of principal executive offices) (Zip Code)

(516) 333-2400  
(Registrant's telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4c under the Exchange Act (17 CFR 240.13e-4c)

SECTION 4 - MATTERS RELATED TO ACCOUNTANTS AND FINANCIAL STATEMENTS

SECTION 4.01 - CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

DISMISSAL OF INDEPENDENT ACCOUNTANT.

Effective December 30th, 2010, we have dismissed the firm of S. W. Hatfield, CPA as our auditor for our 2010 fiscal year. S. W. Hatfield, CPA audited our financial statements for the 2009 fiscal year. S. W. Hatfield, CPA's opinion on our financial statements for our 2009 and 2008 fiscal years were qualified as to our ability to remain a going concern. S. W. Hatfield, CPA's dismissal was approved by the board of directors.

During the two most recent fiscal years and the subsequent interim periods preceding S. W. Hatfield, CPA's dismissal, there were no disagreements between S. W. Hatfield, CPA and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Notwithstanding the absence of disagreement, S. W. Hatfield, CPA advised us during the specified period of the following:

That information has come to S. W. Hatfield, CPA attention that it has concluded could potentially materially impacts the fairness or reliability of either (i) a previously issued audit report or the underlying financial statements, or (ii) the financial statements issued or to be issued covering the fiscal periods subsequent to the date of the most recent audited financial statements (including information that, unless resolved to his satisfaction, would prevent him from rendering an unqualified audit report on those financial statements).

The information that has come to S. W. Hatfield, CPA's attention are: (a) an increase in non-cash expenses during fiscal year 2009 as a result of the possible issue of "cheap stock", (b) the allocation of cash expenses between management compensation and other expenses and (c) issues regarding our ownership or lack of ownership of a business operated through a web site, which individually or collectively may require a restatement of prior periods or a withdrawal of previously issued opinions. The board of directors discussed this information with S. W. Hatfield, CPA. We authorized S. W. Hatfield, CPA to respond fully to inquiries of the successor auditor regarding the information that has come to its attention.

We have provided a copy of this amendment of this Current Report on Form 8-K to S. W. Hatfield, CPA and requested it to furnish to us a letter addressed to the Commission stating whether it agrees with the statements made in this report and, if not, stating the respects in which it does not agree.

ENGAGEMENT OF INDEPENDENT ACCOUNTANT.

Effective December 30th, 2010, we have engaged MKK CPAS, PLLC of Houston, Texas, as our independent auditors. We have not consulted with MKK, at any time prior to the date of engagement, (i) application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) Any matter

that was either the subject of a disagreement (as defined in paragraph 304(a)(1)(ii) and the related instructions to this item) or a reportable event as described in item 304(a)(1)(v) of Regulation S-K. The decision to engage M&K was recommended and approved by our board of directors.

SECTION 9.01 - FINANCIAL STATEMENT AND EXHIBITS

(c) Exhibits

The following Exhibits are hereby filed as part of this Current Report on Form 8-K:

<u>Exhibit</u>	<u>Description</u>
16.1	Letter from S. W. Hatfield, CEO, updated

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

VIBE RECORDS, INC. NEVADA

Date: February 10, 2011

By: /s/ Timothy J. Olphie

-----  
Timothy J. Olphie  
Chief Executive Officer,  
Chief Financial Officer and Director

Exhibit No. 16.1  
Vibe Records, Inc. Nevada  
File No.: 0-31107  
Form 8-K/A

[Letterhead of S. W. Hatfield, CPA]

February 10, 2011

U. S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Gentlemen:

On February 10, 2011, this Firm received the final draft copy of a Current Report on Form 8-K/A to be filed by Vibe Records, Inc. Nevada (SEC File #0-31107, CIK # 1202722) (Company) reporting an Item 4.01 - Changes in Registrant's Certifying Accountant.

We have no disagreements with the statements made in the draft Form 8-K/A, Item 4.01 disclosures which we read.

Yours truly,

/s/ S. W. Hatfield, CPA

-----  
S. W. Hatfield, CPA  
Dallas, Texas

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**FORM 10-K**

**X-CHANGE CORP - XCHC**

**Filed: April 21, 2010 (period: December 31, 2009)**

Annual report with a comprehensive overview of the company



## PART II

## ITEM 5 - MARKET FOR THE ISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS' MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently quoted on the NASDAQ OTC Bulletin Board, under the trading symbol "XCHC." As of April 15, 2010, there were approximately 142 registered holders of record of the common stock. The following table sets forth the range of the high and low bid prices per share of our common stock as reported on [www.bigcharts.com](http://www.bigcharts.com) during the last two calendar years for the period indicated.

	High -----	Low -----
Year ended December 31, 2008		
Quarter ended March 31	\$0.25	\$0.096
Quarter ended June 30	\$0.135	\$0.06
Quarter ended September 30	\$0.09	\$0.025
Quarter ended December 31	\$0.03	\$0.001
Year ended December 31, 2009		
Quarter ended March 31	\$0.002	\$0.001
Quarter ended June 30	\$0.013	\$0.001
Quarter ended September 30	\$0.09	\$0.01
Quarter ended December 31	\$0.06	\$0.01
Year ended December 31, 2010		
Quarter ended March 31	\$0.029	\$0.01

## DIVIDENDS

We have never paid any cash dividends on our common stock. We intend to retain and use any future earnings for the development and expansion of business and do not anticipate paying any cash dividends in the foreseeable future.

## RECENT SALES OF UNREGISTERED SECURITIES

We believe that all of the following offerings and sales were exempt from the registration requirements of the Securities Act of 1933 under Section 4(2) thereunder.

During the year ended December 31, 2008, the Company issued an aggregate 17,202,139 shares of restricted, unregistered common stock as consideration for financing fees in conjunction with the receipt of approximately \$1,800,000 in new debt financing.

During the year ended December 31, 2008, the Company issued an aggregate 600,000 shares of restricted, unregistered common stock to a consulting firm as consideration for services rendered.

During the year ended December 31, 2008, the Company issued an aggregate 3,812,161 shares of registered common stock in exchange for the conversion of approximately \$36,500 in convertible debenture debt. As the conversion price was below the "fair value" of the securities issued, the Company experienced a non-cash charge to operations of approximately \$22,500 which was classified as "interest expense" in the accompanying financial statements.

In December 2008, the Company issued 51,000,000 shares of restricted, unregistered common stock in connection with the redemption of \$51,000 in principal against a note payable in conjunction with a foreclosure action by the noteholder.

In January 2009, the Company issued an aggregate 2,118,506 shares of restricted, unregistered common stock in connection with the redemption of \$1,550 in convertible debenture debt. As the conversion price was below the "fair value" of the securities issued, the Company experienced a non-cash charge to operations of approximately \$568 which was classified as "interest expense" in the accompanying financial statements.

In March 2010, the Company issued an aggregate 3,902,439 shares of restricted, unregistered common stock in connection with the redemption of \$32,000 in convertible debenture debt. As the conversion price was below the "fair value" of the securities issued, the Company experienced a non-cash charge to operations of approximately \$57,760 which will be classified as "interest expense" in the financial statements for the quarter ended March 31, 2010.

COMMON STOCK WARRANTS

In conjunction with, and as a component of, certain debt issuances, the Company has issued an aggregate 15,819,352 and 46,033,638 warrants to purchase an equivalent number of shares of common stock at prices between \$0.07 and \$1.00 per share as of December 31, 2009 and 2008, respectively.

	Number of Warrant Shares -----	Weighted Average Price -----
Balance at January 1, 2008	16,780,002	\$ 0.70
Issued	29,253,636	\$ 0.16
Exercised	--	--
Expired	--	--
	-----	
Balance at December 31, 2008	46,033,638	\$ 0.36
Issued	--	--
Exercised	--	--
Surrendered at debt cancellation	(30,214,286)	\$ 0.22
Expired	--	--
	-----	
Balance at December 31, 2009	15,819,352 =====	\$ 0.63

As of December 31, 2009, the warrants break down as follows:

# warrants -----	exercise price -----
3,404,000	\$ 0.07
630,000	\$ 0.20
200,000	\$ 0.40
3,860,351	\$ 0.60
3,725,001	\$ 0.84
4,000,000	\$ 1.00
-----	
15,819,352 =====	\$ 0.63
# warrants -----	expiring in -----
4,000,000	2010
569,350	2011
7,650,002	2012
630,000	2017
2,970,000	2018
-----	
15,819,352 =====	

On May 28, 2009, as previously discussed, the Company entered into a Settlement Agreement and Release with AirGATE Technologies Inc. (AirGATE), HM Energy Technologies Inc. (HM), WM Chris Mathers (Mathers), Kathleen Hanafan (Hanafan), Duke Loi (Loi), Samson Investment Company (Samson), Ironman PI Fund (QP), L.P. (Ironman), John Thomas Bridge and Opportunity Fund, LP (John Thomas and, collectively with Samson and Ironman, SIJ) and Melissa CR 364, LTD (Melissa). In this Agreement, approximately 30,214,286 warrants were cancelled on that date.

REPURCHASES OF EQUITY SECURITIES

We did not purchase any of our equity securities during 2009 or 2008.

EQUITY COMPENSATION

During 2009 and 2008, respectively, we issued -0- and 600,000 shares of our common stock to consultants, in the aggregate. These issuances were all in exchange for services rendered. These issuances were not approved by a vote of our security holders. We may from time to time issue additional shares to our consultants, employees or directors at the discretion of our board of directors.

During 2007, the Board of Directors approved and adopted the 2007 Stock Incentive Plan allowing for stock options to be issued to employees, directors and consultants of up to 6,000,000 shares in the aggregate. The Plan was not presented to nor approved by a vote of the Company's stockholders and provides for the issuance of incentive stock options and non-statutory options for common stock to the Company's employees, directors and consultants. The exercise price of each option may not be less than the trading price of the Company's stock on the date of the option grant. The options generally vest over a four year period and have a maximum term of ten years. Upon the foreclosure upon our operating subsidiary, AirGATE, all outstanding stock options were cancelled. No options were exercised from their initial issuance through December 31, 2008.

#### COMMON STOCK

Our authorized capital stock consists of 750,000,000 shares of \$0.001 par value common stock and 75,000,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 75,000,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

#### PROVISIONS HAVING A POSSIBLE ANTI-TAKEOVER EFFECT

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 10 million shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

#### PREFERRED STOCK

The Company is authorized to issue up to a total of 75,000,000 shares of \$0.001 par value Preferred Stock. The Company's Board of Directors has designated 5,000,000 shares as "Series A Convertible Preferred Stock".

The Company is under no obligation to pay dividends or to redeem the Series A Convertible Preferred Stock. This series of stock is convertible into 10 shares of Common Stock at the option of the shareholder or upon automatic conversion. In the event of any liquidation, dissolution or winding-up of the Company, the holders of outstanding shares of Series A Preferred shall be entitled to be paid out of the assets of the Corporation available for distribution to shareholders, before any payment shall be made to or set aside for holders of the Common Stock, at an amount of \$1 per share.

As of December 31, 2009 and 2008, respectively, there were no shares of preferred stock issued and outstanding.

#### RESTRICTED SECURITIES

As of December 31, 2009, we had approximately 83,573,345 shares of common stock which may be considered to meet the definition and requirements of "restricted securities" as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

TRANSFER AGENT

Our independent stock transfer agent is Signature Stock Transfer, Inc. Their address is 2220 Coit Road, Suite 480, PMB 317, Plano, Texas 75075. Their contact numbers are (972) 612-4120 for voice calls and (972) 612-4122 for fax transmissions.

REPORTS TO STOCKHOLDERS

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

ITEM 6 - SELECTED FINANCIAL DATA

Not applicable

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(1) CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-K and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

(2) GENERAL

The X-Change Corporation (Company) was incorporated under the laws of the State of Delaware on February 5, 1969 and changed its corporate domicile to the State of Nevada on October 4, 2000. We were originally organized to seek merger and/or acquisition candidates and engaged in various transactions since our inception. As of December 31, 2008, we have disposed of all of the assets and operations.

On July 20, 2005, the Company exchanged 10,000,000 shares of common stock for 100% of the issued and outstanding stock of AirGATE Technologies, Inc. (AirGATE). This transaction made AirGATE a wholly-owned subsidiary of the Company.

In December 2008, the lender of a note payable by AirGATE began foreclosure proceedings against its collateral, which included 100% of the Company's holdings in AirGATE and the right to convert the note into restricted, unregistered shares of the Company's common stock. The note and accrued, and unpaid, interest was converted to 51,000,000 shares of the Company's common stock and the foreclosure proceeding was consummated on January 16, 2009. Due to the timing of this transaction, the foreclosure and related disposition of AirGATE is reflected in the accompanying financial statements as of December 31, 2008.

warrants or conversion of convertible securities (approximately 3,337,750 shares on the exercise of the LaJolla outstanding warrants and approximately 34,048,488 shares to be issued if there was total conversion of the LaJolla debenture at March 26, 2010, the date of the last debenture conversion notice) - approximately 38,243,238 beneficial shares in total. As the Company's common stock is trading below \$0.30 per share, LaJolla is not required to convert, nor is the Company obligated to accept any conversion notice. Accordingly, neither the numerator nor the denominator includes the La Jolla shares which may be issued upon the exercise of any options or warrants or the conversion of any other convertible securities in existence as of the date of this filing.

- (3) The contact address for the listed stockholder is 17120 N. Dallas Parkway, Suite 235, Dallas, TX 75248.
- (4) Our current sole officer and director does not own any of our equity securities.

**CHANGES IN CONTROL**

There are currently no arrangements which may result in a change in control of the Company.

**ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

There are no relationships or transactions between us and any of our directors, officers and principal stockholders.

We currently maintain a mailing address at 12655 North Central Expressway, Suite 1000, Dallas, Texas 75243. Our telephone number is (972) 386-7350. Other than this mailing address, we do not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future as all of our officers and directors are employed full-time in other business ventures. We pay no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's controlling stockholder.

**DIRECTOR INDEPENDENCE**

Pursuant to the Company's current structure, we believe that Mr. Steele and Mr. Vigdor meet the requirements of being "independent" as defined in Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

**ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA (SWHCPA) of Dallas, Texas, KBA Group, LLP (KBA) of Dallas, Texas or Robison, Hill & Company (RHC) of Salt Lake City, UT.

	Year ended December 31, 2009	Year ended December 31, 2008
	-----	-----
1. Audit fees		
SWH	\$12,500	\$ --
KBA	15,000	83,000
RHC	--	4,800
2. Audit-related fees	--	--
3. Tax fees	--	--
4. All other fees	--	--
	-----	-----
Totals	\$27,500	\$87,800
	=====	=====

- 1. Audit fees consist of amounts billed for professional services rendered for the audits of our financial statements, reviews of our interim consolidated financial statements included in quarterly reports, services performed in connection with filings with the Securities & Exchange Commission and related comfort letters and other services that are normally provided by Robison, Hill & Company or KBA Group LLP, both our former independent accountants, or S. W. Hatfield, CPA, our current independent auditors, in connection with statutory and regulatory filings or engagements.
- 2. Audit Related fees consist of fees billed for assurance and related services by our principal accountant that are related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.
- 3. Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

We have considered whether the provision of any non-audit services, currently, in the past or in the future, is compatible with either Robison, Hill & Company, KBA Group, LLC or S. W. Hatfield, CPA maintaining their respective independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: Neither Robison, Hill & Company, KBA Group, LLC or S. W. Hatfield, CPA charged the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountants, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

#### ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- 3.1 Articles of Incorporation. Incorporated herein by reference to Exhibit 3.01(i) on Form 8-K filed on January 23, 2008.
- 3.2 Amended and Restated Bylaws of The X-Change Corporation. Incorporated herein by reference to Exhibit 3.01(ii) on Form 8-K filed on January 23, 2008.
- 10.1 Promissory Note, dated August 15, 2006, between the X-Change Corporation and Melissa CR 364 Ltd. Incorporated herein by reference to Exhibit 10.01 included with our Current Report on Form 8-K filed with the SEC on August 21, 2006.
- 10.2 Promissory note, dated August 15, 2008, between the X-Change Corporation and Melissa CR 364 Ltd. Incorporated herein by reference to Exhibit 10.02 included with our Current Report on Form 8-K filed with the SEC on August 21, 2008.
- 10.3 Securities Purchase Agreement, dated December 4, 2007, by and among X-Change, AirGATE, and Samson Investment Company, Ironman PI Fund (QP), LP, and John Thomas Bridge & Opportunity Fund, LP. Incorporated herein by reference to Exhibit 4.1 on Form 8-K filed on December 10, 2007.
- 10.4 Securities Purchase Agreement, dated December 4, 2007, by and among X-Change, AirGATE, and Samson Investment Company, Ironman PI Fund (QP), LP, and John Thomas Bridge & Opportunity Fund, LP. Incorporated herein by reference to Exhibit 4.1 on Form 8-K filed on December 10, 2007.
- 10.5 Form of Senior Secured Convertible Term Note--Tranche A, dated December 4, 2007, by and among X-Change and Samson Investment Company, Ironman PI Fund (QP), LP, and John Thomas Bridge & Opportunity Fund, LP. Incorporated herein by reference to Exhibit 4.2 on Form 8-K filed on December 10, 2007.
- 10.6 Form of Tranche A Warrant dated December 4, 2007, by and among X-Change and Samson Investment Company, Ironman PI Fund (QP), LP, and John Thomas Bridge & Opportunity Fund, LP. Incorporated herein by reference to Exhibit 10.1 on Form 8-K filed on December 10, 2007.
- 10.7 Registration Rights Agreement dated December 4, 2007, by and among X-Change and Samson Investment Company, Ironman PI Fund (QP), LP, and John Thomas Bridge & Opportunity Fund, LP, and Tejas Securities Group, Inc. Incorporated herein by reference to Exhibit 10.2 on Form 8-K filed on December 10, 2007.
- 10.8 Security and Guaranty Agreements dated December 4, 2007 by and among X-Change, AirGATE and Samson Investment Company, Ironman PI Fund (QP), LP, and John Thomas Bridge & Opportunity Fund, LP. Incorporated herein by reference to Exhibits 10.3 and 10.4 respectively on Form 8-K filed on December 10, 2007.
- 10.9 Amendment No. 1 to the Securities Purchase Agreement, dated July 10, 2008, by and among The X-Change Corporation, a Nevada corporation, and AirGATE Technologies, Inc., a Texas corporation, and Samson Investment Company, a Nevada corporation, Ironman PI Fund (QP), L.P., a Texas limited partnership, and John Thomas Bridge and Opportunity Fund, LP, a Delaware limited partnership. Incorporated herein by reference to Exhibit 4.1 on Form 8-K filed on July 16, 2008.
- 10.10 Form of Amended and Restated Senior Secured Convertible Term Note - Tranche A, effective December 4, 2007, by and among The X-Change Corporation, a Nevada corporation, and AirGATE Technologies, Inc., a Texas corporation, and Samson Investment Company, a Nevada corporation, Ironman PI Fund (QP), L.P., a Texas limited partnership, and John Thomas Bridge and Opportunity Fund, LP, a Delaware limited partnership. Incorporated herein by reference to Exhibit 4.2 on Form 8-K filed on July 16, 2008.

## REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
The X-Change Corporation

We have audited the accompanying balance sheet of The X-Change Corporation (a Nevada corporation) as of December 31, 2009 and 2008 and the related statements of operations and comprehensive loss, changes in stockholders' equity (deficit) and cash flows for each of the years ended December 31, 2009 and 2008, respectively. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements referred to above, in our opinion, present fairly, in all material respects, the financial position of The X-Change Corporation as of December 31, 2008 and the results of its operations and cash flows for each of the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company has no operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and Management's plans in regard to these matters are also described in Note C. The financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

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S. W. HATFIELD, CPA

Dallas, Texas  
March 31, 2010 (except for Note O  
as to which the date is April 20, 2010)

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**FORM 10-K**

**X-CHANGE CORP - XCHC**

Filed: January 18, 2011 (period: December 31, 2010)

Annual report with a comprehensive overview of the company



and with virtually no environmental hazards. 21-Century is focused on meeting the supply needs of the car industry while maintaining its environmentally friendly manufacturing process.

On December 27, 2010, the Company changed the corporate name of Commerce Services, Inc. to PolySilicon, Inc. to conduct the business activities related to the acquisition of any intellectual property of 21-Century Silicon, Inc. PolySilicon, Inc. (formerly Commerce Services, Inc.) had no history of operations or other economic activity since its formation on March 24, 2010.

#### EMPLOYEES

The Company currently has no employees. Management of the Company expects to use consultants, attorneys and accountants as necessary, and does not anticipate a need to engage any full-time employees until such time that the aforementioned business opportunities become successful.

#### ITEM 1A - RISK FACTORS

Not required.

#### ITEM 1B - UNCLEARED STAFF COMMENTS

None

#### ITEM 2 - PROPERTIES

We currently maintain a mailing address at 12655 North Central Expressway, Suite 1000, Dallas, Texas 75243. Our telephone number is (972) 386-7350. Other than this mailing address, we do not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future as all of our officers and directors are employed full-time in other business ventures. We pay no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's controlling stockholder.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction or otherwise commences the operations of a business activity; however, it is not possible to predict what arrangements will actually be made with respect to future office facilities.

#### ITEM 3 - LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

#### ITEM 4 - [REMOVED AND RESERVED]

### PART II

#### ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently quoted on the NASDAQ OTC Bulletin Board, under the trading symbol "XCHC." As of January 12, 2011, there were approximately 142 registered holders of record of the common stock. The following table sets forth the range of the high and low bid prices per share of our common stock as reported on [www.bigcharts.com](http://www.bigcharts.com) during the last two calendar years for the period indicated.

	High	Low
	----	---
Year ended December 31, 2009		
Quarter ended March 31	\$0.002	\$0.001
Quarter ended June 30	\$0.013	\$0.001
Quarter ended September 30	\$0.09	\$0.01
Quarter ended December 31	\$0.06	\$0.01

Year ended December 31, 2010 (as adjusted for the September 2010 reverse stock split)		
Quarter ended March 31	\$0.184	\$0.78
Quarter ended June 30	\$0.32	\$1.58
Quarter ended September 30	\$0.05	\$1.00
Quarter ended December 31	\$0.441	\$1.00

#### DIVIDENDS

We have never paid any cash dividends on our common stock. We intend to retain and use any future earnings for the development and expansion of business and do not anticipate paying any cash dividends in the foreseeable future.

#### RECENT SALES OF UNREGISTERED SECURITIES

We believe that all of the following offerings and sales were exempt from the registration requirements of the Securities Act of 1933 under Section 4(2) thereunder.

In January 2009, the Company issued an aggregate 2,118,506 shares of restricted, unregistered common stock in connection with the redemption of \$1,550 in convertible debenture debt. As the conversion price was below the "fair value" of the securities issued, the Company experienced a non-cash charge to operations of approximately \$568 which was classified as "interest expense" in the accompanying financial statements.

In March 2010, the Company issued an aggregate 3,902,439 shares of restricted, unregistered common stock in connection with the redemption of \$32,000 in convertible debenture debt. As the conversion price was below the "fair value" of the securities issued, the Company experienced a non-cash charge to operations of approximately \$57,760 which will be classified as "interest expense" in the financial statements for the quarter ended March 31, 2010.

In September 2010 and December 2010, the Company issued an aggregate 9,797,416 restricted, unregistered post-reverse split shares to Melissa CR 364 LTD. to retire a combination of approximately \$50,000 on the aforementioned line of credit and approximately \$146,000 in accumulated accrued interest on both the AirGATE and line of credit notes. As the valuation of the conversion as stated in the separate note agreements was below the "fair value" of the securities issued, the Company experienced a non-cash charge to operations of approximately \$4,950,000 which was classified as "interest expense" in the accompanying financial statements.

In December 2010, the Company issued 1,000,000 shares of restricted, unregistered post-reverse split shares, valued at approximately \$530,000 which was equal to the closing quotation of the Company's securities on the transaction date, to 21-Century Silicon, Inc. (a Texas corporation) to license the use of 21-Century Silicon's technology and to secure an exclusive right to negotiate to acquire certain intellectual property from 21-Century Silicon. This transaction remains subject to the completion of all appropriate due diligence and has not closed.

#### COMMON STOCK WARRANTS

In conjunction with, and as a component of, certain debt issuances, the Company has issued an aggregate 15,819,352 and 46,033,638 warrants to purchase an equivalent number of shares of common stock at prices between \$0.07 and \$1.00 per share as of December 31, 2010 and 2009, respectively.

	Number of Warrant Shares	Weighted Average Price
	-----	-----
Balance at January 1, 2009	46,033,638	\$ 0.36
Issued	--	--
Exercised	--	--
Surrendered at debt cancellation	(30,214,286)	\$ 0.22
Expired	--	--
	-----	
Balance at December 31, 2009	15,819,352	\$ 0.63
Issued	--	--
Exercised	--	--
Expired	--	--
	-----	
Balance at December 31, 2010	15,819,352	\$ 0.63
	=====	

As of December 31, 2010, the warrants break down as follows:

# warrants	exercise price
3,404,000	\$ 0.07
630,000	\$ 0.20
200,000	\$ 0.40
3,860,351	\$ 0.60
3,725,001	\$ 0.84
4,000,000	\$ 1.00
-----	
15,819,352	\$ 0.63
=====	
# warrants	expiring in
-----	
4,000,000	2010 (*)
569,350	2011
7,650,002	2012
630,000	2017
2,970,000	2018
-----	
15,819,352	
=====	

(\*) - The warrants expiring in 2010 are an integral component of the LJII financing as previously discussed. As the debenture remains unpaid and LJII is continuing, with the Company's approval, to convert the debenture into common stock and exercise warrants, they are considered to remain outstanding at December 31, 2010.

On May 28, 2009, as previously discussed, the Company entered into a Settlement Agreement and Release with AirGATE Technologies Inc. (AirGATE), HM Energy Technologies Inc. (HM), WM Chris Mathers (Mathers), Kathleen Hanafan (Hanafan), Duke Loi (Loi), Samson Investment Company (Samson), Ironman PI Fund (QP), L.P. (Ironman), John Thomas Bridge and Opportunity Fund, LP (John Thomas and, collectively with Samson and Ironman, SIJ) and Melissa CR 364, LTD (Melissa). In this Agreement, approximately 30,214,286 warrants were cancelled on that date.

#### REPURCHASES OF EQUITY SECURITIES

We did not purchase any of our equity securities during 2010 and 2009.

#### EQUITY COMPENSATION

During 2010 and 2009, respectively, we did not issue any shares of our common stock to consultants. We may from time to time issue additional shares to our consultants, employees or directors at the discretion of our board of directors.

During 2007, the Board of Directors approved and adopted the 2007 Stock Incentive Plan allowing for stock options to be issued to employees, directors and consultants of up to 6,000,000 shares in the aggregate. The Plan was not presented to nor approved by a vote of the Company's stockholders and provides for the issuance of incentive stock options and non-statutory options for common stock to the Company's employees, directors and consultants. The exercise price of each option may not be less than the trading price of the Company's stock on the date of the option grant. The options generally vest over a four year period and have a maximum term of ten years. Upon the 2008 foreclosure on our operating subsidiary, AirGATE, all outstanding stock options were cancelled. No options were exercised from their initial issuance through the December 31, 2008 effective disposition of this subsidiary.

#### COMMON STOCK

Our authorized capital stock consists of 37,500,000 shares of \$0.001 par value common stock and 3,750,000 shares of \$0.001 par value preferred stock. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. No stockholder has any preemptive right or other similar right to purchase or subscribe for any additional securities issued by us, and no stockholder has any right to convert the common stock into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. Subject to the rights of the holders of the preferred stock, if any, our stockholders of common stock are entitled to dividends when, as and if declared by our board from funds legally available therefore and, upon liquidation, to a pro-rata share in any distribution to stockholders. We do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

Pursuant to our Articles of Incorporation, our board has the authority, without further stockholder approval, to provide for the issuance of up to 750,000 shares of our preferred stock in one or more series and to determine the dividend rights, conversion rights, voting rights, rights in terms of redemption, liquidation preferences, the number of shares constituting any such series and the designation of such series. Our board has the power to afford preferences, powers and rights (including voting rights) to the holders of any preferred stock preferences, such rights and preferences being senior to the rights of holders of common stock. No shares of our preferred stock are currently outstanding. Although we have no present intention to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, may have the effect of delaying, deferring or preventing a change in control of our company.

#### PROVISIONS HAVING A POSSIBLE ANTI-TAKEOVER EFFECT

Our Articles of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board and in the policies formulated by our board and to discourage certain types of transactions which may involve an actual or threatened change of our control. Our board is authorized to adopt, alter, amend and repeal our Bylaws or to adopt new Bylaws. In addition, our board has the authority, without further action by our stockholders, to issue up to 3,750,000 shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The issuance of our preferred stock or additional shares of common stock could adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in our control.

#### PREFERRED STOCK

The Company is authorized to issue up to a total of 3,750,000 shares of \$0.001 par value Preferred Stock. The Company's Board of Directors has designated 250,000 shares as "Series A Convertible Preferred Stock".

The Company is under no obligation to pay dividends or to redeem the Series A Convertible Preferred Stock. This series of stock is convertible into 10 shares of Common Stock at the option of the shareholder or upon automatic conversion. In the event of any liquidation, dissolution or winding-up of the Company, the holders of outstanding shares of Series A Preferred shall be entitled to be paid out of the assets of the Corporation available for distribution to shareholders, before any payment shall be made to or set aside for holders of the Common Stock, at an amount of \$1 per share.

As of December 31, 2010 and 2009, respectively, there were no shares of preferred stock issued and outstanding.

#### RESTRICTED SECURITIES

As of December 31, 2010, per our stock transfer agent, we had approximately 13,994,718 shares of common stock which may be considered to meet the definition and requirements of "restricted securities" as defined in Rule 144. Generally, restricted securities can be resold under Rule 144 once they have been held for the required statutory period, provided that the securities satisfies the current public information requirements of the Rule.

#### TRANSFER AGENT

Our independent stock transfer agent is Signature Stock Transfer, Inc. Their address is 2220 Coit Road, Suite 480, PMB 317, Plano, Texas 75075. Their contact numbers are (972) 612-4120 for voice calls and (972) 612-4122 for fax transmissions.

#### REPORTS TO STOCKHOLDERS

The Company intends to remain compliant with its obligations under the Exchange Act and, therefore, plans to furnish its stockholders with an annual report for each fiscal year ending December 31 containing financial statements audited by its registered independent public accounting firm. In the event the Company enters into a business combination with another company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the Exchange Act.

#### ITEM 6 - SELECTED FINANCIAL DATA

Not applicable

DIRECTOR INDEPENDENCE

Pursuant to the Company's current structure of having a sole director who is also the Company's sole officer and controlling shareholder, the Company has no independent directors, as defined in Rule 4200 (a) (15) of the NASDAQ Marketplace Rules.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountant, S. W. Hatfield, CPA or KBA Group, LLP:

	Year ended December 31, 2010	Year ended December 31, 2009
1. Audit fees		
SWH	\$ 27,138	\$ 12,500
KBA	--	15,000
2. Audit-related fees	--	--
3. Tax fees	--	--
4. All other fees	--	--
<b>Totals</b>	<b>\$ 27,138</b>	<b>\$ 27,500</b>

1. Audit fees consist of amounts billed for professional services rendered for the audits of our financial statements, reviews of our interim consolidated financial statements included in quarterly reports, services performed in connection with filings with the Securities & Exchange Commission and related comfort letters and other services that are normally provided by KBA Group LLP, our former independent accountants, or S. W. Hatfield, CPA, our current independent auditors, in connection with statutory and regulatory filings or engagements.
2. Audit Related fees consist of fees billed for assurance and related services by our principal accountant that are related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.
3. Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

We have considered whether the provision of any non-audit services, currently, in the past or in the future, is compatible with either KBA Group, LLC or S. W. Hatfield, CPA maintaining their respective independence and have determined that these services do not compromise their independence.

Financial Information System Design and Implementation: Neither KBA Group, LLC or S. W. Hatfield, CPA charged the Company any fees for financial information system design and implementation fees.

The Company has no formal audit committee. However, the entire Board of Directors (Board) is the Company's defacto audit committee. In discharging its oversight responsibility as to the audit process, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by the appropriate Professional Standards issued by the Public Company Accounting Oversight Board, the U. S. Securities and Exchange Commission and/or the American Institute of Certified Public Accountants. The Board discussed with the auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence. The Board also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Company's internal controls.

The Company's principal accountants, S. W. Hatfield, CPA, did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- 21.1 List of subsidiaries
- 31.1 Certification of Chief Executive and Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive and Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

REPORT OF REGISTERED INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
The X-Change Corporation

We have audited the accompanying consolidated balance sheets of The X-Change Corporation (a Nevada corporation) as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive loss, consolidated statement of changes in stockholders' equity (deficit) and consolidated statements of cash flows for each of the years ended December 31, 2010 and 2009, respectively. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The consolidated financial statements referred to above, in our opinion, present fairly, in all material respects, the consolidated financial position of The X-Change Corporation as of December 31, 2008 and the consolidated results of its operations and cash flows for each of the years ended December 31, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the consolidated financial statements, the Company has no operations or significant assets and is dependent upon significant stockholders to provide sufficient working capital to maintain the integrity of the corporate entity. These circumstances create substantial doubt about the Company's ability to continue as a going concern and Management's plans in regard to these matters are also described in Note C. The consolidated financial statements do not contain any adjustments that might result from the outcome of these uncertainties.

/s/ S. W. Hatfield, CPA

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S. W. HATFIELD, CPA

Dallas, Texas  
January 14, 2011

# **Exhibit King-G**

**Exhibit G**  
**Filings Including Audit Reports Issued by S. W. Hatfield, CPA while License Expired**  
**January 31, 2010 to May 19, 2011**

	Issuer	CIK Code	Ticker	Filing Type	Filing Date	Period Ended	No.	Report Date	Consent Date	Disclosed SWH Fees
1	8888 Acquisition Corp. (SWH dismissed 10/19/2010; Form 15 Filed 8/17/11)	1376866	EGHA	10-K	10/15/2010	8/31/2010	1	10/7/2010	N/A	\$ 6,100
2	Alliance Health, Inc. (Form 15 Filed 6/8/11)	822434	ALNH	10-K	11/26/2010	9/30/2010	2	11/2/2010	N/A	\$ 5,750
3	Asia Green Agriculture Corp. f/k/a SMSA Palestine Acquisition Corp. (SWH dismissed 8/20/10)	1440476	AGAC	10-K	3/30/2010	12/31/2009	3	3/15/2010	N/A	\$ 7,200
				S-1/A1	11/5/2010	12/31/2009		3/15/2010	11/4/2010	
				8-K/A	11/5/2010	8/20/2010		3/15/2010	11/4/2010	
				S-1/A2	12/10/2010	12/31/2009		3/15/2010	12/10/2010	
				8-K/A	1/18/2011	8/20/2010		3/15/2010	N/A	
				8-K/A	2/22/2011	8/20/2010		3/15/2010	N/A	
				8-K/A	3/22/2011	8/20/2010		3/15/2010	N/A	
				8-K/A	4/19/2011	8/20/2010		3/15/2010	N/A	
				8-K/A	5/9/2011	8/20/2010		3/15/2010	N/A	
4	BTHC X, Inc. (SWH resigned 3/29/2010)	1375685	BTXI	10-K	3/30/2010	3/31/2009	4	3/23/2010	N/A	\$ 4,100
				10-K	3/29/2011	12/31/2010		3/23/2010	N/A	\$ 8,100
5	BTHC XIV, Inc.	1405646	BXII	10-K	3/10/2010	12/31/2009	5	3/4/2010	N/A	\$ 4,300
				10-K	1/18/2011	12/31/2010	6	1/11/2011	N/A	\$ 5,200
6	BTHC XV, Inc. (SWH dismissed 10/18/2010)	1412090	BTXV	10-K	3/10/2010	12/31/2009	7	3/5/2010	N/A	\$ 4,300
				10-K	4/15/2011	12/31/2010		N/A	N/A	\$ 7,375
7	Chile Mining Technologies, Inc. f/k/a Latin America Ventures, Inc. (SWH dismissed 5/12/2010)	1427714	LVEN	10-K	2/9/2010	12/31/2009	8	2/3/2010	N/A	\$ 6,450



	Issuer	CIK Code	Ticker	Filing Type	Filing Date	Period Ended	No.	Report Date	Consent Date	Discl SWH Fees
8	Eight Dragons Co.	1100778	EDRG	10-K	3/9/2010	12/31/2009	9	2/23/2010	N/A	\$ 6,950
				10-K	1/28/2011	12/31/2010	10	1/26/2011	N/A	\$ 5,713
9	HPC Acquisitions, Inc.	1435224	HPCQ	10-K	3/17/2010	12/31/2009	11	2/11/2010	N/A	\$ 6,275
				10-K	3/1/2011	12/31/2010	12	1/6/2011	N/A	\$ 5,750
10	Marketing Acquisition Corp. <i>(SWH resigned 5/4/2010)</i>	1363343	MAQC	10-K	3/28/2011	12/31/2009	13	3/2/2010	N/A	\$ 2,250
				10-K	3/5/2010	12/31/2009		3/2/2010	N/A	\$ 4,500
11	Renewable Energy Acquisition Corp.	1418302		10G	3/3/2010	12/31/2009	14	2/12/2010	N/A	\$ 2,900
				10-K	3/9/2011	12/31/2010	15	2/25/2011	N/A	\$ 4,918
12	Signet International Holdings, Inc. <i>(SWH resigned 4/9/2010)</i>	1317833	SIGN	10-K	4/12/2010	12/31/2009	16	4/7/2010	N/A	\$ 18,365
13	SMSA Crane Acquisition Corp.	1473287	SSCR	10-12G/A	2/22/2010	12/31/2009	17	2/17/2010	N/A	
				10-K	3/7/2011	12/31/2010	18	2/7/2011	N/A	\$ 4,300
14	SMSA Gainesville Acquisition Corp.	1474266	SACQ	10-K	3/16/2010	12/31/2009	19	3/11/2010	N/A	\$ 3,000
				10-K	3/8/2011	12/31/2010	20	2/8/2011	N/A	\$ 4,975
15	SMSA Humble Acquisition Corp.	1495900	SMHQ	10-12G	8/27/2010	6/30/2010	21	8/25/2010	N/A	
				10-12G	10/29/2010	9/30/2010	22	10/26/2010	N/A	
				10-12G/A	12/10/2010	9/30/2010	23	12/8/2010	N/A	
				10-K	3/14/2011	12/31/2010	24	2/10/2011	N/A	\$ 4,225
16	SMSA Katy Acquisition Corp.	1495899	SCQO	10-12G	8/25/2010	6/30/2010	25	8/24/2010	N/A	
				10-12G	10/27/2010	9/30/2010	26	10/25/2010	N/A	
				10-12G/A	11/30/2010	9/30/2010		10/25/2010	N/A	
				10-12G/A	12/20/2010	9/30/2010	27	12/17/2010	N/A	
				10-K	3/14/2011	12/31/2010	28	2/9/2011	N/A	\$ 4,225
17	SMSA Kerrville Acquisition Corp.	1512693		10-12G	2/15/2011	12/31/2010	29	1/28/2011	N/A	\$ -
				10-12G/A	3/23/2011	12/31/2010		1/28/2011	N/A	
				10-12G/A	4/5/2011	12/31/2010		1/28/2011	N/A	

	Issuer	CIK Code	Ticker	Filing Type	Filing Date	Period Ended	No.	Report Date	Consent Date	Disclosed SWH Fees
18	SMSA Shreveport Acquisition Corp. (Form 15 Filed 8/8/11)	1501643		10-12G	11/1/2010	9/20/2010	30	10/27/2010	N/A	\$ -
10-12G				1/27/2011	12/31/2010	31	1/25/2011	N/A		
10-12G/A				3/7/2011	12/31/2010		1/25/2011	N/A		
19	SMSA Treemont Acquisition Corp. (SWH dismissed 5/13/2011)	1495898	SAQU	10-12G	8/27/2010	6/30/2010	32	8/25/2010	N/A	\$ 4,225
10-12G				10/29/2010	9/30/2010	33	10/26/2010			
10-12G/A				12/10/2010	9/30/2010	34	12/8/2010			
10-K				3/14/2011	12/31/2010	35	2/10/2011			
20	Truwest Corp.	895650	TRWS	10-K	11/15/2010	9/30/2010	36	11/9/2010	N/A	\$ 6,138
21	X-Change Corp.	54424	XCHC	10-K	4/21/2010	12/31/2009	37	3/31/2010	N/A	\$ 12,500
10-K				1/18/2011	12/31/2010	38	1/14/2011	N/A	\$ 27,138	
Total disclosed SWH audit fees										\$ 187,222

# **Exhibit King-H**

*Registered public accounting firms* must provide their annual report and any amendments thereto to the PCAOB by completing and submitting this Form according to the instructions to Form 2.

It is important to refer to the instructions when completing each item of the Form. The Firm is responsible for completing each item according to those instructions, and should not merely rely on the Firm's own interpretation of the item descriptions appearing in this Form.

Terms that appear in italics have specific defined meanings that the Firm must apply in completing this Form. The definitions are found in PCAOB Rule 1001.

**PART I - IDENTITY OF THE FIRM AND CONTACT PERSONS**

In Part I, the Firm should provide information that is current as of the date of the certification in Part X.

**ITEM 1.1 - NAME OF THE FIRM**

a. Firm legal name	
S. W. Hatfield, CPA	
b. Other names used in audit reports	none
c. Former legal names	none

**ITEM 1.2 - CONTACT INFORMATION OF THE FIRM**

a. Physical address of the Firm's headquarters office	Mailing address <input checked="" type="checkbox"/> Same as physical address
Country United States	Country
Street address 1 [REDACTED]	Street address 1
Street address 2 2nd Floor	Street address 2
City Dallas	City
State/Province Texas	State/Province
Non-U.S. State/Province	Non-U.S. State/Province
Zip/Postal code 75243-7212	Zip/Postal code
b. Telephone number of the Firm's headquarters office (incl. country and area codes) [REDACTED]	
Facsimile number of the Firm's headquarters office (incl. country and area codes) [REDACTED]	
Website address of the Firm none	

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 1.3 - PRIMARY CONTACT WITH THE BOARD	
Name	
Family Name (last name) Hatfield	Given name (first name) Scott
Business title CPA	
Physical business address	Business mailing address <input checked="" type="checkbox"/> Same as physical address
Country United States	Country
Street address 1 [REDACTED]	Street address 1
Street address 2 [REDACTED]	Street address 2
City Dallas	City
State/Province Texas	State/Province
Non-U.S. State/Province	Non-U.S. State/Province
Zip/Postal code 75243-7212	Zip/Postal code
Business telephone number (incl. country and area codes) [REDACTED]	
Business facsimile number (incl. country and area codes) [REDACTED]	
Business e-mail address [REDACTED]	

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART II - GENERAL INFORMATION CONCERNING THIS REPORT**

**ITEM 2.1 - REPORTING PERIOD**

State the reporting period covered by this report.

Note: The reporting period, which the Firm should enter in Item 2.1, is the period beginning on April 1 of the year before the year in which the annual report is required to be filed and ending March 31 of the year in which the annual report is required to be filed. That is the period referred to where this Form refers to the "reporting period." Note, however, the special instruction at the beginning of Part VIII concerning the first annual report filed by certain firms.

Start of reporting period (mm/dd/yyyy)

4/1/2009

End of reporting period (mm/dd/yyyy)

3/31/2010

**ITEM 2.2 - AMENDMENTS**

If this is an amendment to a report previously filed with the Board -

a. Indicate, by checking the box corresponding to this item, that this is an amendment.

b. Identify the specific Part or Item numbers of this Form (other than this Item 2.2) as to which the Firm's response has changed from that provided in the most recent Form 2 or amended Form 2 filed by the Firm with respect to the reporting period.

- Part I, Identity of the Firm and Contact Persons
- Part III, General Information Concerning the Firm
  - Item 3.1, The Firm's Practice Related to the Registration Requirement
  - Item 3.2, Fees Billed to *Issuer Audit Clients*
    - Item 3.2.a.1, *Audit Services*
    - Item 3.2.a.2, *Other Accounting Services*
    - Item 3.2.a.3, *Tax Services*
    - Item 3.2.a.4, *Non-audit Services*
    - Item 3.2.b, Calculation Method
    - Item 3.2.c, Estimated Percentages
  - Incomplete Responses Due to Asserted Non-US Legal Restrictions
- Part IV, *Audit Clients and Audit Reports*
- Part V, *Offices and Affiliations*
- Part VI, *Personnel*
  - Item 6.1, *Number of Firm Personnel*
    - Item 6.1.a, *Total Number of Accountants*
    - Item 6.1.b, *Total Number of CPA's*
    - Item 6.1.c, *Total Number of Personnel*
  - Incomplete Responses Due to Asserted Non-US Legal Restrictions
- Part VII, *Certain Relationships*
  - Item 7.1, *Individuals with Certain Disciplinary or Other Histories*
    - Item 7.1.a, *Relationship Exists*
    - Item 7.1.b, *Individuals*
  - Item 7.2, *Entities with Certain Disciplinary or Other Histories*
    - Item 7.2.a, *Relationship Exists*
    - Item 7.2.b, *Entities*
  - Item 7.3, *Certain Arrangements to Receive Consulting or Other Professional Services*
    - Item 7.3.a, *Arrangement Exists*
    - Item 7.3.b, *Entities*
  - Incomplete Responses Due to Asserted Non-US Legal Restrictions
- Part VIII, *Acquisition of Another Public Accounting Firm or Substantial Portions of Another Public Accounting Firm's Personnel*
- Part IX, *Affirmation of Consent*
- Part X, *Certification of Firm*

If you check this box, use the text field below to describe the error or omission in Part X as previously filed and to supply the information as it should have been provided in the previous submission. Use Part X of this amended form only to certify the amended form, not to supply corrections to the previous form.

• Part XI, Exhibits

- Exhibit 3.2, Description of Methodology Used to Estimate Components of Calculation in Item 3.2 and Reason for Using Estimates
- Exhibit 99.1, Request for Confidential Treatment
- Exhibit 99.3, Materials Required by Rule 2207(c)(2)-(4)

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

<b>PART III - GENERAL INFORMATION CONCERNING THE FIRM</b>	
<b>ITEM 3.1 - THE FIRM'S PRACTICE RELATED TO THE REGISTRATION REQUIREMENT</b>	
a. Indicate whether the Firm issued any <i>audit report</i> with respect to an <i>issuer</i> during the reporting period.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
b. In the event of an affirmative response to Item 3.1 a, indicate whether the <i>issuers</i> with respect to which the Firm issued <i>audit reports</i> during the reporting period were limited to employee benefit plans that file reports with the <i>Commission</i> on Form 11-K.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
c. In the event of a negative response to Item 3.1 a, indicate whether the Firm <i>played a substantial role in the preparation or furnishing of an audit report</i> with respect to an <i>issuer</i> during the reporting period.	<input type="checkbox"/> Yes <input type="checkbox"/> No
d. In the event of a negative response to both Items 3.1 a and 3.1 c, indicate whether, during the reporting period, the Firm issued any document with respect to financial statements of a non- <i>issuer</i> broker-dealer in which the Firm either set forth an opinion on the financial statements or asserted that no such opinion can be expressed.	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>ITEM 3.2 - FEES BILLED TO ISSUER AUDIT CLIENTS</b>	
The option to request confidential treatment for information provided in Item 3.2 is available only to <i>foreign registered public accounting firms</i> .	
a. Of the total fees billed by the Firm to all clients for services that were rendered in the reporting period, state the percentage (which may be rounded, but no less specifically than to the nearest five percent) attributable to fees billed to <i>issuer audit</i> clients for--	
1. <i>Audit services</i>	CA CR <input type="checkbox"/> <input type="checkbox"/> 86
2. <i>Other accounting services</i>	CA CR <input type="checkbox"/> <input type="checkbox"/> 0
3. <i>Tax services</i>	CA CR <input type="checkbox"/> <input type="checkbox"/> 2
4. <i>Non-audit services</i>	CA CR <input type="checkbox"/> <input type="checkbox"/> 0
b. Indicate, by checking the appropriate box, which of the following two methods the Firm used to calculate the percentages reported in Item 3.2 a--	
CA CR <input type="checkbox"/> <input type="checkbox"/>	
<input checked="" type="checkbox"/> 1. The Firm used as a denominator the total fees billed to all clients for services rendered during the reporting period and used as numerators (for each of the four categories) total fees billed to <i>issuer audit</i> clients for the relevant services rendered during the reporting period.	
<input type="checkbox"/> 2. The Firm used as a denominator the total fees billed to all clients in the Firm's fiscal year that ended during the reporting period and used as numerators (for each of the four categories) total <i>issuer audit</i> client fees as determined by reference to the fee amounts disclosed to the <i>Commission</i> by those clients for each client's fiscal year that ended during the reporting period (including, for clients who have not made the required <i>Commission</i> filings, the fee amounts required to be disclosed).	
c. If the Firm has used a reasonable method to estimate the components of the calculations described in Item 3.2 b, rather than using the specific data, check this box and attach Exhibit 3.2 briefly describing the reasons for doing so and the methodology used in making those estimates.	
CA CR <input type="checkbox"/> <input type="checkbox"/>	
Note: In responding to Item 3.2, careful attention should be paid to the definitions of the italicized terms, which are found in <i>Board Rules</i> 1001(i)(iii) ( <i>issuer</i> ), 1001(a)(v) ( <i>audit</i> ), 1001(a)(vii) ( <i>audit services</i> ), 1001(o)(i) ( <i>other accounting services</i> ), 1001(i) (i) ( <i>tax services</i> ), and 1001(n)(ii) ( <i>non-audit services</i> ). The definitions of the four categories of services correspond to the <i>Commission's</i> descriptions of the services for which an <i>issuer</i> must disclose fees paid to its auditor. Compare the descriptions of services in Item 9(e) of <i>Commission Schedule 14A</i> (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the <i>Board's</i> definitions of <i>Audit Services</i> , <i>Other Accounting Services</i> , <i>Tax Services</i> , and <i>Non-Audit Services</i> .	
<b>INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS</b>	
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part III, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the <i>Board</i> on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request	
<input type="checkbox"/> 3.1 c	<input type="checkbox"/> 3.2.a.1
<input type="checkbox"/> 3.2 b	<input type="checkbox"/> 3.2.c
<input type="checkbox"/> 3.2.a.2	<input type="checkbox"/> 3.2.a.3
<input type="checkbox"/> 3.2.a.4	



Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART IV - AUDIT CLIENTS AND AUDIT REPORTS**

**ITEM 4.1 - AUDIT REPORTS ISSUED BY THE FIRM**

a. Provide the following information concerning each issuer for which the Firm issued any *audit report(s)* during the reporting period -

1. *Issuer name*  
8888 Acquisition Corp.

2. *Issuer CIK (Central Index Key) number, if any*  
1376866

Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
9/14/2009

1. *Issuer name*  
Alliance Health, Inc.

2. *Issuer CIK (Central Index Key) number, if any*  
822434

Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
11/25/2009                      12/10/2009

1. *Issuer name*  
BTHC X, Inc.

2. *Issuer CIK (Central Index Key) number, if any*  
1375685

Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
3/23/2010                      3/29/2010

1. *Issuer name*  
BTHC XIV, Inc.

2. *Issuer CIK (Central Index Key) number, if any*  
1405646

Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
3/4/2010                      3/9/2010

1. *Issuer name*  
BTHC XV, Inc.

2. *Issuer CIK (Central Index Key) number, if any*  
1412090

Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
3/5/2010                      3/9/2010

1. *Issuer name*  
Eight Dragons Company

2. *Issuer CIK (Central Index Key) number, if any*  
1100778

Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
2/23/2010                      3/5/2010

1. *Issuer name*  
HPC Acquisitions, Inc.

2. Issuer CIK (Central Index Key) number, if any  
1435224

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

2/11/2010 2/16/2010

1. Issuer name

Latin America Ventures, Inc.

2. Issuer CIK (Central Index Key) number, if any  
1427714

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

2/3/2010

1. Issuer name

Marketing Acquisition Corporation

2. Issuer CIK (Central Index Key) number, if any  
1363343

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

3/2/2010

1. Issuer name

ReDirect, Inc.

2. Issuer CIK (Central Index Key) number, if any  
1466551

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

6/3/2009

1. Issuer name

Renewable Energy Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1418302

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

2/12/2010 2/17/2010

1. Issuer name

SMSA Crane Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1473287

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

10/1/2009 12/8/2009 1/8/2010

2/17/2010 2/19/2010

1. Issuer name

SMSA Gainesville Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1474266

Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)

10/1/2009 12/8/2009 12/21/2009

3/11/2010 3/15/2010

1. *Issuer name*  
SMSA Palestine Acquisition Corp.

2. *Issuer CIK (Central Index Key) number, if any*  
1440476  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
3/15/2010 3/23/2010

1. *Issuer name*  
The X-Change Corporation

2. *Issuer CIK (Central Index Key) number, if any*  
54424  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
12/8/2009

1. *Issuer name*  
Truewest Corporation

2. *Issuer CIK (Central Index Key) number, if any*  
895650  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
10/19/2009

1. *Issuer name*  
Vibe Records, Inc. Nevada

2. *Issuer CIK (Central Index Key) number, if any*  
1222792  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
1/13/2010

b. If the Firm identified any issuers in response to Item 4.1.a., indicate, by checking the box corresponding to the appropriate range set out below, the total number of Firm personnel who exercised the authority to sign the Firm's name to an *audit report* during the reporting period. If the Firm checks the box indicating that the number is in the range of 1-9, provide the exact number.

- 1-9      Exact Number: 1
- 10-25
- 26-50
- 51-100
- 101-200
- More than 200

Note: In responding to Item 4.1, careful attention should be paid to the definition of *audit report*, which is found in Rule 1001 (a)(vi) of the Board's Rules, and which does not encompass reports prepared for entities that are not *issuers*, as that term is defined in Rule 1001(i)(ii). Careful attention should also be paid to the definition of *issuer*. The Firm should not, for example, overlook the fact that investment companies may be *issuers*, or that employee benefit plans that file reports on Commission Form 11-K are *issuers*.

Note: In responding to Item 4.1, do not list any *issuer* more than once. For each *issuer*, provide in Item 4.1.a.3 the *audit report* dates (as described in AU 530, Dating of the Independent Auditor's Report) of all such *audit reports* for that *issuer*, including each date of any dual-dated *audit report*.

Note: In responding to Item 4.1.a.3, it is not necessary to provide the date of any consent to an *issuer's* use of an *audit report* previously issued for that *issuer*, except that, if such consents constitute the only instances of the Firm issuing *audit reports* for a particular *issuer* during the reporting period, the Firm should include that *issuer* in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**ITEM 4.2 - AUDIT REPORTS WITH RESPECT TO WHICH THE FIRM PLAYED A SUBSTANTIAL ROLE DURING THE REPORTING PERIOD**

a. If no issuers are identified in response to Item 4.1.a, but the Firm played a substantial role in the preparation or furnishing of an audit report that was issued during the reporting period, provide the following information concerning each issuer with respect to which the Firm did so -

Note: If the Firm identifies any issuer in response to Item 4.1, the Firm need not respond to Item 4.2

Note: In responding to Item 4.2, do not list any issuer more than once.

1. Issuer name

2. Issuer CIK (Central Index Key) number, if any

Check here, if none

3. Name of the registered public accounting firm that issued the audit report(s)

4. The end date(s) of the fiscal period(s) covered by the financial statements that were the subject of the audit report(s)

5. Substantial role played by the Firm with respect to the audit report(s)

If other is selected, please enter substantial role played below -

**INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS**

If the Firm is a foreign registered public accounting firm that, in responding to Part IV, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request

4.2.a.1

4.2.a.2

4.2.a.3

4.2.a.4

4.2.a.5

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART V - OFFICES AND AFFILIATIONS**

In Part V, the Firm should provide information that is current as of the last day of the reporting period.

**ITEM 5.1 - FIRMS OFFICES**

List the physical address and, if different, the mailing address, of each of the Firm's offices.

Office physical address	Office mailing address <input checked="" type="checkbox"/> Same as physical address
Country United States	Country
Street address 1 [REDACTED]	Street address 1
Street address 2 [REDACTED]	Street address 2
City Dallas	City
State/Province Texas	State/Province
Non-U.S. State/Province	Non-U.S. State/Province
Zip/Postal code 75243-7212	Zip/Postal code

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 5.2 - AUDIT-RELATED MEMBERSHIPS, AFFILIATIONS, OR SIMILAR ARRANGEMENTS															
a. State whether the Firm has any:															
1. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes <i>audit</i> procedures or manuals or related materials, or the use of a name in connection with the provision of <i>audit services</i> or accounting services	<input type="radio"/> Yes <input checked="" type="radio"/> No														
2. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that markets or sells <i>audit services</i> or through which joint <i>audits</i> are conducted	<input type="radio"/> Yes <input checked="" type="radio"/> No														
3. Arrangement, whether by contract or otherwise, with another entity through or from which the Firm employs or leases personnel to perform <i>audit services</i>	<input type="radio"/> Yes <input checked="" type="radio"/> No														
b. If the Firm provides any affirmative response in Item 5.2.a, identify the entity with which the Firm has each such relationship -															
<table border="1"> <tr> <td colspan="2">Entity name</td> </tr> <tr> <td colspan="2">Entity Address</td> </tr> <tr> <td>Country</td> <td>State/Province</td> </tr> <tr> <td>Street address 1</td> <td>Non-U.S. State/Province</td> </tr> <tr> <td>Street address 2</td> <td>Zip/Postal code</td> </tr> <tr> <td colspan="2">City</td> </tr> <tr> <td colspan="2">Provide a brief description of the relationship the Firm has with this entity</td> </tr> </table>		Entity name		Entity Address		Country	State/Province	Street address 1	Non-U.S. State/Province	Street address 2	Zip/Postal code	City		Provide a brief description of the relationship the Firm has with this entity	
Entity name															
Entity Address															
Country	State/Province														
Street address 1	Non-U.S. State/Province														
Street address 2	Zip/Postal code														
City															
Provide a brief description of the relationship the Firm has with this entity															
<p>Note: Item 5.2.b does not require information concerning every other entity that is part of the network, arrangement, alliance, partnership or association, but only information concerning the network, arrangement, alliance, partnership, or association itself, or the principal entity through which it operates.</p>															
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS															
<p>If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part V, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request.</p>															
<input type="checkbox"/> 5.1	<input type="checkbox"/> 5.2.a.1														
<input type="checkbox"/> 5.2.a.2	<input type="checkbox"/> 5.2.a.3														
<input type="checkbox"/> 5.2.b															

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART VI - PERSONNEL		
In Part VI, the Firm should provide information that is current as of the last day of the reporting period.		
ITEM 6.1 - NUMBER OF FIRM PERSONNEL		
Provide the following numerical totals -		
a. Total number of the Firm's <i>accountants</i>	1	CA CR <input type="checkbox"/> <input type="checkbox"/>
b. Total number of the Firm's certified public accountants (include in this number all <i>accountants</i> employed by the Firm with comparable licenses from non-U.S. jurisdictions)	1	CA CR <input type="checkbox"/> <input type="checkbox"/>
c. Total number of the Firm's personnel	1	CA CR <input type="checkbox"/> <input type="checkbox"/>
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS		
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part VI, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the <i>Board</i> on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request.		
<input type="checkbox"/> 6.1.a	<input type="checkbox"/> 6.1.b	<input type="checkbox"/> 6.1.c

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART VII - CERTAIN RELATIONSHIPS										
ITEM 7.1 - INDIVIDUALS WITH CERTAIN DISCIPLINARY OR OTHER HISTORIES										
<p>a. Other than a relationship required to be reported in Item 4.1 of Form 3, and only if the Firm has not previously identified the individual and the sanction or <i>Commission</i> order on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm has any employee, partner, shareholder, principal, member, or owner who was the subject of a <i>Board</i> disciplinary sanction or a <i>Commission</i> order under Rule 102(e) of the <i>Commission's</i> Rules of Practice, entered within the five years preceding the end of the reporting period and without that sanction or order having been vacated on review or appeal, and who provided at least ten hours of <i>audit services</i> for any <i>issuer</i> during the reporting period.</p>	<p style="text-align: center;"> <input type="radio"/> Yes  <input checked="" type="radio"/> No                 </p>	<p style="text-align: center;">CA CR</p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> </p>								
<p>b. If the Firm provides an affirmative response to Item 7.1.a, provide the following information for each such individual -</p>										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; padding: 5px;">1. Family name (last name)</td> <td style="padding: 5px;">Given name (first name)</td> </tr> <tr> <td colspan="2" style="padding: 5px;">2. Description of the nature of the relationship</td> </tr> <tr> <td colspan="2" style="padding: 5px;">3. Date Firm entered into relationship (mm/dd/yyyy)</td> </tr> <tr> <td colspan="2" style="padding: 5px;">4. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order</td> </tr> </table>	1. Family name (last name)	Given name (first name)	2. Description of the nature of the relationship		3. Date Firm entered into relationship (mm/dd/yyyy)		4. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order		<p style="text-align: center;"> <input type="radio"/> Board    <input type="radio"/> Commission                 </p>	<p style="text-align: center;">CA CR</p> <p style="text-align: center;"> <input type="checkbox"/> <input type="checkbox"/> </p>
1. Family name (last name)	Given name (first name)									
2. Description of the nature of the relationship										
3. Date Firm entered into relationship (mm/dd/yyyy)										
4. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order										



Italicized terms are defined in PCAOB Rule 1001. The Firm must apply these definitions in completing this Form.

ITEM 7.2 ENTITIES WITH CERTAIN DISCIPLINARY OR OTHER HISTORIES	
<p>a. Other than a relationship required to be reported in Item 4.2 of Form 3, and only if the Firm has not previously reported the information on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm was owned or partly owned by an entity that was the subject of (a) a <i>Board</i> disciplinary sanction entered within the five years preceding the end of the reporting period, which has not been vacated on review or appeal, suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a <i>Commission</i> order under Rule 102(e) of the <i>Commission's</i> Rules of Practice entered within the five years preceding the end of the reporting period, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the <i>Commission</i>.</p>	<p><input type="radio"/> Yes</p> <p><input checked="" type="radio"/> No</p> <p>CA CR <input type="checkbox"/> <input type="checkbox"/></p>
<p>b. If the Firm provides an affirmative response to 7.2.a, provide the following information for each such entity -</p>	
<p>1. Name of entity</p>	<p>CA CR <input type="checkbox"/> <input type="checkbox"/></p>
<p>2. Description of the nature of the relationship</p>	
<p>3. Date Firm entered into relationship (mm/dd/yyyy)</p>	
<p>4. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order</p> <p style="text-align: center;"><input type="checkbox"/> Board    <input type="checkbox"/> Commission</p>	

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 7.3 - CERTAIN ARRANGEMENTS TO RECEIVE CONSULTING OR OTHER PROFESSIONAL SERVICES	
a. Other than a relationship required to be reported in Item 4.3 of Form 3, state whether the Firm received, or entered into a contractual or other arrangement to receive, from any individual or entity meeting the criteria described in Items 7.1.a. or 7.2.a, consulting or other professional services related to the Firm's <i>audit</i> practice or related to services the Firm provides to <i>issuer audit</i> clients.	<input type="radio"/> Yes <input checked="" type="radio"/> No
CA CR <input type="checkbox"/> <input type="checkbox"/>	
b. If the Firm provides an affirmative response to 7.3.a, provide the following information for each such individual or entity -	
1. Name of individual or entity	CA CR <input type="checkbox"/> <input type="checkbox"/>
2. Description of the nature of the relationship	
3. Date Firm entered into relationship (mm/dd/yyyy)	
4. Description of the services provided or to be provided to the Firm by the individual or entity	
5. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order <input type="checkbox"/> Board <input type="checkbox"/> Commission	
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS	
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part VII, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the <i>Board</i> on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request.	
<input type="checkbox"/> 7.1.a	<input type="checkbox"/> 7.1.b
<input type="checkbox"/> 7.3.a	<input type="checkbox"/> 7.3.b
<input type="checkbox"/> 7.2.a	<input type="checkbox"/> 7.2.b

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

<b>PART VIII - ACQUISITION OF ANOTHER PUBLIC ACCOUNTING FIRM OR SUBSTANTIAL PORTIONS OF ANOTHER PUBLIC ACCOUNTING FIRM'S PERSONNEL</b>	
<p>If the Firm became registered on or after December 31, 2009, the first annual report that the Firm files must provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.</p>	
<b>ITEM 8.1 - ACQUISITION OF ANOTHER PUBLIC ACCOUNTING FIRM OR SUBSTANTIAL PORTIONS OF ANOTHER PUBLIC ACCOUNTING FIRM'S PERSONNEL</b>	
a. Did the Firm acquire another <i>public accounting firm</i> ?	<input type="radio"/> Yes <input checked="" type="radio"/> No
<p>b. If the Firm provides an affirmative response to Item 8.1.a, provide the name(s) of the <i>public accounting firm</i>(s) that the Firm acquired.</p>	
<p>Name of acquired <i>public accounting firm</i></p>	
c. Did the Firm, without acquiring another <i>public accounting firm</i> , take on as employees, partners, shareholders, principals, members, or owners 75% or more of the persons who, as of the beginning of the reporting period, were the partners, shareholders, principals, members, or owners of another <i>public accounting firm</i> ?	<input type="radio"/> Yes <input checked="" type="radio"/> No
<p>d. If the Firm provides an affirmative response to Item 8.1.c, provide the following information for each such <i>public accounting firm</i>.</p>	
<p>Name of the other <i>public accounting firm</i></p>	
<p>Number of the other <i>public accounting firm's</i> former partners, shareholders, principals, members, owners, and accountants that joined the Firm</p>	
<b>INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS</b>	
<p>If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part VIII, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request.</p>	
<input type="checkbox"/> 8.1.a	<input type="checkbox"/> 8.1.b
<input type="checkbox"/> 8.1.c	<input type="checkbox"/> 8.1.d

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART IX - AFFIRMATION OF CONSENT**

**ITEM 9.1 - AFFIRMATION OF UNDERSTANDING OF, AND COMPLIANCE WITH, CONSENT REQUIREMENTS**

Whether or not the Firm, in applying for registration with the Board, provided the signed statement required by Item 8.1 of Form 1, affirm, by checking the boxes, that -

- a. The Firm has consented to cooperate in and comply with any request for testimony or the production of documents made by the Board in furtherance of its authority and responsibilities under the Sarbanes-Oxley Act of 2002;
- b. The Firm has secured from each of its associated persons, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the associated person consents to cooperate in and comply with any request for testimony or the production of documents made by the Board in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the associated person understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm; and
- c. The Firm understands and agrees that cooperation and compliance, as described in Item 9.1 a, and the securing and enforcing of consents from its associated persons as described in Item 9.1 b, is a condition to the continuing effectiveness of the registration of the Firm with the Board.

Note 1: The affirmation in Item 9.1 b shall not be understood to include an affirmation that the Firm has secured such consents from any associated person that is a registered public accounting firm.

Note 2: The affirmation in Item 9.1 b shall not be understood to include an affirmation that the Firm has secured such consents from any associated person that is a foreign public accounting firm in circumstances where that associated person asserts that non-U.S. law prohibits it from providing the consent, so long as the Firm possesses in its files documents relating to the associated person's assertion about non-U.S. law that would be sufficient to satisfy the requirements of subparagraphs (2) through (4) of Rule 2207(c) if that associated person were a registered public accounting firm filing a Form 2 and withholding this affirmation. This exception to the affirmation in Item 9.1 b does not relieve the Firm of its obligation to enforce cooperation and compliance with Board demands by any such associated person as a condition of continued association with the Firm.

Note 3: If the Firm is a foreign registered public accounting firm, the affirmations in Item 9.1 that relate to associated persons shall be understood to encompass every accountant who is a proprietor, partner, principal, shareholder, officer, or audit manager of the Firm and who provided at least ten hours of audit services for any issuer during the reporting period.

**INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS**

If the Firm is a foreign registered public accounting firm that, in responding to Part IX, has withheld an affirmation on the ground that the Firm cannot provide the affirmation without violating non-U.S. law, the Firm must identify here all items - and only those items - as to which the Firm has actually declined to provide the affirmation.

9.1.a

9.1.b

9.1.c

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART X - CERTIFICATION OF THE FIRM**

**ITEM 10.1 SIGNATURE OF PARTNER OR AUTHORIZED OFFICER**

This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm.

I, the undersigned, certify that -

- a. I am a partner or an officer of the Firm and I am authorized to sign this Form on behalf of the Firm;
- b. I have reviewed this Form;
- c. based on my knowledge, the Firm has filed a special report on Form 3 with respect to each event that occurred during the reporting period and for which a special report on Form 3 is required under the Board's rules;
- d. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading; and
- e. either-
  - 1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, or
  - 2. based on the signer's knowledge-
    - (A) the Firm is a *foreign registered public accounting firm* and has not failed to include in this form any information or affirmation that is required by the instructions to this Form except for information or affirmations that the Firm asserts it cannot provide to the Board on this Form 2 without violating non-U.S. law;
    - (B) with respect to any such withheld information or affirmation, the Firm has satisfied the requirements of PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and
    - (C) the Firm has indicated, in accordance with the instructions to this Form, each item of this Form with respect to which the Firm has withheld any required information or affirmation.

Typed signature (to be submitted electronically): Scott | Hatfield  
 Given name (first name) | Family name (last name)

Manual signature (to be retained in accordance with PCAOB Rule 2204):

Date of typed and manual signatures (mm/dd/yyyy): 6/29/2010

Business Title: CPA-Sole Proprietor

Capacity in which signed: Partner  Officer

Business mailing address	
Country United States	State/Province Texas
Street address 1 [REDACTED]	Non-U.S. State/Province
Street address 2 2nd Floor	Zip/Postal code 75243-7212
City Dallas	
Business telephone number (incl. country and area codes) [REDACTED]	
Business facsimile number (incl. country and area codes) [REDACTED]	
Business e-mail address [REDACTED]	

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply these definitions in completing this Form.

<b>PART XI - EXHIBITS</b>	
<b>EXHIBIT 3.2 - DESCRIPTION OF METHODOLOGY USED TO ESTIMATE COMPONENTS OF CALCULATION IN ITEM 3.2 AND REASONS FOR USING ESTIMATES</b>	
<p>If the Firm has indicated in Item 3.2.c that it used a reasonable method to estimate the components of the calculations described in Item 3.2.b, rather than using specific data, the Firm must include as Exhibit 3.2 an exhibit that briefly describes the reasons for doing so and the methodology used in making those estimates.</p>	CA <input type="checkbox"/> CR <input type="checkbox"/>
<b>EXHIBIT 99.1 - REQUEST FOR CONFIDENTIAL TREATMENT</b>	
<p>If the Firm has identified, in accordance with the instructions to this Form, any information for which the Firm requests confidential treatment, the Firm must include as Exhibit 99.1 an exhibit that includes the representations and information required by Rule 2300(c)(2).</p> <p>Unless the Firm requests otherwise by checking the box below, any such Exhibit 99.1 will be afforded confidential treatment without the need for a request for confidential treatment.</p> <p style="text-align: right;">Check here to indicate if you <u>do not</u> want confidential treatment for Exhibit 99.1 <input type="checkbox"/></p>	
<b>EXHIBIT 99.3 - MATERIALS REQUIRED BY RULE 2207(c)(2)-(4)</b>	
<p>If the Firm is responding to a request pursuant to Rule 2207(d) for any of the materials described in Rule 2207(c)(2)-(4), submit the requested materials as Exhibit 99.3 to an amended Form 2.</p> <p>If the Firm seeks confidential treatment for any such materials submitted, check the CR box in this section and also provide Exhibit 99.1 in accordance with the instructions.</p>	CA <input type="checkbox"/> CR <input type="checkbox"/>

# PCAOB<sup>®</sup> FORM 2

Public Company Accounting Oversight Board ANNUAL REPORT FORM

Registered public accounting firms must provide their annual report and any amendments thereto to the PCAOB by completing and submitting this Form according to the instructions to Form 2.

It is important to refer to the instructions when completing each item of the Form. The Firm is responsible for completing each item according to those instructions, and should not merely rely on the Firm's own interpretation of the item descriptions appearing in this Form.

Terms that appear in italics have specific defined meanings that the Firm must apply in completing this Form. The definitions are found in PCAOB Rule 1001.

## PART I IDENTIFICATION OF THE FIRM AND CONTACT PERSONS

In Part I, the Firm should provide information that is current as of the date of the certification in Part X.

### ITEM 1.1 NAME OF THE FIRM

a. Firm legal name	
S. W. Hatfield, CPA	
b. Other names used in audit reports	None
c. Former legal names	None

### ITEM 1.2 CONTACT INFORMATION OF THE FIRM

a. Physical address of the Firm's headquarters office	Mailing address <input checked="" type="checkbox"/> Same as physical address
Country United States	Country
Street address 1 [REDACTED]	Street address 1
Street address 2 [REDACTED]	Street address 2
City Dallas	City
State/Province Texas	State/Province
Non-U.S. State/Province	Non-U.S. State/Province
Zip/Postal code 75243-7212	Zip/Postal code
b. Telephone number of the Firm's headquarters office (incl. country and area codes) [REDACTED]	
Facsimile number of the Firm's headquarters office (incl. country and area codes) [REDACTED]	
Website address of the Firm None	

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 1.3 - PRIMARY CONTACT WITH THE BOARD	
Name	
Family Name (last name) Hatfield	Given name (first name) Scott
Business title CPA	
Physical business address	Business mailing address <input checked="" type="checkbox"/> Same as physical address
Country United States	Country
Street address 1 [REDACTED]	Street address 1
Street address 2 [REDACTED]	Street address 2
City Dallas	City
State/Province Texas	State/Province
Non-U.S. State/Province	Non-U.S. State/Province
Zip/Postal code 75243-7212	Zip/Postal code
Business telephone number (incl. country and area codes) [REDACTED]	
Business facsimile number (incl. country and area codes) [REDACTED]	
Business e-mail address [REDACTED]	



Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART II - GENERAL INFORMATION CONCERNING THIS REPORT**

**ITEM 2.1 - REPORTING PERIOD**

State the reporting period covered by this report.

Note: The reporting period, which the Firm should enter in Item 2.1, is the period beginning on April 1 of the year before the year in which the annual report is required to be filed and ending March 31 of the year in which the annual report is required to be filed. That is the period referred to where this Form refers to the "reporting period." Note, however, the special instruction at the beginning of Part VIII concerning the first annual report filed by certain firms.

Start of reporting period (mm/dd/yyyy)

4/1/2010

End of reporting period (mm/dd/yyyy)

3/31/2011

**ITEM 2.2 - AMENDMENTS**

If this is an amendment to a report previously filed with the Board -

a. Indicate, by checking the box corresponding to this item, that this is an amendment

b. Identify the specific Part or Item numbers of this Form (other than this Item 2.2) as to which the Firm's response has changed from that provided in the most recent Form 2 or amended Form 2 filed by the Firm with respect to the reporting period

- Part I, Identity of the Firm and Contact Persons
  - Part III, General Information Concerning the Firm
      - Item 3.1, The Firm's Practice Related to the Registration Requirement
        - o Item 3.2, Fees Billed to Issuer Audit Clients
          - Item 3.2.a.1, Audit Services
          - Item 3.2.a.2, Other Accounting Services
          - Item 3.2.a.3, Tax Services
          - Item 3.2.a.4, Non-audit Services
          - Item 3.2.b, Calculation Method
          - Item 3.2.c, Estimated Percentages
        - Incomplete Responses Due to Asserted Non-US Legal Restrictions
  - Part IV, Audit Clients and Audit Reports
  - Part V, Offices and Affiliations
    - Part VI, Personnel
      - o Item 6.1, Number of Firm Personnel
        - Item 6.1.a, Total Number of Accountants
        - Item 6.1.b, Total Number of CPA's
        - Item 6.1.c, Total Number of Personnel
      - Incomplete Responses Due to Asserted Non-US Legal Restrictions
    - Part VII, Certain Relationships
      - o Item 7.1, Individuals with Certain Disciplinary or Other Histories
        - Item 7.1.a, Relationship Exists
        - Item 7.1.b, Individuals
      - o Item 7.2, Entities with Certain Disciplinary or Other Histories
        - Item 7.2.a, Relationship Exists
        - Item 7.2.b, Entities
      - o Item 7.3, Certain Arrangements to Receive Consulting or Other Professional Services
        - Item 7.3.a, Arrangement Exists
        - Item 7.3.b, Entities
      - Incomplete Responses Due to Asserted Non-US Legal Restrictions
  - Part VIII, Acquisition of Another Public Accounting Firm or Substantial Portions of Another Public Accounting Firm's Personnel
  - Part IX, Affirmation of Consent
  - Part X, Certification of Firm
- If you check this box, use the text field below to describe the error or omission in Part X as previously filed and to supply the information as it should have been provided in the previous submission. Use Part X of this amended form only to certify the amended form, not to supply corrections to the previous form.

• Part XI, Exhibits

- Exhibit 3.2, Description of Methodology Used to Estimate Components of Calculation in Item 3.2 and Reason for Using Estimates
- Exhibit 99.1, Request for Confidential Treatment
- Exhibit 99.3, Materials Required by Rule 2207(c)(2)-(4)

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

<b>PART III - GENERAL INFORMATION CONCERNING THE FIRM</b>	
<b>ITEM 3.1 - THE FIRM'S PRACTICE RELATED TO THE REGISTRATION REQUIREMENT</b>	
a. Indicate whether the Firm issued any <i>audit report</i> with respect to an <i>issuer</i> during the reporting period.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
b. In the event of an affirmative response to Item 3.1.a, indicate whether the <i>issuers</i> with respect to which the Firm issued <i>audit reports</i> during the reporting period were limited to employee benefit plans that file reports with the Commission on Form 11-K.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
c. In the event of a negative response to Item 3.1.a, indicate whether the Firm played a <i>substantial role in the preparation or furnishing of an audit report</i> with respect to an <i>issuer</i> during the reporting period.	<input type="checkbox"/> Yes <input type="checkbox"/> No
d. In the event of a negative response to both Items 3.1.a and 3.1.c, indicate whether, during the reporting period, the Firm issued any document with respect to financial statements of a <i>non-issuer broker-dealer</i> in which the Firm either set forth an opinion on the financial statements or asserted that no such opinion can be expressed	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>ITEM 3.2 - FEES BILLED TO ISSUER AUDIT CLIENTS</b>	
<i>The option to request confidential treatment for information provided in Item 3.2 is available only to foreign registered public accounting firms.</i>	
a. Of the total fees billed by the Firm to all clients for services that were rendered in the reporting period, state the percentage (which may be rounded, but no less specifically than to the nearest five percent) attributable to fees billed to <i>issuer audit</i> clients for-	
1. <i>Audit services</i> CA CR <input type="checkbox"/> <input type="checkbox"/> 83	2. <i>Other accounting services</i> CA CR <input type="checkbox"/> <input type="checkbox"/> 0
3. <i>Tax services</i> CA CR <input type="checkbox"/> <input type="checkbox"/> 5	4. <i>Non-audit services</i> CA CR <input type="checkbox"/> <input type="checkbox"/> 0
b. Indicate, by checking the appropriate box, which of the following two methods the Firm used to calculate the percentages reported in Item 3.2.a - CA CR <input type="checkbox"/> <input type="checkbox"/>	
<input checked="" type="checkbox"/> 1. The Firm used as a denominator the total fees billed to all clients for services rendered during the reporting period and used as numerators (for each of the four categories) total fees billed to <i>issuer audit</i> clients for the relevant services rendered during the reporting period. <input type="checkbox"/> 2. The Firm used as a denominator the total fees billed to all clients in the Firm's fiscal year that ended during the reporting period and used as numerators (for each of the four categories) total <i>issuer audit</i> client fees as determined by reference to the fee amounts disclosed to the Commission by those clients for each client's fiscal year that ended during the reporting period (including, for clients who have not made the required Commission filings, the fee amounts required to be disclosed).	
c. If the Firm has used a reasonable method to estimate the components of the calculations described in Item 3.2.b, rather than using the specific data, check this box and attach Exhibit 3.2 briefly describing the reasons for doing so and the methodology used in making those estimates. CA CR <input type="checkbox"/> <input type="checkbox"/>	
<p>Note: In responding to Item 3.2, careful attention should be paid to the definitions of the italicized terms, which are found in Board Rules 1001(i)(iii) (<i>issuer</i>), 1001(a)(v) (<i>audit</i>), 1001(a)(vii) (<i>audit services</i>), 1001(o)(i) (<i>other accounting services</i>), 1001(i) (i) (<i>tax services</i>), and 1001(n)(ii) (<i>non-audit services</i>). The definitions of the four categories of services correspond to the Commission's descriptions of the services for which an <i>issuer</i> must disclose fees paid to its auditor. Compare the descriptions of services in Item 9(e) of Commission Schedule 14A (17 C.F.R. § 240.14a-101) under the headings "Audit Fees," "Audit-Related Fees," "Tax Fees," and "All Other Fees" with, respectively, the Board's definitions of <i>Audit Services</i>, <i>Other Accounting Services</i>, <i>Tax Services</i>, and <i>Non-Audit Services</i>.</p>	
<b>INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS</b>	
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part III, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request.	
<input type="checkbox"/> 3.1.c	<input type="checkbox"/> 3.2.a.1
<input type="checkbox"/> 3.2.b	<input type="checkbox"/> 3.2.c
<input type="checkbox"/> 3.2.a.2	<input type="checkbox"/> 3.2.a.3
<input type="checkbox"/> 3.2.a.4	

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART IV - AUDIT CLIENTS AND AUDIT REPORTS**

**ITEM 4.1 - AUDIT REPORTS ISSUED BY THE FIRM**

a. Provide the following information concerning each issuer for which the Firm issued any *audit report(s)* during the reporting period.

1. *Issuer name*  
8888 Acquisition Corporation

2. *Issuer CIK (Central Index Key) number, if any*  
1376866  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
10/7/2010                      10/14/2010

1. *Issuer name*  
Alliance Health, Inc

2. *Issuer CIK (Central Index Key) number, if any*  
822434  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
11/2/2010                      11/24/2010

1. *Issuer name*  
BTHC XIV, Inc.

2. *Issuer CIK (Central Index Key) number, if any*  
1405646  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
1/11/2011                      1/13/2011

1. *Issuer name*  
Eight Dragons Company

2. *Issuer CIK (Central Index Key) number, if any*  
1100778  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
1/26/2011

1. *Issuer name*  
HPC Acquisitions, Inc

2. *Issuer CIK (Central Index Key) number, if any*  
1435224  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
1/6/2011                      3/1/2011

1. *Issuer name*  
Renewable Energy Acquisition Corp.

2. *Issuer CIK (Central Index Key) number, if any*  
1418302  Check here, if none

3. *Date(s) of the audit report(s) (mm/dd/yyyy)*  
2/25/2011                      3/7/2011

1. *Issuer name*  
Signet International Holdings, Inc.

2. Issuer CIK (Central Index Key) number, if any  
1317833  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
4/7/2010 4/9/2010

1. Issuer name  
SMSA Crane Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1473287  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
2/7/2011 3/1/2011

1. Issuer name  
SMSA Gainesville Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1474266  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
2/8/2011 3/3/2011

1. Issuer name  
SMSA Humble Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1495900  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
8/25/2010 8/26/2010 10/26/2010  
12/8/2010 2/10/2011 3/14/2011

1. Issuer name  
SMSA Katy Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1495899  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
8/24/2010 10/25/2010 12/17/2010  
2/9/2011 3/14/2011

1. Issuer name  
SMSA Kerrville Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1512693  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
1/28/2011 2/11/2011

1. Issuer name  
SMSA Shreveport Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1501643  Check here, if none

3. Date(s) of the audit report(s) (mm/dd/yyyy)  
8/25/2010 9/17/2010 10/27/2010  
1/25/2011

1. Issuer name  
SMSA Treemont Acquisition Corp.

2. Issuer CIK (Central Index Key) number, if any  
1495898

Check here, if none

3. Date(s) of the *audit report(s)* (mm/dd/yyyy)

8/25/2010                      8/26/2010                      10/26/2010

12/8/2010                      2/10/2011                      3/14/2011

1. Issuer name  
The X-Change Corporation

2. Issuer CIK (Central Index Key) number, if any  
54424

Check here, if none

3. Date(s) of the *audit report(s)* (mm/dd/yyyy)

1/14/2011

1. Issuer name  
Truewest Corporation

2. Issuer CIK (Central Index Key) number, if any  
895650

Check here, if none

3. Date(s) of the *audit report(s)* (mm/dd/yyyy)

11/9/2010                      11/11/2010

b. If the Firm identified any issuers in response to Item 4.1.a., indicate, by checking the box corresponding to the appropriate range set out below, the total number of Firm personnel who exercised the authority to sign the Firm's name to an *audit report* during the reporting period. If the Firm checks the box indicating that the number is in the range of 1-9, provide the exact number.

1-9                      Exact Number: 1

10-25

26-50

51-100

101-200

More than 200

Note: In responding to Item 4.1, careful attention should be paid to the definition of *audit report*, which is found in Rule 1001 (a)(vi) of the *Board's Rules*, and which does not encompass reports prepared for entities that are not *issuers*, as that term is defined in Rule 1001(i)(iii). Careful attention should also be paid to the definition of *issuer*. The Firm should not, for example, overlook the fact that investment companies may be *issuers*, or that employee benefit plans that file reports on *Commission Form 11-K* are *issuers*.

Note: In responding to Item 4.1, do not list any *issuer* more than once. For each *issuer*, provide in Item 4.1.a.3 the *audit report* dates (as described in AU 530, *Dating of the Independent Auditor's Report*) of all such *audit reports* for that *issuer*, including each date of any dual-dated *audit report*.

Note: In responding to Item 4.1.a.3, it is not necessary to provide the date of any consent to an *issuer's* use of an *audit report* previously issued for that *issuer*, except that, if such consents constitute the only instances of the Firm issuing *audit reports* for a particular *issuer* during the reporting period, the Firm should include that *issuer* in Item 4.1 and include the dates of such consents in Item 4.1.a.3.

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 4.2 - AUDIT REPORTS WITH RESPECT TO WHICH THE FIRM PLAYED A SUBSTANTIAL ROLE DURING THE REPORTING PERIOD				
<p>a. If no <i>issuers</i> are identified in response to Item 4.1 a, but the Firm played a substantial role in the preparation or furnishing of an <i>audit report</i> that was issued during the reporting period, provide the following information concerning each <i>issuer</i> with respect to which the Firm did so -</p> <p>Note: If the Firm identifies any <i>issuer</i> in response to Item 4.1, the Firm need not respond to Item 4.2.</p> <p>Note: In responding to Item 4.2, do not list any <i>issuer</i> more than once.</p>				
1. <i>Issuer</i> name				
2. <i>Issuer</i> CIK (Central Index Key) number, if any	<input type="checkbox"/> Check here, if none			
3. Name of the registered public accounting firm that issued the <i>audit report(s)</i>				
4. The end date(s) of the fiscal period(s) covered by the financial statements that were the subject of the <i>audit report(s)</i>				
5. <i>Substantial role</i> played by the Firm with respect to the <i>audit report(s)</i>	If other is selected, please enter <i>substantial role</i> played below -			
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS				
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part IV, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request				
<input type="checkbox"/> 4.2.a.1	<input type="checkbox"/> 4.2.a.2	<input type="checkbox"/> 4.2.a.3	<input type="checkbox"/> 4.2.a.4	<input type="checkbox"/> 4.2.a.5

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

**PART V - OFFICES AND AFFILIATIONS**

In Part V, the Firm should provide information that is current as of the last day of the reporting period.

**ITEM 5.1 - FIRM'S OFFICES**

List the physical address and, if different, the mailing address, of each of the Firm's offices.

Office physical address	Office mailing address <input checked="" type="checkbox"/> Same as physical address
Country United States	Country
Street address 1 ██████████	Street address 1
Street address 2 2nd Floor	Street address 2
City Dallas	City
State/Province Texas	State/Province
Non-U.S. State/Province	Non-U.S. State/Province
Zip/Postal code 75243-7212	Zip/Postal code



Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 5.2 - AUDIT-RELATED MEMBERSHIPS, AFFILIATIONS, OR SIMILAR ARRANGEMENTS															
a. State whether the Firm has any:															
1. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that licenses or authorizes <i>audit</i> procedures or manuals or related materials, or the use of a name in connection with the provision of <i>audit services</i> or accounting services	<input type="radio"/> Yes <input checked="" type="radio"/> No														
2. Membership or affiliation in or with any network, arrangement, alliance, partnership or association that markets or sells <i>audit services</i> or through which joint <i>audits</i> are conducted	<input type="radio"/> Yes <input checked="" type="radio"/> No														
3. Arrangement, whether by contract or otherwise, with another entity through or from which the Firm employs or leases personnel to perform <i>audit services</i>	<input type="radio"/> Yes <input checked="" type="radio"/> No														
b. If the Firm provides any affirmative response in Item 5.2.a, identify the entity with which the Firm has each such relationship -															
<table border="1"> <tr> <td colspan="2">Entity name</td> </tr> <tr> <td colspan="2">Entity Address</td> </tr> <tr> <td>Country</td> <td>State/Province</td> </tr> <tr> <td>Street address 1</td> <td>Non-U.S. State/Province</td> </tr> <tr> <td>Street address 2</td> <td>Zip/Postal code</td> </tr> <tr> <td colspan="2">City</td> </tr> <tr> <td colspan="2">Provide a brief description of the relationship the Firm has with this entity</td> </tr> </table>		Entity name		Entity Address		Country	State/Province	Street address 1	Non-U.S. State/Province	Street address 2	Zip/Postal code	City		Provide a brief description of the relationship the Firm has with this entity	
Entity name															
Entity Address															
Country	State/Province														
Street address 1	Non-U.S. State/Province														
Street address 2	Zip/Postal code														
City															
Provide a brief description of the relationship the Firm has with this entity															
<p>Note: Item 5.2.b does not require information concerning every other entity that is part of the network, arrangement, alliance, partnership or association, but only information concerning the network, arrangement, alliance, partnership, or association itself, or the principal entity through which it operates.</p>															
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS															
<p>If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part V, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request.</p>															
<input type="checkbox"/> 5.1	<input type="checkbox"/> 5.2.a.1														
<input type="checkbox"/> 5.2.a.2	<input type="checkbox"/> 5.2.a.3														
<input type="checkbox"/> 5.2.b															

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART VI - PERSONNEL		
In Part VI, the Firm should provide information that is current as of the last day of the reporting period.		
ITEM 6.1 - NUMBER OF FIRM PERSONNEL		
Provide the following numerical totals -		
		CA CR
a Total number of the Firm's <i>accountants</i>	1	<input type="checkbox"/> <input type="checkbox"/>
b Total number of the Firm's certified public accountants (include in this number all <i>accountants</i> employed by the Firm with comparable licenses from non-U.S. jurisdictions)	1	<input type="checkbox"/> <input type="checkbox"/>
c Total number of the Firm's personnel	1	<input type="checkbox"/> <input type="checkbox"/>
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS		
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part VI, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request		
<input type="checkbox"/> 6.1.a	<input type="checkbox"/> 6.1.b	<input type="checkbox"/> 6.1.c

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

<b>PART VII - CERTAIN RELATIONSHIPS</b>		
<b>ITEM 7.1 - INDIVIDUALS WITH CERTAIN DISCIPLINARY OR OTHER HISTORIES</b>		
<p>a. Other than a relationship required to be reported in Item 4.1 of Form 3, and only if the Firm has not previously identified the individual and the sanction or <i>Commission</i> order on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm has any employee, partner, shareholder, principal, member, or owner who was the subject of a <i>Board</i> disciplinary sanction or a <i>Commission</i> order under Rule 102(e) of the <i>Commission's</i> Rules of Practice, entered within the five years preceding the end of the reporting period and without that sanction or order having been vacated on review or appeal, and who provided at least ten hours of <i>audit services</i> for any <i>issuer</i> during the reporting period.</p>		<p>CA CR</p> <p><input type="checkbox"/> <input type="checkbox"/></p> <p><input checked="" type="radio"/> Yes      <input type="radio"/> No</p>
<p>b. If the Firm provides an affirmative response to Item 7.1 a, provide the following information for each such individual -</p>		
1. Family name (last name)	Given name (first name)	<p>CA CR</p> <p><input type="checkbox"/> <input type="checkbox"/></p>
2. Description of the nature of the relationship		
3. Date Firm entered into relationship (mm/dd/yyyy)		
<p>4. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order</p> <p style="text-align: center;"><input type="radio"/> <i>Board</i>    <input type="radio"/> <i>Commission</i></p>		

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 7.2 ENTITIES WITH CERTAIN DISCIPLINARY OR OTHER HISTORIES					
<p>a. Other than a relationship required to be reported in Item 4.2 of Form 3, and only if the Firm has not previously reported the information on Form 1, Form 2, or Form 3, state whether, as of the end of the reporting period, the Firm was owned or partly owned by an entity that was the subject of (a) a <i>Board</i> disciplinary sanction entered within the five years preceding the end of the reporting period, which has not been vacated on review or appeal, suspending or revoking that entity's registration or disapproving that entity's application for registration, or (b) a <i>Commission</i> order under Rule 102(e) of the <i>Commission's</i> Rules of Practice entered within the five years preceding the end of the reporting period, which has not been vacated on appeal, suspending or denying the privilege of appearing or practicing before the <i>Commission</i>.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;"><input type="checkbox"/> Yes</td> <td style="text-align: center; padding: 2px;">CA CR</td> </tr> <tr> <td style="text-align: center; padding: 2px;"><input checked="" type="checkbox"/> No</td> <td style="text-align: center; padding: 2px;"><input type="checkbox"/> <input type="checkbox"/></td> </tr> </table>	<input type="checkbox"/> Yes	CA CR	<input checked="" type="checkbox"/> No	<input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> Yes	CA CR				
<input checked="" type="checkbox"/> No	<input type="checkbox"/> <input type="checkbox"/>				
<p>b. If the Firm provides an affirmative response to 7.2.a, provide the following information for each such entity.</p>					
1. Name of entity	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;">CA CR</td> </tr> <tr> <td style="text-align: center; padding: 2px;"><input type="checkbox"/> <input type="checkbox"/></td> </tr> </table>	CA CR	<input type="checkbox"/> <input type="checkbox"/>		
CA CR					
<input type="checkbox"/> <input type="checkbox"/>					
2. Description of the nature of the relationship					
3. Date Firm entered into relationship (mm/dd/yyyy)					
4. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;"><input type="checkbox"/> <i>Board</i>    <input type="checkbox"/> <i>Commission</i></td> <td style="text-align: center; padding: 2px;">CA CR</td> </tr> <tr> <td></td> <td style="text-align: center; padding: 2px;"><input type="checkbox"/> <input type="checkbox"/></td> </tr> </table>	<input type="checkbox"/> <i>Board</i> <input type="checkbox"/> <i>Commission</i>	CA CR		<input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> <i>Board</i> <input type="checkbox"/> <i>Commission</i>	CA CR				
	<input type="checkbox"/> <input type="checkbox"/>				

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

ITEM 7.3 - CERTAIN ARRANGEMENTS TO RECEIVE CONSULTING OR OTHER PROFESSIONAL SERVICES	
a. Other than a relationship required to be reported in Item 4.3 of Form 3, state whether the Firm received, or entered into a contractual or other arrangement to receive, from any individual or entity meeting the criteria described in Items 7.1.a or 7.2.a, consulting or other professional services related to the Firm's <i>audit practice</i> or related to services the Firm provides to <i>issuer audit</i> clients	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
CA CR <input type="checkbox"/> <input type="checkbox"/>	
b. If the Firm provides an affirmative response to 7.3.a, provide the following information for each such individual or entity -	
1. Name of individual or entity	
2. Description of the nature of the relationship	
3. Date Firm entered into relationship (mm/dd/yyyy)	
4. Description of the services provided or to be provided to the Firm by the individual or entity	
5. The date of the relevant order and an indication whether it was a <i>Board</i> order or a <i>Commission</i> order <input type="checkbox"/> <i>Board</i> <input type="checkbox"/> <i>Commission</i>	
CA CR <input type="checkbox"/> <input type="checkbox"/>	
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS	
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part VII, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the <i>Board</i> on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request	
<input type="checkbox"/> 7.1.a	<input type="checkbox"/> 7.1.b
<input type="checkbox"/> 7.3.a	<input type="checkbox"/> 7.3.b
<input type="checkbox"/> 7.2.a	<input type="checkbox"/> 7.2.b

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART VIII - ACQUISITION OF ANOTHER PUBLIC ACCOUNTING FIRM OR SUBSTANTIAL PORTIONS OF ANOTHER PUBLIC ACCOUNTING FIRM'S PERSONNEL	
If the Firm became registered on or after December 31, 2009, the first annual report that the Firm files must provide this information for the period running from the date used by the Firm for purposes of General Instruction 9 of Form 1 (regardless of whether that date was before or after the beginning of the reporting period) through March 31 of the year in which the annual report is required to be filed.	
ITEM 8.1 - ACQUISITION OF ANOTHER PUBLIC ACCOUNTING FIRM OR SUBSTANTIAL PORTIONS OF ANOTHER PUBLIC ACCOUNTING FIRM'S PERSONNEL	
a. Did the Firm acquire another <i>public accounting firm</i> ?	<input type="radio"/> Yes <input checked="" type="radio"/> No
b. If the Firm provides an affirmative response to Item 8.1 a, provide the name(s) of the <i>public accounting firm(s)</i> that the Firm acquired	
Name of acquired <i>public accounting firm</i>	
c. Did the Firm, without acquiring another <i>public accounting firm</i> , take on as employees, partners, shareholders, principals, members, or owners 75% or more of the persons who, as of the beginning of the reporting period, were the partners, shareholders, principals, members, or owners of another <i>public accounting firm</i> ?	<input type="radio"/> Yes <input checked="" type="radio"/> No
d. If the Firm provides an affirmative response to Item 8.1.c, provide the following information for each such <i>public accounting firm</i> -	
Name of the other <i>public accounting firm</i>	
Number of the other <i>public accounting firm</i> 's former partners, shareholders, principals, members, owners, and accountants that joined the Firm	
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS	
If the Firm is a <i>foreign registered public accounting firm</i> that, in responding to Part VIII, has either withheld certain information, or declined to request certain information from relevant third parties, on the ground that the Firm cannot provide the information to the Board on this Form 2 without violating non-U.S. law, the Firm must identify here all items -- and only those items -- with respect to which there is any information that the Firm has actually withheld or declined to request	
<input type="checkbox"/> 8.1 a	<input type="checkbox"/> 8.1 b
<input type="checkbox"/> 8.1 c	<input type="checkbox"/> 8.1 d

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART IX - AFFIRMATION OF CONSENT		
ITEM 9.1 - AFFIRMATION OF UNDERSTANDING OF, AND COMPLIANCE WITH, CONSENT REQUIREMENTS		
Whether or not the Firm, in applying for registration with the Board, provided the signed statement required by Item 8.1 of Form 1, affirm, by checking the boxes, that -		
a. The Firm has consented to cooperate in and comply with any request for testimony or the production of documents made by the Board in furtherance of its authority and responsibilities under the Sarbanes-Oxley Act of 2002:	<input checked="" type="checkbox"/>	
b. The Firm has secured from each of its associated persons, and agrees to enforce as a condition of each such person's continued employment by or other association with the Firm, a consent indicating that the associated person consents to cooperate in and comply with any request for testimony or the production of documents made by the Board in furtherance of its authority under the Sarbanes-Oxley Act of 2002, and that the associated person understands and agrees that such consent is a condition of his or her continued employment by or other association with the Firm, and	<input checked="" type="checkbox"/>	
c. The Firm understands and agrees that cooperation and compliance, as described in Item 9.1.a, and the securing and enforcing of consents from its associated persons as described in Item 9.1.b, is a condition to the continuing effectiveness of the registration of the Firm with the Board	<input checked="" type="checkbox"/>	
Note 1: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any associated person that is a registered public accounting firm.		
Note 2: The affirmation in Item 9.1.b shall not be understood to include an affirmation that the Firm has secured such consents from any associated person that is a foreign public accounting firm in circumstances where that associated person asserts that non-U.S. law prohibits it from providing the consent, so long as the Firm possesses in its files documents relating to the associated person's assertion about non-U.S. law that would be sufficient to satisfy the requirements of subparagraphs (2) through (4) of Rule 2207(c) if that associated person were a registered public accounting firm filing a Form 2 and withholding this affirmation. This exception to the affirmation in Item 9.1.b does not relieve the Firm of its obligation to enforce cooperation and compliance with Board demands by any such associated person as a condition of continued association with the Firm.		
Note 3: If the Firm is a foreign registered public accounting firm, the affirmations in Item 9.1 that relate to associated persons shall be understood to encompass every accountant who is a proprietor, partner, principal, shareholder, officer, or audit manager of the Firm and who provided at least ten hours of audit services for any issuer during the reporting period		
INCOMPLETE RESPONSES DUE TO ASSERTED NON-U.S. LEGAL RESTRICTIONS		
If the Firm is a foreign registered public accounting firm that, in responding to Part IX, has withheld an affirmation on the ground that the Firm cannot provide the affirmation without violating non-U.S. law, the Firm must identify here all items - and only those items - as to which the Firm has actually declined to provide the affirmation		
<input type="checkbox"/> 91a	<input type="checkbox"/> 91b	<input type="checkbox"/> 91c

Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART X - CERTIFICATION OF THE FIRM	
ITEM 10.1 SIGNATURE OF PARTNER OR AUTHORIZED OFFICER	
<p>This Form must be signed on behalf of the Firm by an authorized partner or officer of the Firm including, in accordance with Rule 2204, both a signature that appears in typed form within the electronic submission and a corresponding manual signature retained by the Firm.</p>	
<p>I, the undersigned, certify that -</p> <p>a. I am a partner or an officer of the Firm and I am authorized to sign this Form on behalf of the Firm,</p> <p>b. I have reviewed this Form,</p> <p>c. based on my knowledge, the Firm has filed a special report on Form 3 with respect to each event that occurred during the reporting period and for which a special report on Form 3 is required under the Board's rules,</p> <p>d. based on the signer's knowledge, this Form does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading, and</p> <p>e. either:</p> <p style="margin-left: 20px;"><input checked="" type="radio"/> 1. based on the signer's knowledge, the Firm has not failed to include in this Form any information or affirmation that is required by the instructions to this Form, or</p> <p style="margin-left: 20px;"><input type="radio"/> 2. based on the signer's knowledge-</p> <p style="margin-left: 40px;">(A) the Firm is a <i>foreign registered public accounting firm</i> and has not failed to include in this form any information or affirmation that is required by the instructions to this Form except for information or affirmations that the Firm asserts it cannot provide to the Board on this Form 2 without violating non-U.S. law,</p> <p style="margin-left: 40px;">(B) with respect to any such withheld information or affirmation, the Firm has satisfied the requirements of PCAOB Rule 2207(b) and has in its possession the materials required by PCAOB Rule 2207(c); and</p> <p style="margin-left: 40px;">(C) the Firm has indicated, in accordance with the instructions to this Form, each item of this Form with respect to which the Firm has withheld any required information or affirmation</p>	
<p>Typed signature (to be submitted electronically):</p> <p style="margin-left: 100px;">Scott</p> <p style="margin-left: 100px;">Given name (first name)</p>	<p style="margin-left: 100px;">Halfield</p> <p style="margin-left: 100px;">Family name (last name)</p>
<p>Manual signature (to be retained in accordance with PCAOB Rule 2204)</p>	
<p>Date of typed and manual signatures (mm/dd/yyyy): 6/26/2011</p>	
<p>Business Title: CPA-Sole Proprietor</p>	
<p>Capacity in which signed: Partner <input type="radio"/> Officer <input checked="" type="radio"/></p>	
<p>Business mailing address</p> <p>Country: United States</p>	<p>State/Province: Texas</p>
<p>Street address 1: [REDACTED]</p>	<p>Non-U.S. State/Province:</p>
<p>Street address 2: [REDACTED]</p>	<p>Zip/Postal code: 75243-7212</p>
<p>City: Dallas</p>	
<p>Business telephone number (incl. country and area codes): [REDACTED]</p>	
<p>Business facsimile number (incl. country and area codes): [REDACTED]</p>	
<p>Business e-mail address: [REDACTED]</p>	



Italicized terms are defined in PCAOB Rule 1001. The Firm must apply those definitions in completing this Form.

PART XI - EXHIBITS	
<b>EXHIBIT 3.2 - DESCRIPTION OF METHODOLOGY USED TO ESTIMATE COMPONENTS OF CALCULATION IN ITEM 3.2 AND REASONS FOR USING ESTIMATES</b>	
If the Firm has indicated in Item 3.2.c that it used a reasonable method to estimate the components of the calculations described in Item 3.2.b, rather than using specific data, the Firm must include as Exhibit 3.2 an exhibit that briefly describes the reasons for doing so and the methodology used in making those estimates.	CA CR <input type="checkbox"/> <input type="checkbox"/>
<b>EXHIBIT 99.1 - REQUEST FOR CONFIDENTIAL TREATMENT</b>	
If the Firm has identified, in accordance with the instructions to this Form, any information for which the Firm requests confidential treatment, the Firm must include as Exhibit 99.1 an exhibit that includes the representations and information required by Rule 2300(c)(2).	
Unless the Firm requests otherwise by checking the box below, any such Exhibit 99.1 will be afforded confidential treatment without the need for a request for confidential treatment.	
Check here to indicate if you <u>do not</u> want confidential treatment for Exhibit 99.1 <input type="checkbox"/>	
<b>EXHIBIT 99.3 - MATERIALS REQUIRED BY RULE 2207(c)(2)-(4)</b>	
If the Firm is responding to a request pursuant to Rule 2207(d) for any of the materials described in Rule 2207(c)(2)-(4), submit the requested materials as Exhibit 99.3 to an amended Form 2.	CA CR <input type="checkbox"/> <input type="checkbox"/>
If the Firm seeks confidential treatment for any such materials submitted, check the CR box in this section and also provide Exhibit 99.1 in accordance with the instructions.	

# **Exhibit King-I**



# U.S. Securities and Exchange Commission

## Division of Enforcement

### Prejudgment Interest Report

#### Exhibit I - S.W. Hatfield, CPA and Scott W. Hatfield, CPA

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$187,222.00
06/01/2011-06/30/2011	4%	0.33%	\$615.52	\$187,837.52
07/01/2011-09/30/2011	4%	1.01%	\$1,893.81	\$189,731.33
10/01/2011-12/31/2011	3%	0.76%	\$1,434.68	\$191,166.01
01/01/2012-03/31/2012	3%	0.75%	\$1,425.91	\$192,591.92
04/01/2012-06/30/2012	3%	0.75%	\$1,436.55	\$194,028.47
07/01/2012-09/30/2012	3%	0.75%	\$1,463.17	\$195,491.64
10/01/2012-12/31/2012	3%	0.75%	\$1,474.20	\$196,965.84
<b>Prejudgment Violation Range</b>			<b>Quarter Interest Total</b>	<b>Prejudgment Total</b>
06/01/2011-12/31/2012			\$9,743.84	\$196,965.84

**EXHIBIT 3:**  
**Treacy**  
**Declaration**

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

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 67793**

**ACCOUNTING AND AUDITING ENFORCEMENT**

**Release No. 3415**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-15012**

**In the Matter of**

**Scott W. Hatfield, CPA; and**

**S. W. Hatfield, CPA**

**Respondents.**

**DECLARATION OF WILLIAM TREACY**

I, William Treacy, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and that I am competent to testify as to the matters stated herein:

1. I am over 21 years of age. I am employed by the Texas State Board of Public Accountancy ("TSBPA") as Executive Director, a position I have held since September 1990.

2. As Executive Director for the TSPBA, I am responsible for, among other things, managing and overseeing the work carried on by the TSBPA's Enforcement Division and its staff, including enforcement attorney Virginia Moher, CPA.

3. Also, by reason of my position as Executive Director, I am authorized and qualified to serve as a custodian of records for the TSBPA, and I am familiar with the TSBPA's recordkeeping practices and systems. I certify that the documents attached hereto as Exhibits Treacy-A through Treacy-F are true copies of records that were (a) made at or near the time of the occurrence of the matters set forth therein, by, or from information transmitted by, a person with knowledge of those

matters; (b) made as part of a regularly conducted business activity as a regular practice; and (c) kept in the course of regularly conducted business activity.

4. I am familiar with the facts and circumstances surrounding the delinquency and expiration of S.W. Hatfield C.P.A.'s ("SWH") firm license between January 31, 2010 and May 19, 2011. The TSBPA investigation number concerning these matters is 08-03-10L.

5. In a letter dated October 9, 2009, the TSBPA notified Respondents that SWH's CPA license for 2010 had not been issued and that SWH had failed to report its peer review results for the years 2006 – 2009. See Exhibit Treacy-A, attached hereto and incorporated herein.

6. TEX. OCC. CODE § 901.404 requires the TSBPA to provide written notice to a license holder, no later than thirty days prior to the date on which a license is scheduled to expire, of the impending expiration. In accordance with the law, no later than December 31, 2009, the TSBPA sent written notification to Respondents' known address notifying them that SWH's firm license would expire on January 31, 2010.

7. I am aware that by no later than February 2010, TSBPA enforcement attorney Virginia Moher, CPA was in regular contact with John Koepke ("Koepke") regarding SHW's licensing issues. Koepke is a Jackson Walker L.L.P. attorney who, at that time, was engaged to represent Scott W. Hatfield, CPA in a Public Company Accounting Oversight Board ("PCAOB") investigation into SWH's accountancy practices. In fact, the TSBPA first contacted Koepke in the Spring of 2008 regarding the PCAOB investigation of SWH. Koepke first contacted the TSBPA on Respondents' behalf on May 14, 2008, to report his clients' efforts to address the PCAOB investigation.

8. I know that in or before March 2010, Virginia Moher again alerted Respondents, during a phone call with attorney Koepke, that SWH's firm license was expired, that it was three years delinquent in satisfying peer review requirements, and that Respondents could be sanctioned

for providing attest services without a valid firm license. See Exhibit Treacy-B, attached hereto and incorporated herein. Respondents' counsel claimed that that they did not provide attest services to non-issuer clients and, therefore, were exempt from peer review requirements. *Id.*

9. On or about March 8, 2010, the TSBPA's Licensing Division notified SWH affiliate Ronald Johnson by email that SWH's firm license was delinquent and expired. See Exhibit Treacy-C, attached hereto and incorporated herein.

10. On March 15, 2010, the TSBPA sent another letter to Koepke notifying Respondents that they were required to provide the TSBPA a PCAOB-authored letter stating that all issues arising from its September 28, 2005 inspection had been "satisfactorily addressed" by SWH. See Exhibit Treacy-D, attached hereto and incorporated herein.


11. Between 2008 and May 2011, Respondents' email address on file with the TSBPA was: [swhcpa@aol.com](mailto:swhcpa@aol.com).

12. On July 8, 2010, the TSBPA sent another letter to Koepke advising him that SWH's firm license would be blocked and that it could not: (a) hold itself out as a CPA firm; or (b) perform audits or attestations because its firm license was delinquent and expired. See Exhibit Treacy-E, attached hereto and incorporated herein.

13. On May 25, 2011, the TSBPA permitted SWH to obtain a firm license after the firm paid the required fee and after determining that the PCAOB had not, at that time, issued final sanctions against SWH and that SWH did not service non-issuer clients requiring the firm to submit to peer review. See Exhibit Treacy-F, attached hereto and incorporated herein.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed this 28<sup>th</sup> day of January 2013.

  
William Treacy, Executive Director

# **Exhibit**

# **Treacy-A**





3002-07

# Texas State Board of Public Accountancy

333 Guadalupe, Tower 3 Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

October 9, 2009

S. W. HATFIELD

[REDACTED]  
DALLAS TX 75243-7212

License ID: [REDACTED]

Dear MR. HATFIELD:

Your firm's license for the period January 2010 has not been issued. Board records indicate your firm is not claiming an exemption from the Board's Peer Review Program. The most recent assigned review date reported to the Board was 09/28/2006. The results of this review were to be reported to the Board within 12 months from the date of the review and it has been over 36 months and no report has been received.

Complete the enclosed *Peer Review Compliance Reporting Form* and return it along with copies of the required documents for reporting the review.

If the firm is exempt from peer review, download and complete the *Affidavit for Exemption from Peer Review* form, available on the Board's website at [www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us), on the "Forms" menu. Return this form to the Board.

Sincerely,

TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY

WILLIAM TREACY  
Executive Director

Enclosures

Administration/  
Accounting  
(512) 305-7800

General  
Information  
(512) 305-7870

CPE  
(512) 305-7844

Enforcement  
(512) 305-7866

Licensing  
(512) 305-7853

Qualifications  
(512) 305-7851

Peer  
Review  
(512) 305-7853

FAX  
(512) 305-7875  
(512) 305-7854

[www.tsbpa.state.tx.us](http://www.tsbpa.state.tx.us)

An equal opportunity, affirmative action employer

SEC APP 0684

# **Exhibit**

# **Treacy-B**

**April Marie Serrano**

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**From:** Virginia C. Moher  
**Sent:** Thursday, March 11, 2010 11:47 AM  
**To:** Jerry R. Hill; William Treacy  
**Cc:** Jean Keith; April Marie Serrano  
**Subject:** S. W. Hatfield  
Bill & Jerry,

I have an unusual situation that I need to discuss with you. Bill, I am including you in this discussion because I know Hatfield has contacted you. I have an open investigation going on the firm of S.W. Hatfield due to a poor PCAOB inspection. Hatfield has a lawyer: John Koepke of Jackson Walker in Dallas, phone no. (214) 953-6005. Therefore my contacts with Hatfield have been through his lawyer.

According to the resident manager, the firm of S.W. Hatfield performs ONLY attest work for clients that have to report to the SEC (known as "issuers"). According to Hatfield, he has no "non-issuers". Hatfield is a "registered CPA firm". That means that firm has gotten approval from PCAOB to audit "issuers".

I talked at length with Jerry Cross ( ) yesterday to understand the ramifications if it is true that Hatfield has only "issuers". The way the current peer review system works, according to Cross, is the following:

1. The PCAOB does inspections at registered CPA firms of all the attest work the firm does for "issuers". Large client volume firms get inspected once a year, small firms get inspected at least once every 3 years. Hatfield is a small registered firm and gets inspected once every 3 years.
2. For firms that have "issuers" as clients, the National Peer Review Committee (NPRC) does peer reviews of all the attest work done on their "non-issuers" (if any) every 3 years. According to Jerry Cross, this 3 year schedule may be completely different from PCAOB's schedule. NPRC is associated with the AICPA and used to be called the Center for Public Company Audit Firms (CPCAF).
3. If a CPA firm is not a registered CPA firm (has no "issuers" as clients), then the local peer reviewers do the peer reviews under the auspices of the Texas Society of CPAs and other sponsoring organizations. Hatfield is not peer reviewed by TSCPA because he has "issuers".

Hatfield had a PCAOB inspection done back in November 2008. One of Hatfield's clients is being investigated by the SEC so PCAOB is holding up issuing what I call a "Satisfactorily Addressed" letter. Generally, if PCAOB comes across a problem during the inspection, they give a firm 1 year to take corrective action and assuming they do the corrective action, PCAOB issues them a "Satisfactorily Addressed" letter.

PCAOB's Enforcement Division is looking at Hatfield now. I have called Kyra Armstrong (202-207-9205) of that Division several times and tried to get status information from her. All she will tell me is that the investigation is still on-going. As of yesterday, Hatfield revealed that he responded to the November 2008 inspection in November 2009 and that PCAOB asked for more information in February 2010.

Hatfield's firm license expired January 31, 2010 and he is currently in delinquent, expired status. The Board's Licensing Division will not issue him a firm license because he hasn't had a peer review in 3 years. If you look at my three part schema above and you believe Hatfield's story that he has no "non-issuers", he will never get or need a peer review, he will only get inspected by PCAOB. If that is the case, he is exempt from peer review. However, our Licensing Division shows that he is overdue for a peer review by the CPCAF (now know as NPRC). That assigned due date was 9/28/06.

I have no way to verify that Hatfield has no "non-issuers". I have placed a call to Jim Brackens at the AICPA's office of Quality and Practice Monitoring at Jerry Cross' suggestion but Brackens is out until tomorrow. I expect to talk to him tomorrow. Bracken's no. is 919-402-4003.

I have explained all of this to Hatfield's lawyer. I warned Hatfield's lawyer that if Hatfield issues attest

3/20/2012

reports without a valid firm license, he can be sanctioned by us. Hatfield wants to come into compliance with his firm license but it's unclear how he can do that considering the current situation. I discussed the possibility of Hatfield signing an affidavit swearing he has no "non-issuer" clients. That way we can affirm that he is exempt from peer review, give him an exemption, and allow him to renew his firm license.

Of course another glitch is that if his only "review" is PCAOB and we count the inspections as if it were a peer review, then he still has to get the 2008 inspection approved by PCAOB before he can continue with attest work.

I know you are both off-work today but I thought I would write all this down while it's somewhat clear in my mind what the issues are.

Virginia Moher  
Texas State Board of Public Accountancy

[vmohr@mail.tsbpa.state.tx.us](mailto:vmohr@mail.tsbpa.state.tx.us)

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3/20/2012

SEC APP 0687

# **Exhibit**

# **Treacy-C**

Subj: Fw: Firm Status of T02004 S.W. Hatfield  
Date: 3/8/2010 6:05:37 P.M. Central Standard Time  
From: [REDACTED]

What is up with this?

— On Mon, 3/8/10, Micaela J. Hernandez <MHernandez@tsbpa.state.tx.us> wrote:

From: Micaela J. Hernandez <MHernandez@tsbpa.state.tx.us>  
Subject: Firm Status of [REDACTED] S.W. Hatfield  
To: [REDACTED]  
Date: Monday, March 8, 2010, 11:02 PM

Hello Mr. Hatfield,

A staff audit has identified your firm [REDACTED] *S.W. Hatfield* to be Delinquent/Expired for one or more years. Please confirm if the firm has dissolved or if a renewal notice is needed to renew the firm license.

If the firm license has dissolved, please respond to this email by indicating the name of the firm, the firm ID, the dissolve date, your individual license ID and the last four of your SS# so we may process your request.

If you require a renewal notice to be printed and mailed, please indicate the mailing address so we may issue the renewal notice packet for the firm license listed above.

Should you have any questions, please feel free to contact me directly. I would be more than happy to assist.

Thank you for your immediate attention to this matter and have a great day.

Best regards,  
Micaela J. Hernandez  
Inspector  
Texas State Board of Public Accountancy  
333 Guadalupe, Tower 3, Ste 900  
Austin, TX 78701  
Phone: 512.305.7828  
Fax: 512.305.7875

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Thursday, September 20, 2012 AOL: SWHCPA

SEC APP 0689

# **Exhibit**

# **Treacy-D**



# Texas State Board of Public Accountancy

333 Guadalupe, Tower III Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

March 15, 2010

VIA CERTIFIED MAIL: 7003 1010 0004 9288 7998

John A. Koepke  
Jackson Walker, L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202

In Re: File No.08-03-10L  
S. W. Hatfield, C.P.A. (Firm)

Dear Mr. Koepke:

The Texas State Board of Public Accountancy (the Board) has adopted "Standards for Performing and Reporting on Peer Reviews" promulgated by the American Institute of Certified Public Accountants (AICPA) under Board Rule Section 527.3(a). The Standards for Performing and Reporting on Peer Reviews require a non-exempt firm to have a peer review performed at a minimum of once every three years.

Pursuant to Board Rule 527.4(c), each firm required to participate in peer review shall adopt the review due date assigned by the sponsoring organization, and must notify the board of the peer review due date within 30 days of its assignment. The firm of S. W. Hatfield, C.P.A., was scheduled for a review by the National Peer Review Committee (NPRC) to be completed by September 28, 2006. The Board has recently been notified that the firm does not have any clients that would require review by the NPRC.

Pursuant to Board Rule 527.4(c) the firm shall schedule and begin an additional review within three years of the previous review's due date, or earlier as may be required by the sponsoring organization or a committee of the board. It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review due date. As the firm now stands, the last completed peer review was performed via an inspection by the Public Company Accounting Oversight Board (PCAOB) that was completed September 28, 2005. Although another inspection was performed in 2008, that inspection has not been finalized. The Board must receive a letter from PCAOB stating that that all issues have been "Satisfactorily Addressed" by the firm.

Pursuant to Board Rule 527.4(e), the Board will accept extensions granted by the sponsoring organization to complete a review, provided the board is notified by the firm

Administration/  
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Automated  
Information  
(512) 305-7870

CPE  
(512) 305-7844

Enforcement  
(512) 305-7868

Licensing  
(512) 305-7833

Qualifications  
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(512) 305-7851

Peer  
Review  
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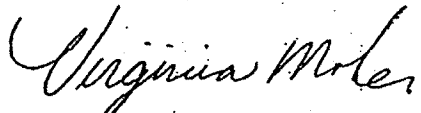


within 20 days of the date that an extension is granted. The sponsoring organization in this case is the PCAOB.

If you require further information or clarification regarding this matter, please do not hesitate to contact me at (512) 305-7866.

Sincerely,

TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY



Virginia Moher, Attorney  
Enforcement Division

VM:jb  
Enclosure

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TITLE 22

EXAMINING BOARDS

PART 22

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

CHAPTER 527

PEER REVIEW

RULE §527.3

Standards for Peer Reviews and Sponsoring Organizations

(a) The board adopts "Standards for Performing and Reporting on Peer Reviews" promulgated by the AICPA and for public company audit firms, the firm inspection standards required under the Sarbanes-Oxley Act of 2002 (SOX), as its minimum standards for review of firms.

(b) Qualified sponsoring organizations shall be the AICPA Peer Review Program, the TSCPAs Peer Review Program and state CPA societies fully involved in the administration of the AICPA Peer Review Program, NCCPAP, the PCAOB, and such other entities which are approved by the board.

**Source Note:** The provisions of this §527.3 adopted to be effective October 16, 2002, 27 TexReg 9579; amended to be effective October 12, 2004, 29 TexReg 9540; amended to be effective April 15, 2009, 34 TexReg 2380

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TITLE 22

EXAMINING BOARDS

PART 22

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

CHAPTER 527

PEER REVIEW

RULE §527.4

**Enrollment and Participation**

(a) Participation in the program is required of each firm licensed or registered with the board that performs any attest service or any accounting and/or auditing engagements, including audits, reviews, compilations, forecasts, projections, or special reports as defined in §901.002 General Definitions of the Public Accountancy Act and §501.52(4), (11) and (22) of this title (relating to Definitions). A firm which issues only compilations where no report is required under the Statements on Standards for Accounting and Review Services is required to participate in the program.

(b) A firm that does not perform services as set out in subsection (a) of this section shall annually submit a request for the exemption in writing to the board with an explanation of the services offered by the firm. A firm which begins providing services as set out in subsection (a) of this section shall notify the board of the change in status within 30 days of the change in status, provide the board with enrollment information within 12 months of the date the services were first provided and have a peer review performed within 18 months of the date the services were first provided.

(c) Each firm required to participate under subsection (a) of this section shall enroll in the applicable programs of an approved sponsoring organization within 12 months from its initial licensing date or the performance of services that require a review. The firm shall adopt the review due date assigned by the sponsoring organization, and must notify the board of the peer review due date within 30 days of its assignment. In addition, the firm shall schedule and begin an additional review within three years of the previous review's due date, or earlier as may be required by the sponsoring organization or a committee of the board. It is the responsibility of the firm to anticipate its needs for review services in sufficient time to enable the reviewer to complete the review by the assigned review due date.

(d) In the event that a firm is merged, otherwise combined, dissolved, or separated, the sponsoring organization shall determine which firm is considered the succeeding firm. The succeeding firm shall retain its peer review status and the review due date.

(e) The board will accept extensions granted by the sponsoring organization to complete a review, provided the board is notified by the firm within 20 days of the date that an extension is granted.

(f) A firm that has been rejected by a sponsoring organization for any reason must make a request in writing to the board for authorization to enroll in a program of another sponsoring organization.

(g) A firm choosing to change to another sponsoring organization may do so provided that the firm authorizes the previous sponsoring organization to communicate to the succeeding sponsoring organization any outstanding corrective actions related to the firm's most recent review. Any outstanding actions must be cleared and outstanding fees paid prior to transfer between sponsoring organizations.

(h) An out-of-state firm practicing in this state pursuant to a practice privilege provided for in §901.461 of the Act and §517.1 and §517.2 of this title (relating to Practice by Certain Out of State Firms and Practice by Certain Out of State Individuals) of these regulations must comply with the peer review

program of the state in which the firm is licensed.

(i) An out-of-state firm practicing in this state pursuant to a practice privilege from a state without a peer review program must comply with §901.159 of the Act and Chapter 517 of these regulations.

(j) An out-of-state firm practicing in this state pursuant to a practice privilege must submit its peer review (or equivalent) documentation upon request of the board.

(k) Interpretive Comment. If a firm is subject to inspections pursuant to SOX and also performs attest work not subject to such inspections, the firm must enroll in a peer review program for review of its non-public company attest work in addition to the firm inspection program required by the PCAOB.

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**Source Note:** The provisions of this §527.4 adopted to be effective October 16, 2002, 27 TexReg 9579; amended to be effective October 12, 2004, 29 TexReg 9540; amended to be effective October 11, 2007, 32 TexReg 7064; amended to be effective April 15, 2009, 34 TexReg 2381

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**TITLE 22**

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**PART 22**

**TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY**

**CHAPTER 527**

**PEER REVIEW**

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(i) An out-of-state firm practicing in this state pursuant to a practice privilege from a state without a peer review program must comply with §901.159 of the Act and Chapter 517 of these regulations.

(j) An out-of-state firm practicing in this state pursuant to a practice privilege must submit its peer review (or

equivalent) documentation upon request of the board.

(k) Interpretive Comment. If a firm is subject to inspections pursuant to SOX and also performs attest work not subject to such inspections, the firm must enroll in a peer review program for review of its non-public company attest work in addition to the firm inspection program required by the PCAOB.

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**Source Note:** The provisions of this §527.4 adopted to be effective October 16, 2002, 27 TexReg 9579; amended to be effective October 12, 2004, 29 TexReg 9540; amended to be effective October 11, 2007, 32 TexReg 7064; amended to be effective April 15, 2009, 34 TexReg 2381

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**PART 22**

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**CHAPTER 527**

**PEER REVIEW**

**RULE §527.3**

**Standards for Peer Reviews and Sponsoring Organizations**

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(b) Qualified sponsoring organizations shall be the AICPA Peer Review Program, the TSCPAs Peer Review Program and state CPA societies fully involved in the administration of the AICPA Peer Review Program, NCCPAP, the PCAOB, and such other entities which are approved by the board.

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# **Exhibit**

# **Treacy-E**





# Texas State Board of Public Accountancy

333 Guadalupe, Tower III Suite 900, Austin, Texas 78701-3900

William Treacy, Executive Director

July 8, 2010

VIA CERTIFIED MAIL: 91 7108 2133 3937 9579 0311

John A. Koepke  
Jackson Walker, L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202

In Re: File No.08-03-10L  
S. W. Hatfield, C.P.A. (Firm)

Dear Mr. Koepke:

The Enforcement Division of the Texas State Board of Public Accountancy (the Board) has determined that the above-referenced investigation against your client will be closed because the Respondent firm license is Delinquent, Expired for failure to complete a peer review. Instead of an investigative action, the firm license will be blocked. Any further Board action will be taken by the Peer Review Committee.

Please be aware that the Respondent firm may not hold itself out as a certified public accounting (CPA) firm nor perform audits or any attestations. If Respondent firm represents itself to be a CPA firm or if the firm issues any of the services that are required to be performed by a licensed firm, the Board will initiate a new investigation.

If you have any questions regarding this matter, you may contact me at (512) 305-7866.

Sincerely,

TEXAS STATE BOARD OF  
PUBLIC ACCOUNTANCY

Virginia Moher, Attorney  
Enforcement Division

VM: jb

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(512) 305-7800

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CPE  
(512) 305-7844

Enforcement  
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(512) 305-7854

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# **Exhibit**

# **Treacy-F**

LD015            USRVCM  
FIRM: S. W. HATFIELD

Firm License Fees (#28)

1/24/13    15:20:16  
Ctrl No: [REDACTED]  
Fed ID: [REDACTED]

Contact: ENF    Cert/Reg: 1/24/1995    Issued

Options:

02=Upd Frm Nonfee    25=Frm Mem List 1    26=Frm Mbr List 2    27=Firm Unit List  
28=Firm Lic Fees    29=Firm Non-Fee    30=Frm Lic Status    31=Frm Fee Psting

Opt	Int	----- Lic -----	Total	Fee	Lic
	End	Fee            Pen	Fees	Rcvd	EX
—	201301			1/31/2012	
—	201201			5/25/2011	
—	201101			5/25/2011	
—	201001			1/29/2009	
—	200901			12/20/2007	
—	200801			12/29/2006	
—	200612			1/17/2006	
—	200512			1/ 6/2005	

More...

Type options 25 - 99 for related information.    Tab to change Lic ID.

== == ==>

F06=Add Nxt Intvl    F03=Exit            F12=Cancel            F13=Entity Select  
F14=Frm Select        F15=Frm Name Srch    F16=Firm Basic 1      F17=Firm Basic 2



**BELLNUNNALLY**

ATTORNEYS AT LAW

NICOLE M. EASON  
Tel: 214.740.1411  
Fax: 214.740.5711  
NICOLEE@BELLNUNNALLY.COM

February 19, 2013

VIA CMRRR# 7196 9008 9111 5418 6895  
AND VIA EMAIL  
Jessica B. Magee, Esq.  
Fort Worth Regional Office  
Securities and Exchange Commission  
801 Cherry Street, Suite 1900  
Fort Worth, Texas 76102

Re: **Administrative Proceeding File No. 3-15012**  
**In the Matter of S.W. Hatfield, CPA and Scott W. Hatfield, CPA**

Dear Ms. Magee:

Please find enclosed a copy of the Joint and Agreed Motion to Extend Response and Reply Dates to Motion for Summary Disposition and Proposed Order filed today.

Sincerely,

Nicole M. Eason

NME/jlp  
Enclosures  
1179239\_1.DOCX

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67793/September 6, 2012**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3415/ September 6, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15012**

---

<b>In the Matter of</b>	:	
	:	
<b>S.W. Hatfield, CPA and</b>	:	<b>JOINT AND AGREED MOTION TO</b>
<b>Scott W. Hatfield, CPA,</b>	:	<b>EXTEND RESPONSE AND REPLY DATES</b>
	:	<b>TO MOTION FOR SUMMARY DISPOSITION</b>
	:	
<b>Respondents.</b>	:	

---

**TO THE HONORABLE JUDGE FOELAK:**

Respondents S.W. Hatfield, CPA ("SWH") and Scott W. Hatfield, CPA ("Scott Hatfield") (collectively, the "Respondents") and the Division of Enforcement of the United States Securities and Exchange Commission ("Commission") (collectively, the "Parties"), file this Joint and Agreed Motion to Extend Response and Reply Dates to Motion for Summary Disposition (the "Agreed Motion") as follows:

1. On January 7, 2013, Administrative Law Judge Carol Fox Foelak entered a Prehearing Order establishing that any motion for summary disposition filed by the Commission must be filed by January 31, 2013. The Court further ordered that Respondents' opposition must be filed by February 21, 2013, and that the Commission's reply be filed by March 1, 2013. The

Court ordered that Respondents may file a motion for summary disposition according to the same schedule.

2. On January 30, 2013, the Commission filed its Motion for Summary Disposition and Brief in Support.

3. Counsel for Respondents conferred with Commission's counsel regarding whether it is opposed to extending Respondents' deadline to respond to the motion for summary disposition to March 4, 2013. The Commission does not oppose this extension, provided, however, that the Court also extends the Commission's reply brief deadline by an equivalent time period. Respondents do not oppose such an extension.

4. Accordingly, the Parties jointly request: (1) a ten (10) day extension of the opposition deadline until March 4, 2013, and (2) a ten (10) day extension of the Commission's deadline to file a reply to March 11, 2013.

**WHEREFORE**, the Parties respectfully request that this Agreed Motion be granted and that an order be issued extending the Parties' respective deadlines as described above.

Signed this 19th day of February, 2013.

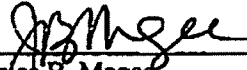
Respectfully submitted,



---

Jeffrey J. Angley  
Texas Bar No. 00790235  
Nicole M. Eason  
Texas Bar No. 24078459  
BELL NUNNALLY & MARTIN LLP  
1400 One McKinney Plaza  
3232 McKinney Avenue  
Dallas, Texas 75204-2429  
Email: [jeffa@bellnunnally.com](mailto:jeffa@bellnunnally.com)  
Email: [nicolee@bellnunnally.com](mailto:nicolee@bellnunnally.com)  
(214) 740-1400 Telephone  
(214) 740-1499 Facsimile

-and-



---

Jessica B. Magee  
Texas Bar No. 24037757  
Toby M. Galloway  
Texas Bar No. 00790733

Securities and Exchange Commission  
Fort Worth Regional Office  
Division of Enforcement  
801 Cherry Street, 18th Floor  
Fort Worth, Texas 76102  
E-mail: [mageej@sec.gov](mailto:mageej@sec.gov)  
Phone: (817) 978-6465 (Magee)  
Fax: (817) 978-4927





In particular, Respondents lacked the ultimate authority required by the Supreme Court to impose liability under Section 10(b) and otherwise lacked the intent to deceive for liability under Section 10(b) and Rule 10b-5. Furthermore, as discussed below, contested mitigating factors support the Court's determination to impose less strict, if any, penalties on the Respondents, not the severe, death penalty sanctions requested by the Commission, including a permanent bar from appearing as an accountant before the Commission. Lastly, the Court should deny or limit the disgorgement, prejudgment interest, and civil penalties requested by the Commission as excessive and unwarranted under these facts.

## **II. SUMMARY DISPOSITION EVIDENCE**

In support of their Response in Opposition to the Commission's motion, Respondents rely upon the following evidence:

1. Exhibit 1: Declaration of John A. Koepke ("Koepke Declaration").
2. Respondents adopt and incorporate by reference the Declaration of David R. King ("King Declaration"), division staff accountant, attached to the Commission's Motion for Summary Disposition as Exhibit 2, and hereto as Exhibit 2.
3. Respondents adopt and incorporate by reference the Declaration of William Treacy ("Treacy Declaration"), executive director of the State Board (with exhibits), attached to the Commission's Motion for Summary Disposition as Exhibit 3 ("Treacy Declaration"), and hereto as Exhibit 3.

## **III. FACTUAL AND PROCEDURAL BACKGROUND**

It is undisputed that Mr. Hatfield has been a licensed certified public accountant since 1985. It is further undisputed that SWH is a public accounting firm in Dallas, Texas and has been licensed by the Texas State Board of Public Accountancy ("State Board") since 1994.

On October 29, 2007, the Public Company Accounting Oversight Board ("PCAOB") conducted a peer review of the Respondents for the period of May 1, 2006 to September 30, 2007 (the "2007 Inspection"). See Koepke Declaration at ¶ 4. As a result of the 2007 Inspection, an initial report of the peer review inspection (the "Inspection Report") was issued on November 21, 2008. See Koepke Declaration at ¶ 5. Certain issues were raised by the peer review inspection and, as a result, Mr. Hatfield engaged John A. Koepke ("Mr. Koepke") as counsel. See Koepke Declaration at ¶ 3.

On November 5, 2009, per the PCAOB rules and its request, Mr. Hatfield responded to the issues raised by the Inspection Report. See Koepke Declaration at ¶ 5. Further, Mr. Hatfield provided updates to the State Board regarding the status of the PCAOB peer review on October 28, 2009 and on March 9, 2010. See Koepke Declaration at ¶ 6.

During this period, the peer review of the PCAOB was held open, awaiting the final results of the 2007 Inspection. The State Board and Mr. Hatfield, through Mr. Koepke, contacted the PCAOB several times to determine the status of, and ultimate disposition of, the 2007 Report, without any success. See Koepke Declaration at ¶ 8. In short, Mr. Hatfield did all that he could do to obtain a final report for the 2007 peer review inspection by the PCAOB. See Koepke Declaration at ¶ 15.

On July 8, 2010, the State Board closed its file for SWH because of the lack of response from the PCAOB in issuing a final report, citing "Expired due to failure to complete a peer review." This action by the State Board resulted in the administrative revocation of SWH's accounting license. Therefore, due to the PCAOB not timely issuing its 2007 Report until well after the State Board closed its file, and due to no fault of Respondents, SWH's license was revoked. See Koepke Declaration at ¶ 15.

At the conclusion of the PCAOB's peer review (and after the State Board revoked SWH's license because of that peer review), the State Board and PCAOB concluded that SWH did not, in fact, perform work for non-issuer clients. Treacy Declaration at ¶ 13. As a result of this finding, SWH was not even eligible for or subject to the peer review by the PCAOB that delayed the renewal of its license. See, generally, Treacy Declaration at ¶ 13 and Exhibit B thereto ("If you...believe Hatfield's story that he has no 'non-issuers,' he will never get or need a peer review...If that is the case, he is exempt from peer review.").

Mr. Hatfield's "story," of course, proved to be true. Consequently, according to Mr. Treacy, the executive director of the State Board, the board ultimately permitted SWH to renew its accounting license after simply paying its yearly fee:

On May 25, 2011, the [State Board] permitted SWH to obtain a firm license after the firm paid the required fee and after determining that the PCAOB had not, at that time, issued final sanctions against SWH *and that SWH did not service non-issuer clients requiring the firm to submit to peer review.*

Treacy Declaration at ¶ 13 (emphasis added). As a result, SWH's accounting license expired because it was subjected to an inexcusably prolonged peer review process by the PCAOB that did not apply to the firm in the first place.

The Commission instituted the instant proceeding against the Respondents on September 6, 2012.

#### IV. STANDARD FOR SUMMARY DISPOSITION

Rule 250(a) of the Commission's Rules of Practice provides that, after a respondent's answer has been filed and documents have been made available to that respondent for inspection and copying, a party may make a motion for summary disposition of any or all allegations of the Order Instituting Proceedings ("OIP") with respect to that respondent. 17 C.F.R. § 201.250(a).

The facts of the pleadings of the party against whom the motion is made shall be taken as true, except as modified by stipulations or admissions made by that party, by uncontested declarations, or by facts officially noted pursuant to Rule 323 of the Commission's Rules of Practice.

Rule 250(b) of the Commission's Rules of Practice requires the hearing officer to promptly grant or deny the motion or to defer decision on the motion. 17 C.F.R. § 201.250(b). The hearing officer may grant a motion for summary disposition if there is no genuine issue with regard to any material fact and the party making the motion is entitled to a summary disposition as a matter of law.

In assessing the summary disposition record, the facts, as well as the reasonable inferences that may be drawn from them, must be viewed in the light most favorable to the nonmoving party. See *Felix v. N.Y. City Transit Auth.*, 324 F.3d 102, 104 (2d Cir. 2003); *O'Shea v. Yellow Tech. Svcs., Inc.*, 185 F.3d 1093, 1096 (10th Cir. 1999); *Cooperman v. Individual, Inc.*, 171 F.3d 43, 46 (1st Cir. 1999). At the summary disposition stage, the hearing officer's function is not to weigh the evidence and determine the truth of the matter, but rather to determine whether there is a genuine issue for resolution at a hearing. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986).

## V. ARGUMENT

### A. Respondents lacked the ultimate authority to make statements required to impose liability under Section 10(b).

The Supreme Court's recent decision in *Janus Capital Group, Inc. v. First Derivative Traders* held that an investment adviser to a mutual fund could not be held primarily liable under Section 10(b) for statements made in the fund's prospectus. The Court's reasoning in excluding the adviser's liability was based on the fact that the adviser did not have "ultimate authority"

over the making of the allegedly fraudulent statements. *Janus Capital Group, Inc. v. First Derivatives Traders*, 131 S. Ct. 2296, 2302 (2011). The reasoning of the Court was straightforward: there was no primary liability under Section 10(b) and Rule 10b-5 except for those who have ultimate authority or control over the content and dissemination of a statement. *Id.*

The Court held that to “make a statement” for purposes of liability under Section 10(b), the person or entity must have the ultimate authority over the statement. In other words, in order to “make” a statement, a person must actually control the very making of the statement. *Id.* at 2304. Importantly, the Court noted that although the adviser maintained substantial control over the entity that actually made the statement in question, the maker was a separate legal entity that, *inter alia*, observed corporate formalities and maintained its own board of directors. *Id.* at 2299. Consequently, liability could not arise simply because the alleged primary violator was “significantly involved” in preparing the statement or “assisted” the entity with ultimate control over the crafting of the statement. *Id.* at 2305.

The Court analogized that the maker of a statement is not the speechwriter, but the speaker:

Even when a speechwriter drafts a speech, the content is entirely within the control of the person who delivers it. It is the speaker who takes credit—or blame—for what is ultimately said.

*Id.* at 2302.

Consequently, even though the adviser may have been involved in preparing the prospectuses that contained the statements, it did not “make” the statements, as no statements were directly attributable to it. Instead, it was Janus Investment Funds – the securities issuer – that had the ultimate control over the content. *Id.* at 2312, n. 11.

Similarly, the Respondents in this case did not have the ultimate authority to make the allegedly material misstatements or omissions relied on by the Commission in support of its claims that they willfully violated Section 10(b) and Rule 10b-5. Instead, the ultimate authority for making of the statements in question rested exclusively with the makers themselves, *i.e.*, the respective issuers responsible for and that made the SEC filings. *See, e.g., SEC v. Das*, 2011 U.S. Dist. LEXIS 106982, at \*18 (D. Ne. Sept. 20, 2011) (chief executive officers and chief financial officers who signed and certified Forms 10-K and 10-Q were “makers” of statements); *SEC v. Carter*, 2011 U.S. Dist. LEXIS 136599 (N.D. Ill. Nov. 28, 2011) (corporate attorney and director who wrote releases at defendant’s request would not be liable under *Janus* as “makers” of the statements).

Like the investment adviser in *Janus* and the attorney and director in *Carter*, the Respondents clearly were participants in preparing the statements included in their issuer clients’ filings. Indeed, they played an important role in preparing the audit reports that were contained in those statements. It is equally clear, however, that the Respondents did not *make* the statements. Under *Janus*, because they did not have “ultimate authority” over the statements, the Respondents were not the makers of those statements for purposes of Section 10(b) and Rule 10b-5. Consequently, *Janus* precludes the Respondents’ liability under the Commission’s antifraud provisions of the Exchange Act.

**B. There is no evidence that Respondent’s alleged misstatements or omissions were material.**

As the Court is aware, the Commission is required to prove that the alleged misstatements or omissions by the Respondents were material to a reasonable investor. For a statement to be material, the Commission must show that there is a substantial likelihood that the information would be important to a reasonable investor in making their investment decision and

that, if known, it would have significantly altered the total mix of information available in making that decision. *Basic v. Levinson*, 485 U.S. 224, 231-32 (1988); *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976).

Materiality is a fact issue. *See, e.g., Fecht v. Price Co.*, 70 F.3d 1078, 1081-82 (9th Cir. 1995) (whether the inclusion of cautionary language is sufficient to ascertain whether or not a statement in a public document was misleading is a fact issue); *see also* 9th Cir. MODEL CIVIL JURY INSTR. 18.2 Securities—Misrepresentations or Omissions—Materiality (“[the jury] must decide whether something was material based on the circumstances as they existed at the time of the statement or omission”). Accordingly, applying the materiality standard set forth in *Basic* and related cases, it is a fact issue whether a reasonable investor would want to know the omitted or misleading information before making their investment decision.

The best and most probative evidence of materiality would be what an investor actually said regarding the importance of the supposedly false or omitted information in question. Here, however, the Commission offers no proof on this critical fact issue in support of its motion for pre-trial disposition. Instead, it makes the conclusory argument that the “decision to issue audit reports when SWH was not permitted to do so, or even to hold itself out as a CPA firm, and to omit disclosing that information to issuer clients or the public, cannot reasonably be disputed.” Motion at 13. No evidence is offered that a reasonable investor would consider the administrative revocation of SWH’s accounting license – for, as described above, an ultimately inapplicable reason – to be important in making their investment decision.

As an initial point, any supposed non-disclosure to “issuer clients” cannot establish materiality under the *Basic* test. *See Basic*, 485 U.S. at 231-32 (the information must be important to an *investor* in making their investment decision). Accordingly, whether or not the

administrative license revocation of SWH was disclosed to any of the Respondents' issuer clients is not relevant to the Court's materiality analysis.

Further, whether the claimed misstatements and/or omissions by the Respondents meet the materiality threshold of Section 10(b) is a disputed fact issue precluding summary disposition. As described by Mr. Koepke, beginning in October 2007 the Public Company Accounting Oversight Board ("PCAOB") conducted a protracted peer review of SWH that remained open until October 2010, when it issued final comments on the peer review it began three years earlier. See Koepke Declaration at ¶¶ 4, 7 and 13. As a direct consequence of this remarkable delay by the PCAOB in completing its work, the State Board closed its file on SWH on July 8, 2010, resulting in the administrative and retroactive revocation of SWH's state accounting license. *Id.* at ¶¶ 9 and 10.

The Respondents were unable to renew SWH's accounting license with the State Board due to the pendency of the PCAOB's peer review, not because of any misconduct by or findings against them. *Id.* at ¶ 11. Consequently, due to the technical and administrative nature of SWH's temporary license revocation, it is unreasonable and factually unsupported to assume the materiality of this revocation's non-disclosure to investors in the issuer companies.

In further support of the Respondents' contention that materiality cannot be presumed here, it is important to emphasize the inapplicability of the very PCAOB peer review process that led to SWH's license revocation. The PCAOB's three-year review achieved nothing of substance, other than to delay SWH's permission to pay its required renewal fee to the State Board and to cause its license to lapse as a direct consequence of that delay. As noted above, the State Board and PCAOB finally concluded that SWH did not, in fact, perform work for non-issuer clients. See Treacy Declaration at ¶ 13 (with attachments). This finding (which Messrs. Hatfield and Koepke had consistently argued to the State Board) meant that the Respondents



were not subject to peer review by the PCAOB in the first place. Koepke Declaration at ¶¶ 6 and 8.

Consequently, SWH's accounting license renewal, which was delayed because of the PCAOB's delinquent peer review, never should have been delayed at all *because the firm was exempt from that peer review*. See Treacy Declaration at ¶ 13. ("On May 25, 2011, the [State Board] permitted SWH to obtain a firm license after the firm paid the required fee and after determining that...SWH did not service non-issuer clients requiring the firm to submit to peer review.").<sup>1</sup> In other words, SWH's accounting license expired because it was subjected to a prolonged review process that did not even apply to it.

Under these facts, materiality simply cannot be presumed. The Commission's motion therefore should be denied because of this contested and unproven fact issue.

**C. The Respondents lacked the intent to deceive required for liability under Section 10(b) and Rule 10b-5.**

As correctly set forth in the Commission's motion, the staff may prove that the Respondents had the specific intent to deceive to be held liable under Section 10(b) and Rule 10b-5. The Supreme Court has defined the level of required intent as "a mental state embracing intent to deceive, manipulate, or defraud." *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 193 n.12 (1976). Similarly, the intent requirement may be satisfied by the lesser but still onerous showing of recklessness, or "a highly unreasonable omission, involving not merely simple, or even inexcusable negligence, *but an extreme departure from the standards of ordinary care*, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it." *Sundstrand Corp. v. Sun Chemical Corp.*, 553 F.2d 1033, 1045 (7th Cir. 1977) (emphasis added).

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<sup>1</sup> The PCAOB did not issue or recommend any final sanctions against the Respondents. See Treacy Declaration at ¶ 13.

First, there is no evidence that the Respondents acted willfully, that is, with the specific intent to deceive investors or potential investors. Instead, as set forth above, the Respondents Prepared audit reports included in certain filings made by issuers during a time when, through no fault of its own, SWH's accounting license had lapsed due to a severely delinquent and unnecessary peer review by the PCACB. The evidence further demonstrates that the Respondents were not notified of the administrative lapse of SWH's license until well after it had participated in the issuing of multiple reports on behalf of those issuers. Koepke Declaration at ¶ 12. There simply is no evidence that the Respondents possessed the specific intent to defraud anyone.

Second, the evidence fails to show that the Respondents acted recklessly. As described above and in the attached, the Respondents, directly and through competent and experienced counsel, repeatedly and timely petitioned the PCAOB to complete its peer review of SWH. Koepke Declaration at ¶¶ 6 and 8. The PCAOB issued its preliminary report in November 2008, to which the Respondents responded as required. Thereafter, Mr. Hatfield and counsel consistently provided updates to the State Board regarding the status of the PCAOB's ongoing and open peer review. *Id.* Further, the Respondents and the State Board contacted the PCAOB numerous times in attempts to determine the status, and ultimate disposition, of the 2007 Inspection of Mr. Hatfield. *Id.* These efforts are undisputed.

Despite the Respondents' and State Board's consistent attempts to compel completion of the PCAOB's peer review, the State Board eventually tired of the process and closed its file on SWH as a result of the PCAOB's failure to issue a final peer review report. This closure by the State Board, which, as discussed above, resulted in the administrative revocation of SWH's accounting license, occurred entirely because of the delinquency of the PCAOB in issuing a final peer review report; it was in no way the fault or responsibility of the Respondents. Koepke

Declaration at ¶¶ 10, 11 and 15. Further, the failure of the PCAOB to complete SWH's peer review prevented the firm from renewing its accounting license. *Id.* at ¶¶ 11 and 15. Far from acting willfully or recklessly, the Respondents were caught between the wheels of a remarkably derelict PCAOB in performing its job – which was ultimately found not even to apply to SWH – and a frustrated State Board that eventually tired of the long wait for the PCAOB to do that job.

Further, recklessness requires that the allegedly fraudulent material omission or misstatement “derive from something more egregious than even ‘white heart/empty head’ good faith.” *Sundstrand*, 553 F.2d at 1045. The court elaborated on this intent requirement, holding that if the defendant:

“...genuinely forgot to disclose information or [the information] never came to his mind,” then he was not reckless in failing to disclose the information, even if the “proverbial ‘reasonable man’ would never have forgotten.”

*Id.* at 1045 n.20.

The Respondents' actions are consistent with the conduct found in *Sundstrand* to fall short of recklessness. They attempted to rectify the problem with the PCAOB by consistently requesting completion of the pending peer review. Koepke Declaration at ¶¶ 6, 8, 9 and 15. The PCAOB failed to timely do so. They consistently updated the State Board regarding the status of the PCAOB's peer review process. *Id.* at ¶ 6. They learned after the fact of the administrative license suspension. *Id.* at ¶ 12. This course of action simply does not support the finding of “something more egregious than even ‘white heart/empty head’ good faith” or the “highly unreasonable...extreme departure from the standards of ordinary care” that is necessary to prove recklessness.

This Court, in assessing a respondent's intent, must “look at an actor's actual state of mind at the time of the relevant conduct.” *Alvin W. Gebhart, Jr. and Donna T. Gebhart*, SEC

Admin. Proc. File No. 3-11953r (Nov. 14, 2008). The evidence here shows that the Respondents acted in good faith, even if they participated in the cited SEC filings during the administrative suspension of SWH's accounting license. Accordingly, there is no evidence that the Respondents possessed the necessary intent to violate Section 10(b) or Rule 10b-5. The Commission's motion should therefore be denied.

**D. The majority of the alleged misstatements or omissions by the Respondents were not made in connection with the purchase or sale of a security.**

To be liable under Section 10(b) and Rule 10b-5, the conduct in question must be made in connection with the purchase or sale of a security. 15 U.S.C. § 78j and 17 C.F.R. § 240.10b-5. Here, the Commission's motion describes 21 issuers for which the Respondents were purported to have issued 38 audit reports while SWH's license was under administrative revocation. *See, e.g.*, Motion at 8 – 10 (“SWH issued 38 audit reports for 21 issuers while its license was expired.”). These audit reports are the misstatements or omissions exclusively relied upon by the Commission. *See, e.g.*, Motion at 6 (“...between January 31, 2010 and May 19, 2011, Respondents knowingly issued audit reports for multiple issuers during this time, despite their awareness that doing so violated the law.”).

This description of 38 reports for 21 issuers, however, vastly overstates the number of misstatements or omissions that the Respondents even arguably could have made that, as required under Section 10(b), were made in connection with the purchase or sale of a security. Specifically, only six of the issuers for which SWH issued audit reports traded or issued securities during the time period in question. *See* King Declaration at ¶¶ 15 and 16, attached to the Commission's motion and incorporated herein by reference as Exhibit 3; *see also* Motion at 15. Consequently, the Respondents' claimed material misstatements could have been made, at most, in connection with the purchase or sale of those issuers' securities. The other cited 15

issuers, and all audit reports rendered for them, are not relevant to the Court's analysis because they did not offer securities for purchase or sale in connection with which the Respondents could have made the necessary false statements.

**E. The Court should take into account mitigating factors in determining whether the Respondents should be permanently barred from appearing before the Commission and otherwise sanctioned.**

In determining whether genuine issues of material fact exist that preclude summary disposition, the Commission recognizes that, "a respondent may present genuine issues with respect to facts that could mitigate his...misconduct." *John S. Brownson*, SEC Release No. 46,161, 77 SEC Docket 3097, 2002 WL 1438186, at \*4 n.12 (2002), *aff'd*, *Brownson v. SEC*, 66 Fed. Appx. 687 (9th Cir. 2003). In doing so, the Commission considers a number of factors in determining appropriate sanctions. As described by the Fifth Circuit in *Steadman v. SEC*, such mitigating factors include:

'the egregiousness of the defendant's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the defendant's assurances against future violations, the defendant's recognition of the wrongful nature of his conduct, and the likelihood that the defendant's occupation will present opportunities for future violations.'

603 F.2d 1126, 1140 (5th Cir. 1979) (*quoting SEC v. Blatt*, 583 F.2d 1325, 1334 n.29 (5th Cir. 1978)).

The *Steadman* court specifically noted that "[t]o say that past misconduct gives rise to an inference of future misconduct is not enough. What is required is a specific enumeration of the factors in [the respondent's] case that merit exclusion." *Steadman*, 603 F.2d at 1140.

Several genuine issues of material fact exist with respect to the above factors and, specifically, whether the sanctions the Commission seeks to impose on Respondents – including permanently barring them from appearing before the Commission – are appropriate or warranted.

It is the Commission's burden of proving by a preponderance of the evidence that the penalties are appropriate. *Id.* at 1139 (holding preponderance of the evidence is the proper burden of proof in all SEC enforcement actions, including debarment cases). In view of the evidence in mitigation, discussed below, the Commission has failed to show that no lesser sanction than a permanent bar would satisfy the public interest and is justified under these facts.

Specifically, the court in *Steadman* noted that "It would be a gross abuse of discretion to bar an investment adviser from the industry on the basis of isolated negligent violations." *Steadman*, 603 F.2d at 1141. Here, the uncontroverted evidence shows that while the Respondents' course of conduct in preparing the audit reports for the six issuers described above occurred over several months, the actual violations were basically an isolated incident related to a single event, *i.e.*, issuing audit reports while SWH was under the administrative suspension of the State Board.

Furthermore, there is no evidence that the Respondents' actions injured any investors. Similarly, there is no evidence that any of the issuers filed any complaints against the Respondents at any time or had any regulatory complaints filed against them. The Respondents' actions simply do not approach the level of egregiousness sufficient to justify the penalties requested by the Commission.

Furthermore, as outlined in detail above, the evidence establishes that through no fault of the Respondents, the accounting license of SWH was revoked. As the court in *Steadman* noted, "[t]he respondent's state of mind is highly relevant in determining the remedy to impose." *Steadman*, 603 F.2d at 1140. Respondents did not receive any notice of the State Board's revocation at the time it occurred. *See* Koepke Declaration at ¶ 12. Further, there is no evidence of deliberate deception or fraud by the Respondents and, specifically, by Mr. Hatfield.

Consequently, Respondents' mental state in permitting SWH's license to lapse and in issuing any relevant audit reports during that time was far less than intentional or the result of any willfulness on their part. The Respondents' actions are inconsistent with the requirement of willful or reckless behavior necessary to establish scienter. Similarly, there is no evidence of any disciplinary or enforcement history concerning Mr. Hatfield, who has been licensed as a CPA for approximately 28 years. The requested permanent bar, disgorgement and harsh civil penalty requested by the Commission, coupled with the damage to his reputation, would be far greater sanctions than necessary for future deterrence.

Further, even without the Commission's attempt to permanently remove him from public accounting, Mr. Hatfield is in all likelihood nearing the end of his professional accounting career. Mr. Hatfield has been engaged in the practice of public accounting for approximately 19 years. During that extended time, he has an unblemished professional record as an accountant to publicly-traded companies. During that long professional career, he lacks any prior disciplinary, enforcement or criminal history relating to his accounting practice, either before the Commission or otherwise.

Moreover, there is no evidence that the Respondents will permit SWH's license to expire or lapse in the future. A basic tenant for issuance of injunctive relief is that there is a reasonable and substantial likelihood of future violations by the respondent if the conduct in question is not enjoined. *See, e.g., Steadman*, 603 F.2d at 1140 (noting that past misconduct is not sufficient to predict, and consequently to enjoin, future conduct); *SEC v. Conaway*, 697 F. Supp. 2d 733, 746 (E.D. Mich. 2010) ("The test for whether an injunction should be issued is 'whether the SEC [has] shown a reasonable and substantial likelihood that [the defendant], if not enjoined, would violate the securities laws in the future.'"); *see also SEC v. Pardue*, 367 F. Supp. 2d 773, 776

(E.D. Pa. 2005) (concluding that because no reasonable likelihood of future violation, no injunction would be issued).

Here, there is no such evidence that future violations are likely, much less of a reasonable and substantial likelihood as required. Instead, all known evidence, including more than twenty-five years of accounting practice, proves the opposite. Mr. Hatfield's years of practice without any disciplinary history is the single and most probative predictor of the Respondents' future conduct.

**E. The Court should deny or limit any order imposing disgorgement and prejudgment interest.**

It is within the Court's sound discretion to deny or limit the disgorgement and prejudgment interest it may impose. "District courts have broad discretion not only in determining whether or not to order disgorgement but also in calculating the amount to be disgorged." *SEC v. First Jersey Sec., Inc.*, 101 F.3d 1450, 1474-75 (2d Cir. 1996); *SEC v. Huffman*, 996 F.2d 800, 803 (5th Cir. 1993). The purpose of disgorgement is not only to address ill-gotten gains, but also to deter future violations of the law. *SEC v. Seghers*, 298 Fed. Appx. 319, 336 (5th Cir. 2008); *SEC v. Rind*, 991 F.2d 1486, 1493 (9th Cir. 1993). Courts have similar discretion in determining and assessing prejudgment interest. *Cyrak v. Lemon*, 919 F.2d 320, 326 n. 12 (5th Cir. 1990) ("[t]he standard for prejudgment interest...is one of fairness and its application rests within the district court's sound discretion.").

The facts demonstrate that the proposed disgorgement amount – \$187,222, representing all fees charged by the Respondents during the time period in question – is unnecessary to deter the Respondents from committing future violations of the securities laws. First, there is no evidence or even the allegation of fraud in connection with the Commission filings in question that would justify the disgorgement of all fees earned by the Respondents for the work they



performed. Further, there is no evidence that the Respondents failed to perform the audit and accounting services for which they were compensated or that they failed to provide any value to their issuer clients through that work. Therefore, because the requested disgorgement and prejudgment interest are not needed as deterrents and would be more severe of a sanction than necessary, it is inequitable to impose such a severe financial obligation on Mr. Hatfield.

Accordingly, the Respondents ask that the Court deny the requested disgorgement and prejudgment interest or, alternatively, reduce the amount to a level that more adequately balances the need for a deterrent against the Respondents' relative responsibility.

**F. A civil penalty is not appropriate in this case.**

The Commission also seeks a civil penalty that is wholly inappropriate and excessive under the facts of this case. It is within the Court's discretion to deny or limit a request for civil penalties. *SEC v. Sargent*, 329 F.3d 34, 42 (1<sup>st</sup> Cir. 2003) (holding that the district court acted within its discretion in refusing to assess civil penalties); *SEC v. Rockwall Energy of Texas, LLC*, CIV. A.H-09-4080, 2012 WL 360191, \*8 (S.D. Tex. Feb. 1, 2012) (denying the SEC's request to impose civil penalties); *SEC v. Snyder*, No. H-03-04658, 2006 WL 6508273, \*12 (S.D. Tex. Aug. 26, 2006) (denying the SEC's request for civil penalties because of "[t]he lack of egregiousness of the violations at issue, the isolated nature of Defendant's actions, the sincerity of Defendant's assurances against future violations, and his current and future financial condition weigh strongly against the imposition of civil penalties.").

Courts have considered a variety of factors when evaluating the appropriateness of civil penalties. Those factors include: (1) the defendant's level of scienter; (2) whether the defendant's conduct was isolated or recurrent; (3) whether the defendant failed to admit wrongdoing; (4) whether the defendant cooperated with authorities; (5) whether the defendant is employed in the securities industry; (6) the defendant's financial condition; (7) the egregiousness

of the conduct; and (8) whether the defendant's conduct created a substantial loss to others. *SEC v. AmeriFirst Funding, Inc.*, No. 3:07-CV-1188-D, 2008 WL 1959843, at \*7 (N.D. Tex. May 5, 2008)( using factors 1, 2, 6, 7 and 8); *SEC v. Gunn*, 3:08-CV-1013-G, 2010 WL 3359465, at \*9 (N.D. Tex. Aug. 25, 2010) (using factors 2, 5, 6, 7, and 8); *SEC v. Abellan*, 674 F. Supp. 2d 1213, 1222 (D. Wash. 2009) (using factors 1, 2, 3, 4, 7, and 8).

These factors weigh in favor against imposing the requested civil penalties. First, as outlined above, the Respondents lacked the required intent to violate Section 10(b); accordingly, their level of scienter does not warrant a civil penalty or, alternatively, the proposed penalty. Second, the conduct in question was limited to the submission of audit reports on behalf of the six issuers that traded or offered securities during SWH's administrative suspension, making it isolated (especially in view of Mr. Hatfield's long public accounting career). Third, the Respondents' conduct, at most, was not sufficiently egregious to justify the severe civil penalty sought by the Commission. Finally, there is no evidence that submission of the audit reports in question harmed anyone in any way, much less caused a substantial loss to any investors.

Accordingly, a civil penalty against Respondents is not warranted or supported by the summary disposition evidence, or, alternatively, any such penalty should be significantly less than that requested by the Commission.

**G. A Rule 102(e) suspension or debarment is unwarranted.**

The Commission also requests that the Court grant summary disposition on its claim that a Rule of Practice 102(e) debarment is appropriate against the Respondents. Motion at 22 – 24. Such a debarment is unwarranted under these facts.

Under Rule of Practice 102(e), the Commission may temporarily or permanently deny a person the right to practice before the Commission if, after notice and the opportunity for hearing, they are found:

1. Not to possess the requisite qualifications to represent others; or
2. To be lacking in character or integrity or to have engaged in unethical or improper professional conduct; or
3. To have willfully violated, or willfully aided and abetted the violation of, any provision of the Federal securities laws or the rules and regulations thereunder.

17 C.F.R. § 201.102(e)(1). As the Commission correctly cites, it is required to show that the person it seeks to bar or suspend under the rule is “incompetent to practice before the Commission.” Motion at 22.

The Commission has not made that showing. First, the Commission does not argue that the Respondents lack the character or integrity or have engaged in unethical behavior that warrants debarment under Rule 102(e)(1)(ii).

Second, the Commission has not shown that the Respondents’ conduct evidences a lack of “the requisite qualifications to represent others” before it. 17 C.F.R. § 201.102(e)(1)(i). As discussed at length above, the Respondents prepared a number of audit reports for issuer clients while SWH’s accounting license was under an administrative suspension with the State Board. The Respondents were not responsible for the suspension. Indeed, the suspension was caused by a delayed peer review report that ultimately was determined to be unnecessary and inapplicable to SWH.

Admittedly, the Respondents prepared the cited audit reports for the six issuers that traded publicly or issued securities during the relevant time period. However, they did so only for a limited number of issuers that made statements in connection with the purchase or sale of a security, as required for liability under Section 10(b) and Rule 10b-5. Furthermore, the suspension of SWH resulted from a delayed peer review by the PCAOB that was both (1) the direct cause for the suspension and (2) eventually found not to be applicable to SWH in the first

place. See Koepke Declaration at ¶¶ 9 – 10 and Treacy Declaration at ¶ 13. The Respondents' limited preparation of audit reports for a small number of issuers during an unwarranted license suspension does not amount to conduct showing a lack of the requisite qualifications to represent others before the Commission.

Third, the summary disposition evidence does not show that the Respondents willfully violated any provision of the federal securities laws or applicable rules. As discussed above, there is not sufficient evidence:

1. That the Respondents had the ultimate authority to make statements on behalf of their issuer clients, as required by the Supreme Court's *Janus* decision;
2. That the Respondents made misstatements or omissions in connection with the issuers' audit reports in question that were material;
3. That the Respondents possessed the necessary scienter of willfully or recklessly violating Section 10(b) and Rule 10b-5 through the filing by those issuers of the audit report; or
4. That the alleged misstatements or omissions were made in connection with the purchase or sale of a security.

Further, significant mitigating facts under *Steadman* are in dispute that prevent summary disposition of this case. Accordingly, a Rule 102(e) debarment or suspension is not justified against the Respondents.

Importantly, many of the cases relied on by the Commission in support of the argued bar involve respondents who, unlike the Respondents here, never held CPA licenses in the first place and filed false and misleading reports on behalf of securities issuers. See Motion at 23. Such egregious facts simply are not present here. Instead, the Respondents filed the relevant audit reports while under a suspension that was later determined to be unwarranted because SWH was not subject to peer review. See Koepke Declaration at ¶ 15 ("Unfortunately, Respondents were put in an untenable position because they could not timely renew the license with the State Board

because they did not have a final peer review report from the PCAOB, which was a requirement of the State Board license renewal process.”). As belatedly acknowledged by Mr. Treacy, the State Board’s executive director, the board “permitted SWH to obtain a firm license after the firm paid the required fee and after determining that the PCAOB had not, at that time, issued final sanctions against SWH and that SWH did not service non-issuer clients requiring the firm to submit to peer review.” *See* Treacy Declaration at ¶ 13.

Accordingly, the Respondents’ conduct does not amount to practicing before the Commission without ever having been licensed. Instead, the Respondents practiced before the Commission during a time-limited and ultimately unjustified administrative suspension. The Commission’s request for summary disposition of its claim for a Rule 102(e) bar therefore should be denied.

## **VI.** **CONCLUSION**

For the foregoing reasons, the Commission’s motion for summary disposition of this case should be denied.

Signed this 4th day of March 2013.

Respectfully submitted,

**BELL NUNNALLY & MARTIN LLP**

By: /s/ Jeff Ansley

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**ATTORNEYS FOR RESPONDENTS**

**S.W. HATFIELD, CPA and**

**SCOTT W. HATFIELD, CPA**

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 67793/September 6, 2012

ACCOUNTING AND AUDITING ENFORCEMENT  
Release No. 3415/ September 6, 2012

ADMINISTRATIVE PROCEEDING  
File No. 3-15012

---

In the Matter of :  
:   
S.W. Hatfield, CPA and :  
Scott W. Hatfield, CPA, :  
:   
Respondents. :  
:

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DECLARATION OF JOHN KOEPKE

I, John A. Koepke, declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct and that I am competent to testify to the following matters:

1. My name is John A. Koepke. I am of legal age and of sound mind and have personal knowledge of the facts set forth in this Declaration. I am duly authorized to make this Declaration and am competent to testify to the matters contained in this Declaration. I swear that every statement made in this Declaration is made on my personal knowledge and is true and correct.

2. I am a licensed attorney and a partner in the law firm of Jackson Walker, LLP in Dallas, Texas. My practice focuses on representing, among others, a variety of businesses in employment, trade secret, intellectual property, and other types of labor law litigation, including Fortune 100 corporations and privately-held companies.



3. In approximately the summer of 2007, Scott A. Hatfield ("Mr. Hatfield") retained me to serve as counsel for Mr. Hatfield and S.W. Hatfield, CPA ("SWH") ("collectively, the "Respondents"). Specifically, the Respondents hired me to assist them in connection with, without limitation, circumstances surrounding a protracted peer review of SWH by the Public Company Accounting Oversight Board ("PCAOB"). At the time, SWH's practice consisted of audits of publicly held companies. Consequently, the periodic mandatory peer review of SWH was performed by the PCAOB.

4. On or about October 29, 2007, the PCAOB conducted a peer review of SWH for the period of May 1, 2006 to September 30, 2007 (the "2007 Inspection"). Following the 2007 Inspection, the PCAOB requested – and received – additional information from the Respondents in connection with its peer review of SWH.

5. The PCAOB issued a preliminary report ("Initial Report") regarding the 2007 Inspection on November 21, 2008. The PCAOB issued the Initial Report more than a year after the 2007 Inspection. Pursuant to PCAOB rules, SWH responded to the Initial Report on November 5, 2009, addressing the issues raised by the PCAOB in the Initial Report, and providing additional information.

6. As required, SWH provided updates to the Texas State Board of Public Accountancy ("State Board") regarding the status of the PCAOB's 2007 Inspection as it was an ongoing and open peer review of SWH. SWH did so at least on or about October 28, 2009 and March 9, 2010, giving written updates to William Tracey, then the Executive Director of the State Board.

7. Throughout this time period, the PCAOB's peer review of SWH remained open, awaiting a final report on the 2007 Inspection.

8. Due to the extended time period during which SWH's peer review remained open, both the State Board and I, on behalf of my clients, contacted the PCAOB numerous times in



attempts to determine the status, and ultimate disposition, of the 2007 Inspection and to obtain a final peer review report. These attempts, which included correspondence that I sent directly to George Diacont, Director of the PCAOB's Division of Registration and Inspections, were unsuccessful.

9. Consequently, despite the foregoing efforts to secure the final disposition of the PCAOB's peer review of SWH, the State Board closed its file on the Respondents on July 8, 2010 because of the failure of the PCAOB to issue a final peer review report. I understand that this closure by the State Board resulted entirely from the delay by the PCAOB in issuing a final peer review report and was in no way the fault or responsibility of the Respondents.

10. This closure by the State Board – again, due to no fault of either SWH or Mr. Hatfield – resulted in the administrative revocation of SWH's state accounting license. As I understand it, this administrative revocation was retroactively effective as of January 31, 2010, which I understand to have been the required license renewal date for SWH.

11. Throughout this protracted time period, SWH, in turn, was unable to renew its accounting license with the State Board due to the pendency of the incomplete PCAOB peer review. Accordingly, the failure of the PCAOB to timely complete its final peer review report, which both the State Board and Respondents were powerless to cure, prevented the firm and Mr. Hatfield from timely renewing SWH's accounting license.

12. It is important to note that the Respondents did not receive any notice of the State Board's administrative revocation at the time it occurred.

13. On September 22, 2010, the PCAOB finally issued additional comments to the 2007 Inspection. On October 29, 2010, the PCAOB issued final comments to the report on the 2007 Inspection (the "Final Report"). By this time, the State Board had already administratively revoked SWH's license due to the delinquency of the completion of the Final Report.

14. The Final Report was provided to the State Board on December 15, 2010.

15. As counsel to the Respondents, I believe that Mr. Hatfield did all that he could to obtain a final report on the 2007 Inspection and peer review of SWH. For reasons beyond his control and that remain unknown, the PCAOB did not issue a timely peer review report until well after the State Board had cause the administrative revocation of SWH's public accounting license. Unfortunately, Respondents were put in a untenable position because they could not timely renew the license with the State Board because they did not have a final peer review report from the PCAOB, which was a requirement of the State Board license renewal process.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Signed this 4 day of March, 2013.

  
\_\_\_\_\_  
John A. Koepke

9029131v.1

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 67793

ACCOUNTING AND AUDITING ENFORCEMENT  
Release No. 3415

ADMINISTRATIVE PROCEEDING  
File No. 3-15012

In the Matter of

Scott W. Hatfield, CPA; and  
S. W. Hatfield, CPA

Respondents.

DECLARATION OF DAVID R. KING

I, David R. King, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and that I am competent to testify as to the matters stated herein:

1. I am over 21 years of age.
2. I am a Certified Public Accountant licensed in the State of Texas, a Certified Fraud Examiner, and a Certified Management Accountant. In 1982, I received a Bachelor of Science degree in Accounting from Louisiana State University in Baton Rouge, Louisiana.
3. Between 1982 and 2003, I was employed by international accounting firm Ernst & Young, LLP. During that time, I was responsible for planning, executing, and supervising audits of private and public company financial statements and for conducting fraud investigations and performing other litigation services.



SEC APP 0736

4. Since 2003, I have been employed as a Staff Accountant by the Enforcement Division ("Division") of the United States Securities and Exchange Commission ("Commission") in the Fort Worth Regional Office. My official duties within the Division include participating in fact-finding inquiries and investigations to determine whether the federal securities laws have been violating and assisting in the Commission's litigation of securities laws violations. As part of my duties within the Division, I conduct investigations, analyze financial records, subpoena records, take sworn testimony, prepare reports summarizing my findings, and am available to testify about such things at hearings or in other legal proceedings.

5. I have personal knowledge of the facts and circumstances of the Division's investigation of Scott W. Hatfield ("Hatfield") and S.W.Hatfield CPA ("SWH"), as I personally conducted the investigation which led to the above-captioned administrative proceedings.

6. Respondents refused to participate or cooperate in the Division's underlying investigation. They repeatedly ignored voluntary requests and subpoenas for the production of documents. For instance, on March 28, 2012 I sent Respondents a litigation hold notification and voluntary request for documents including, but not limited to, communications with the Texas State Board of Public Accountancy ("TSBPA"). Respondents never provided responsive documents to the Division and I am unaware of whether they properly preserved and retained documents as instructed. See March 28, 2012 Letter, attached hereto as Exhibit A and incorporated herein.

7. In addition, on April 10, 2012, the Division subpoenaed Respondents to (a) produce the documents they previously failed to produce voluntarily; and (b) appear before the Division and give sworn testimony on April 24, 2012. See April 10, 2012 Subpoena to Respondents, attached hereto as Exhibit B and incorporated herein.

8. Respondents ignored the April 10, 2012 subpoena and failed to produce documents or appear for testimony. See Letter of April 24, 2012, attached hereto as Exhibit C and incorporated herein.

9. Despite Respondents refusal to cooperate with the Division during its investigation, I determined, by confirming directly with TSBPA staff, that SWH's firm license expired on January 31, 2010 and was not renewed until May 19, 2011.

10. A licensee who has failed to pay the annual fee is not in good standing in the State of Texas and is not permitted to hold itself out as a CPA until all fees are paid. See (a) TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy, November 2008, Volume 97 at p. 11; (b) TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy November 2009, Vol. 101 at pp. 1, 6-7; and (c) TEXAS STATE BOARD REPORT, Texas State Board of Public Accountancy, November 2012, Vol. 113 at p. 3, attached hereto, collectively, as Exhibit D and incorporated herein. The Texas State Board Report is an industry publication for accountants in the State of Texas distributed to TSBPA license holders.

11. In 2010 and 2011, Hatfield was SWH's sole proprietor. Together Respondents caused SWH to issue 38 audit reports for 21 public company issuers while SWH's firm license was expired. See SWH "Report[s] of Registered Independent Certified Public Accounting Firm," attached hereto, collectively, as Exhibit E and incorporated herein.

12. Each of those issuers included SWH's audit reports in registration statements and periodic reports they filed with the Commission. See Commission filings of SWH audit clients, attached hereto, collectively, as Exhibit F and incorporated herein.

13. I prepared an Appendix summarizing, in a single table, the issuer filings that included audit reports issued by Respondents while SWH's firm license was expired. See Appendix of

Filings Including Audit Reports Issued by S.W. Hatfield, CPA while License Expired January 31, 2010 to May 19, 2011, attached hereto as Exhibit G and incorporated herein.

14. SWH's annual reports filed with the PCAOB on Form 2 acknowledge that Respondents issued audit reports while SWH's firm license was expired. See SWH Form 2 for reporting periods April 1, 2009 -- March 31, 2010 and April 1, 2010 -- March 31, 2011, attached hereto, collectively, as Exhibit H and incorporated herein. Hatfield has not filed SWH's annual report for the reporting period April 1, 2011 to March 31, 2012, which was due by June 30, 2012. Consequently, SWH is in violation of Section 102(d) of the Sarbanes-Oxley Act of 2002 and PCAOB Rule 2200, *Annual Report*, which provides that "[e]ach registered public accounting firm must file with the Board an annual report on Form 2..." PCAOB Rule 2201, *Time for Filing Annual Report*, sets June 30 of each year as the filing deadline.

15. SWH's audit reports were included in the public filings of issuer clients who issued, offered, and sold securities while SWH's license was expired. During my investigative work, I performed online research on OTC Markets and Yahoo! Finance websites and personally determined that five of the 21 issuer clients for whom SWH issued audit reports while its license was expired were, at that time, quoted on the OTC Bulletin Board and/or Pink Sheets, as reflected in the following chart I prepared summarizing the number of days traded, the average trading volume and the low, high, and average close price per issuer during the relevant period:

Issuer	No. Days Traded	Avg. Daily Volume	Close Price		
			Low	High	Average
8888 Acquisition Corp. (EGHA); (Registration withdrawn Aug. 17, 2011)	13	261	\$ 0.07	\$ 3.00	\$ 1.11
Eight Dragons Co. (EDRG)	26	213	\$ 0.07	\$ 1.70	\$ 0.57

Issuer	No. Days Traded	Avg. Daily Volume	Close Prices		
			Low	High	Average
HPC Acquisitions, Inc. (HPCQ)	23	8,665	\$ 0.01	\$ 0.75	\$ 0.15
Truwest Corp. (TRWS)	7	200	\$ 0.10	\$ 3.00	\$ 1.39
X-Change Corp. (XCHC)	128	9,268	\$ 0.20	\$ 1.58	\$ 0.47

16. I also personally determined, by reviewing the issuers' filings with the Commission, that another of the 21 issuer clients, SMSA Kerrville Acquisition Corp., issued securities while SWH's license was expired. Specifically, I know that on December 15, 2010, SMSA Kerrville issued 9.5 million shares of restricted, unregistered common stock in exchange for 100% of the outstanding common stock of another company. See Exhibit F.

17. I also personally determined, by reviewing the issuers' filings with the Commission, that four other issuer clients of SWH – Signet International Holdings, Inc., SMSA Crane Acquisition Corp., and SMSA Gainesville Acquisition Corp., and X-Change Corp. – issued securities while SWH's firm license was expired. *Id.*

18. Respondents charged \$187,222 as fees for audits conducted or completed while SWH's license was expired. See Exhibits F and G.

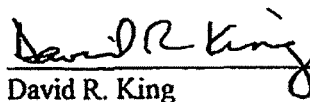
19. As part of my regular work for the Division of Enforcement, I calculate the amount of prejudgment interest the Division contends a Respondent is liable to pay on ill-gotten gains it obtained. The IRS underpayment of federal income tax rate as set forth in 26 U.S.C. § 6621(a)(2).

20. Based on a principal amount of \$187,222, application of the tax underpayment rate from May 19, 2011 through January 1, 2013 results in a total prejudgment interest amount of \$9,743.84. See Division of Enforcement Prejudgment Interest Calculator Report, attached hereto as Exhibit I and incorporated herein. May 19, 2011, the date on which Respondents renewed

SWH's license, is a reasonable estimate of the average date on which SWH collected amounts billed in connection with audit reports issued between January 31, 2010 and May 19, 2011. Accordingly I used May 19, 2011 as the date on which to begin accruing interest. Consistent with Commission policy, no interest accrues in the calendar month in which the disgorgement period begins and ends.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed this 29th day of January 2013.

  
\_\_\_\_\_  
David R. King



UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 67793

ACCOUNTING AND AUDITING ENFORCEMENT  
Release No. 3415

ADMINISTRATIVE PROCEEDING  
File No. 3-15012

In the Matter of

Scott W. Hatfield, CPA; and  
S. W. Hatfield, CPA

Respondents.

DECLARATION OF WILLIAM TREACY

I, William Treacy, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and that I am competent to testify as to the matters stated herein:

1. I am over 21 years of age. I am employed by the Texas State Board of Public Accountancy ("TSBPA") as Executive Director, a position I have held since September 1990.
2. As Executive Director for the TSPBA, I am responsible for, among other things, managing and overseeing the work carried on by the TSBPA's Enforcement Division and its staff, including enforcement attorney Virginia Moher, CPA.
3. Also, by reason of my position as Executive Director, I am authorized and qualified to serve as a custodian of records for the TSBPA, and I am familiar with the TSBPA's recordkeeping practices and systems. I certify that the documents attached hereto as Exhibits Treacy-A through Treacy-F are true copies of records that were (a) made at or near the time of the occurrence of the matters set forth therein, by, or from information transmitted by, a person with knowledge of those



matters; (b) made as part of a regularly conducted business activity as a regular practice; and (c) kept in the course of regularly conducted business activity.

4. I am familiar with the facts and circumstances surrounding the delinquency and expiration of S.W. Hatfield C.P.A.'s ("SWH") firm license between January 31, 2010 and May 19, 2011. The TSBPA investigation number concerning these matters is 08-03-10L.

5. In a letter dated October 9, 2009, the TSBPA notified Respondents that SWH's CPA license for 2010 had not been issued and that SWH had failed to report its peer review results for the years 2006–2009. See Exhibit Treacy-A, attached hereto and incorporated herein.

6. TEX. OCC. CODE § 901.404 requires the TSBPA to provide written notice to a license holder, no later than thirty days prior to the date on which a license is scheduled to expire, of the impending expiration. In accordance with the law, no later than December 31, 2009, the TSBPA sent written notification to Respondents' known address notifying them that SWH's firm license would expire on January 31, 2010.

7. I am aware that by no later than February 2010, TSBPA enforcement attorney Virginia Moher, CPA was in regular contact with John Koepke ("Koepke") regarding SHW's licensing issues. Koepke is a Jackson Walker L.L.P. attorney who, at that time, was engaged to represent Scott W. Hatfield, CPA in a Public Company Accounting Oversight Board ("PCAOB") investigation into SWH's accountancy practices. In fact, the TSBPA first contacted Koepke in the Spring of 2008 regarding the PCAOB investigation of SWH. Koepke first contacted the TSBPA on Respondents' behalf on May 14, 2008, to report his clients' efforts to address the PCAOB investigation.

8. I know that in or before March 2010, Virginia Moher again alerted Respondents, during a phone call with attorney Koepke, that SWH's firm license was expired, that it was three years delinquent in satisfying peer review requirements, and that Respondents could be sanctioned

for providing attest services without a valid firm license. See Exhibit Treacy-B, attached hereto and incorporated herein. Respondents' counsel claimed that that they did not provide attest services to non-issuer clients and, therefore, were exempt from peer review requirements. *Id*

9. On or about March 8, 2010, the TSBPA's Licensing Division notified SWH affiliate Ronald Johnson by email that SWH's firm license was delinquent and expired. See Exhibit Treacy-C, attached hereto and incorporated herein.

10. On March 15, 2010, the TSBPA sent another letter to Koepke notifying Respondents that they were required to provide the TSBPA a PCAOB-authored letter stating that all issues arising from its September 28, 2005 inspection had been "satisfactorily addressed" by SWH. See Exhibit Treacy-D, attached hereto and incorporated herein.


11. Between 2008 and May 2011, Respondents' email address on file with the TSBPA was: [REDACTED].

12. On July 8, 2010, the TSBPA sent another letter to Koepke advising him that SWH's firm license would be blocked and that it could not: (a) hold itself out as a CPA firm; or (b) perform audits or attestations because its firm license was delinquent and expired. See Exhibit Treacy-E, attached hereto and incorporated herein.

13. On May 25, 2011, the TSBPA permitted SWH to obtain a firm license after the firm paid the required fee and after determining that the PCAOB had not, at that time, issued final sanctions against SWH and that SWH did not service non-issuer clients requiring the firm to submit to peer review. See Exhibit Treacy-F, attached hereto and incorporated herein.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed this 28<sup>th</sup> day of January 2013.

  
William Treacy, Executive Director

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

**SECURITIES EXCHANGE ACT OF 1934**  
Release No. 67793

**ACCOUNTING AND AUDITING ENFORCEMENT**  
Release No. 3415

**ADMINISTRATIVE PROCEEDING**  
File No. 3-15012

**In the Matter of**

**Scott W. Hatfield, CPA; and  
S. W. Hatfield, CPA**

**Respondents.**

**DIVISION OF ENFORCEMENT'S REPLY  
BRIEF IN SUPPORT OF MOTION FOR  
SUMMARY DISPOSITION**

The Division of Enforcement ("Division") of the United States Securities and Exchange Commission ("Commission") files this brief replying to Respondents' Response in Opposition to the Division's Motion for Summary Disposition ("Reply Brief"), and respectfully shows the following:

**I.**  
**INTRODUCTION**

Respondents answer "yes" to the two key factual questions the Division must prove in this case. Those questions are (1) whether S.W. Hatfield, CPA's ("SWH") firm CPA license was expired between January 31, 2010 and May 19, 2011; and (2) whether SWH and Scott W. Hatfield, CPA ("Hatfield") issued audit reports for public company issuers while SWH's license was expired. Because Respondents admit these key points, no further analysis is required and the Court should find that Respondents violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder and should order them to cease and desist

from further such violations and should permanently bar them from appearing before the Commission under Rule of Practice 102(e)(1)(i) and (iii).

Respondents argue, however, that the Court should not find them liable for violating Section 10(b) and Rule 10b-5 because (1) they are not “makers” of material misstatements under the United States Supreme Court’s decision in *Janus Capital Groups., Inc. v. First Derivatives Traders*; (2) their misstatements were immaterial; and (3) they lacked the scienter required by these provisions. To further their cause, Respondents misstate numerous facts to this Court in an effort to confuse the issues and shift the blame for their own misconduct to the Public Company Accounting Oversight Board (“PCAOB”) and the Texas State Board of Public Accountancy (“TSBPA”).

Finally, if the Court agrees with the Division and holds that Respondents violated Section 10(b) and Rule 10b-5 thereunder, Respondents make various rote arguments for lesser penalties and disgorgement than the Division seeks.

## **II.**

### **SUPPLEMENTAL EVIDENCE SUPPORTING SUMMARY DISPOSITION**

In addition to the evidence submitted in support of its underlying motion for summary disposition, the Division respectfully submits the following supplemental evidence:

Exhibit 4: Supplemental Declaration of William Treacy

Exhibit 5: Division’s Objections to the Declaration of John Koepke

## **III.**

### **ARGUMENT AND AUTHORITY**

#### **A. RESPONDENTS MISSTATE NUMEROUS FACTS, BUT CANNOT OVERCOME THE EVIDENCE AND LAW AGAINST THEM.**

##### **1. Respondents Misrepresent Numerous Facts Throughout Their Response.**

Having admitted the key facts warranting summary disposition in favor of the Division, Respondents attempt to confuse the Court by misstating other facts surrounding the expiration of SWH's CPA license.

*a. Respondents incorrectly claim that SWH's CPA license was under "administrative suspension" or was "administratively revoked" between January 31, 2010 and May 19, 2011.*

The parties agree that SWH has been licensed by the TSBPA since 1994, except for the period in which it lacked a license between January 31, 2010 and May 19, 2011. But Respondents incorrectly claim that SWH's CPA license was "administratively suspended" or administratively revoked," by the TSBPA, and that such suspension was merely "technical" in nature. SWH's license was never revoked or suspended. See Supplemental Declaration of William Treacy, attached hereto as Exhibit 4 and incorporated herein ("Treacy Supp. Dec."), at ¶¶ 4-5. Rather, Respondents allowed SWH's firm license to expire on January 31, 2010, due to their own failure to complete the peer review required by the laws of the State of Texas. *Id.* at ¶ 4; see also TEX. ADMIN. CODE Chapter 527; TEX. ADMIN. CODE RULE § 515.3(b)(4) ("If a firm is subject to peer review, then a firm's office license shall not be renewed unless the office has met the peer review requirements as defined in Chapter 527 of this title (relating to Peer Review)). Hence, the expiration was in no way a mere administrative technicality, but the direct result of Respondents' knowing breach of the legal requirements governing the licensing of Texas CPA firms. *Id.* As a matter of law, without a current firm license as of January 31, 2010, SWH was not legally permitted to perform attest services in Texas pursuant to TEX. OCC. CODE §§ 901.351; 901.456. *Id.*

*b. Respondents wrongly assert that they were exempt from PCAOB peer review.*

Respondents repeatedly – and wrongly – argue that they were “exempt” from PCAOB peer review requirements. This argument directly contradicts Respondents’ Answer to the Second Corrected OIP issued in this proceeding on November 15, 2012, wherein they “admit the allegations contained in paragraph 3 of the OIP,” which itself alleges that

“[E]ach firm licensed by the TSBPA that performs attest services must enroll and participate in a peer review program. A firm that performs attest services only for issuer clients can meet this requirement through the PCAOB inspection process. On the other hand, a firm that performs attest services for any non-issuer clients must also enroll in a peer review program for review of its non-public company attest work.”

See November 15, 2012 Second Corrected OIP; Respondents’ December 20, 2012 Answer to the Second Corrected OIP;

Notwithstanding their unexplained about-face, Respondents premise their argument on their own unsupported claim that they provide attest services solely for public companies. Respondents claim that the TSBPA and PCAOB determined that SWH did not provide attest services to non-public companies. *Id.* at ¶ 8.

Respondents allege that because they did not provide attest services to non-public companies, SWH was exempt from enrolling and participating in a peer review program. *Id.* at ¶ 10. To the contrary, because SWH performed attest services for its public company clients, it was not exempt from enrolling and participating in a peer review. *Id.*; Under TEX. ADMIN. CODE Rule §527.4, each firm licensed or registered with the TSBPA that performs any attest services including audits, reviews, compilations, forecasts, projections, or special reports, is required to enroll and participate in a peer review program. *Id.*

Pursuant to TEX. ADMIN. CODE § Rule 527.1(a) the TSBPA established a peer review program to monitor CPAs' compliance with applicable accounting, auditing and other attestation standards adopted by generally recognized standard-setting bodies. *Id.* at ¶ 11. The program includes education, remediation, disciplinary sanctions or other corrective action where reporting does not comply with professional or regulatory standards. *Id.*

TSBPA-registered CPA firms who audit public companies can satisfy their statutorily required peer review for such work by participation in the PCAOB's review program. *Id.* at ¶ 12. TSBPA-registered CPA firms who also audit non-public companies can satisfy their statutorily required peer review work through a program offered by the American Institute of CPAs ("AICPA"). *Id.*

Based solely on SWH's representations that it did not perform any non-public company attestation services, the TSBPA concluded that SWH was not required to enroll and participate in a peer review program *in addition to* the PCAOB inspection program. *Id.* at ¶ 13. In other words, SWH was able to satisfy its state-mandated peer review requirement through participation in the PCAOB review program without doing more, which SWH in fact did.<sup>1</sup> *Id.*

Notwithstanding Respondents' repeated claims that they were exempt from peer review requirements, their own witness John Koepke unequivocally admits that "they did not have a final peer review report from the PCAOB, which was a requirement of the State Board license renewal process." (Koepke Dec at ¶ 15) (emphasis added).

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<sup>1</sup> Notably, a firm may claim an exemption from the State of Texas's peer review requirement by filing with the TSPBA, on an annual basis, an affidavit for Exemption from Peer Review. See Koepke Supp. Dec. at ¶ 17. SWH did not file this affidavit for the 2010 or 2011 licensee years or otherwise assert that it was exempt from the TSBPA's mandatory peer review program. *Id.*



*c. Respondents falsely claim that SWH's license expired due to no fault of their own.*

Respondents falsely claim that SWH's license expired through no fault of their own. However, under TEX. ADMIN. CODE Rule §527.4, it is the responsibility of every CPA firm to anticipate its needs for peer review services in sufficient time to enable the peer reviewer to complete the peer review by the due date. Thus, every TSBPA-licensed CPA firm, including SWH, is responsible for completing peer review and, to the extent a peer review is not completed, responsibility for failure or inability to complete peer review rests with the firm. See Treacy Supp. Dec., at ¶ 15. The TSBPA's Licensing Division will not renew a firm's CPA license if the firm has not completed peer review. *Id.*

Respondents attempt to lay blame for their failure to timely renew SWH's license on the PCAOB's alleged "delinquency" in completing its review of SWH. But they offer no evidence that the PCAOB's review was somehow uniquely or remarkably longer than could be expected. *Id.* at ¶ 16. Furthermore, the law is clear that a firm's license will not be renewed unless and until it satisfies peer review requirements. TEX. ADMIN. CODE RULE § 515.3(b)(4) ("If a firm is subject to peer review, then a firm's office license shall not be renewed unless the office has met the peer review requirements as defined in Chapter 527 of this title (relating to Peer Review)). Hence, the duration of a review, even assuming one that is unreasonably protracted, has no bearing on a firm's obligation to timely complete the review in order to renew its CPA license. *Id.*

*d. Respondents claim they did not receive any notice of the TSBPA's revocation at the time it occurred.*

Respondents completely ignore undisputed evidence when they claim they received no notice that SWH's firm license expired. As detailed in the January 28, 2012 Declaration of

William Treacy, Respondents were *repeatedly* notified by statute and in writing from the TSBPA that SWH's license would expire and had in fact expired. *See* Exhibit 3, Declaration of William Treacy, at ¶¶ 5-12. In fact, the TSBPA sent written notification to Respondents notifying them of the pending expiration no later than January 1, 2010, and again numerous times thereafter. *Id.* Whether the TSBPA did or did not actually notify Respondents on the actual date SHW allowed its license to expire is immaterial.

**2. Respondents Do Not Overcome The Standard For Granting Summary Disposition For The Division.**

The parties agree that Rule of Practice 250(a) authorizes the Court to grant summary disposition in favor the Division if there is no genuine issue of material fact in dispute after assessing the facts and evidence and the reasonable inferences to be drawn therefrom.

Because Respondents have admitted the key facts, summary disposition in favor of the Division is warranted. In addition, Respondents have not produced evidence raising any real fact issue or calling into question any of the Division's allegations.

Respondents cite *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986) for the proposition that, in determining the Division's motion for summary disposition, this Court should not weigh the evidence but only determine if there is a "genuine issue for resolution at a hearing." Response at p. 5. Notably, however, the *Anderson* Court went on to state that "there is no issue for [hearing] unless there is sufficient evidence favoring the non-moving party for a jury to return a verdict for that party. If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted." *Id.* at 249 (internal citations omitted).

Respondents' limited evidence is not significantly probative of any genuine issue of material fact. Importantly, neither Hatfield nor SWH submitted a declaration or other evidence to respond to the Division's motion. And the sole piece of new evidence supporting

Respondents' Response, the Declaration of Respondents' prior counsel John Koepke, is in large part inadmissibly speculative and conclusory. *See* Exhibit 5, Division's Objections to the Declaration of John Koepke. Notwithstanding its evidentiary deficiencies, Koepke's Declaration does nothing to contradict or question the Division's material factual allegations. Consequently, Respondents cannot overcome Rule 250's standard for granting summary disposition for the Division.

**B. THE SUMMARY DISPOSITION EVIDENCE ESTABLISHES THAT RESPONDENTS VIOLATED SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER AND SHOULD BE ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS OF THESE PROVISIONS.**

**1. Respondents Are "Makers" of Materially Misleading Statements Under the Supreme Court's Reasoning in *Janus*.**

Defendants rely upon the Supreme Court's 2011 decision in *Janus Capital Groups, Inc. v. First Derivatives Traders* to broadly assert that Respondents cannot be liable under Section 10(b) of the Exchange Act and Rule 10b-5 thereunder because they are not "makers" of, or lacked ultimate authority over, the fraudulent statements contained in the 38 audit reports Hatfield caused SWH to issue while SWH's license was expired. 131 S. Ct. 2296 (2011). Rule 10b-5(b) provides that it is unlawful for any person "[t]o make any untrue statement of a material fact" in connection with the purchase or sale of a security.

*Janus* involved a private civil action alleging claims under Section 10(b) and Rule 10b-5(b) based on misstatements in prospectus materials issued by Janus Investment Fund. *Janus*, 131 S. Ct. at 2302. The plaintiffs alleged that Janus Capital Management, the fund's investment adviser and administrator, violated Rule 10b-5(b) because it had been significantly involved in the creation of the allegedly misleading statements. *Id.* The plaintiffs alleged that the adviser had a close relationship with the fund, exercised significant influence over the fund and its

prospectus disclosures, and was understood by investors to be the “maker” of disclosures issued by the fund. *Id.* Ultimately, the Court held that for purposes of Rule 10b-5(b), “the maker of a statement is the person or entity with ultimate authority over the statement, including its content and whether and how to communicate it.” *Id.* at 2302.

Importantly, the *Janus* Court emphasized the importance of “attribution” in identifying the maker of a statement. *Id.* The Court explained that “in the ordinary case, attribution within a statement or implicit from surrounding circumstances is *strong evidence that a statement was made by – and only by – the party to whom it is attributed.*” *Id.* (emphasis added). This is precisely the issue in this case – Respondents drafted, dated, printed on SWH letterhead, and signed audit reports for 21 issuer clients, which reports were included in papers the issuers filed with the Commission. These audit reports were indisputably attributed to Respondents.

Hence, unlike the speechwriter who is not ultimately responsible for the speechmaker’s statements, Respondents’ own words and work product form a substantial portion of the issuers’ filings, and are necessarily attributed directly to them. *See, e.g.*, Exhibit F to the Declaration of David King (“King Dec”) submitted as Exhibit 2 in support of the Division’s Motion. It is beyond dispute that Respondents had “ultimate authority” over their own audit reports, which they consented to have included in each issuer’s Commission filings. Consequently, Respondents can, and should, be held liable for violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder as the Division has alleged.<sup>2</sup>

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<sup>2</sup> In addition to *Janus*, see also *See Louisiana Mun. Police Emp. Ret. Sys. v. KPMG, LLP*, 2012 WL 3903335, at \*5 (N.D. Ohio Aug. 31, 2012) (corporate officer is maker under *Janus* of statement attributed to him in company press release); *SEC v. Daijotis*, 2012 WL 2132389, at \*5 (N.D. Cal. June 12, 2012) (defendant was maker under *Janus* of statements that were specifically attributed to him in company advertisement); *In re Allstate Life Ins. Co. Litig.*, 2012 WL 1900560, at \*4-5 (D. Ariz. May 24, 2012) (defendants were makers under *Janus* of statements that were attributed to them in Official Statements for municipal offerings); *City of St. Clair Shores Gen. Emp. Retirement System v. Lender Processing Serv., Inc.*, 2012 WL 1080953, at \*3 (M.D. Fla. Mar. 30, 2012) (defendant corporate officers were makers under *Janus* of statements that were attributed to them in company press releases and news articles); *Lopes v. Viera*, 2012 WL 691665, at \*6 (E.D. Cal. Mar. 2, 2012) (defendant organizer of company was

## 2. Respondents' Misstatements Were Material.

Respondents ignore the numerous cases, discussed in the Division's motion, holding that inclusion in a public filing of an audit report issued by a person not recognized as an accountant is a material misstatement. See Division's Motion at pp. 12-14 discussing *In the Matter of Ronald Effren, et al.*, 1996 SEC LEXIS 69 (January 16, 1996) (accountant willfully violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and Section 10(b) when he audited an issuer's financial statements and consented to inclusion of his audit report in the issuer's public filings while he was unlicensed); *In the Matter of Alan S. Goldstein*, 1994 SEC LEXIS 2787 (SEC 1994) (accountant violated Section 17(a) of the Securities Act when he served as auditor for two registered broker-dealers while his CPA license was expired due to non-payment of required fees); *SEC v. CoElco, Ltd., et al.*, Civil Action No. 86-7892 (C.D. Cal.) (October 25, 1988); 1988 SEC LEXIS 2184 (October 31, 1988) (permanent injunction entered against accountant for violating and aiding and abetting violations of the antifraud provisions based on his issuance of audit reports, while unlicensed, that were included in an issuer's Commission filings); *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833, 860-62 (2d Cir. 1968) (a person violates Section 10(b) and Rule 10b-5 by making material misstatements in, or omitting material information from, a periodic report or other filing with the Commission); see also, e.g., *SEC v. Todd*, 642 F.3d 1207, 1221 (9th Cir. 2011) ("[I]nformation regarding a company's financial condition is material to investment"); *United States v. Reyes*, 2009 U.S. App. LEXIS 18426 (9th Cir. 2009) ("We have recognized that HN2information regarding a company's

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maker under *Janus* of financial information in offering document where document stated the financial information had been provided to the company by him); *In re Textron, Inc.*, 2011 WL 4079085, at \*6 (D.R.I. Sept. 13, 2011) (defendant CEO of company was maker under *Janus* of statements that were attributed to him in company press releases); *In re Merck & Co., Inc. Sec., Derivative & ERISA Litig.*, 2011 WL 3444199, at \*25 (D.N.J. Aug. 8, 2011) (defendant EVP of company was maker under *Janus* of statements that were attributed to him in news articles and company press releases);

*In the Matter of Scott W. Hatfield, CPA*

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financial condition is material to investment.”); *SEC v. Murphy*, 626 F.2d 633, 653 (9th Cir. 1980) (“[S]urely the materiality of information relating to financial condition, solvency and profitability is not subject to serious challenge.”).

Rather than confront the weight of the case law squarely against them on the issue of materiality, Respondents argue that materiality is a fact issue the Division cannot prove in summary disposition, citing *Fecht v. Price Co.*, 70 F.3d 1078, 1081-82 (9th Cir. 1995) (wherein the court was not considering materiality in the context of deciding a motion for summary judgment, but instead reversed the district court’s dismissal of plaintiff shareholders’ 10(b) action against defendant). In *Fecht*, however, the court clearly stated that a materiality analysis

“requires delicate assessments of the inferences a reasonable shareholder would draw from a given set of facts and the significance of those inferences to him, and these assessments are peculiarly ones for the trier of fact. Similarly, whether a public statement is misleading, or whether adverse facts were adequately disclosed is a mixed question to be decided by the trier of fact. Therefore, only if the adequacy of the disclosure or the materiality of the statement is so obvious that reasonable minds could not differ are these issues appropriately resolved as a matter of law.”

*Id.*, at 1080. Hence, where the statements and omissions at issue are so obviously inadequate or misleading that reasonable minds could not differ as to their import, summary dispositions is appropriate. In this case, Respondents’ audit reports represented to their client-issuers’ shareholders and potential investors that the issuers’ financial statements were accurate and fair and conformed to generally accepted accounting principles – the very type of financial information that courts have routinely found to be material. *SEC v. Todd*, 642 F.3d 1207, 1221 (9th Cir. 2011) (“[I]nformation regarding a company’s financial condition is material to investment”); *United States v. Reyes*, 2009 U.S. App. LEXIS 18426 (9th Cir. 2009) (“We have recognized that information regarding a company’s financial condition is material to

investment.”); *SEC v. Murphy*, 626 F.2d at 653 (“[S]urely the materiality of information relating to financial condition, solvency and profitability is not subject to serious challenge.”). The only reasonable inference to be drawn from these facts is that investors would consider Respondents’ lack of a CPA license and their willingness to knowingly issue audit reports despite having no license important factors in deciding whether to rely on the audit reports, the issuers’ financial statements they endorse, the financial condition of the issuers’ businesses, or whether even to invest with an issuer.

Respondents contend that the “best and most probative evidence of materiality would be what an investor actually said regarding the importance of” Respondents’ misrepresentations and omissions, but they offer no such evidence in their favor. Response, at pp. 8-9. Of equal importance, Respondents distort and misstate the facts in an effort to manufacture a “disputed fact issue precluding summary disposition.” Response, at p. 9. For example, Respondents

- (a) incorrectly and without credible evidence point to the “remarkable delay by the PCAOB in completing its work,” as the driving force behind the TSBPA’s “administrative and retroactive revocation” of SWH’s license;
- (b) falsely represent that Respondents were unable to renew SWH’s license due to the pendency of the PCAOB’s peer review and not because of any misconduct by them;
- (c) mistakenly claim that they were not subject to PCAOB peer review requirements and that the PCAOB concluded that SWH did not perform work for non-issuer clients; and
- (d) wrongly assert that SWH’s license renewal was “delayed” because of the PCAOB’s review.

As discussed in Section III(A)(1) above, Respondents mischaracterize and misrepresent the plain and clear facts to the Court in a last ditch effort to confuse the issues and avoid summary disposition.

**3. Respondents' Conduct Exhibited a High Degree of Scienter.**

Respondents repeatedly attempt to shift the blame for their actions to the PCAOB and the TSBPA, including when arguing that they lacked the requisite intent to deceive required for liability under Section 10(b) and Rule 10b-5.

Notably, at no point in these proceedings have Respondents claimed that they did not know SWH's firm license was expired between January 31, 2010 and May 19, 2011. Nor do Respondents argue that they were unaware they were not permitted to issue audit reports for public company clients without a firm license. In fact, Respondents admit that they knew they could not renew SWH's license because they had not obtained final peer review report from the PCAOB. *See* Koepke Declaration at ¶ 15.

The fact of the matter is that whether PCAOB delayed completing its review to Respondents' detriment is irrelevant. Ultimately, Respondents do not dispute that they knew they were unable to renew SWH's license without a peer review report, knew they lacked such a report, and knowingly and intentionally proceeded to issue audit reports for 21 public companies for more than a year and half without disclosing their lack of license.

Respondents compare themselves to the defendant in *Sundstrand Corp. v. Sun Chem. Corp.*, 553 F.2d 1033, 1045 (7<sup>th</sup> Cir. 1977), who was found not to have been reckless when he "genuinely forgot" to disclose information. Response, at p. 12. Notably, however, Respondents do not claim they forgot SWH's was unlicensed or that they were prohibited from issuing audit



reports without a firm license. In fact, Respondents themselves claim *nothing* contrary to what the Division alleges, as they have not bothered to submit declarations in these proceedings.

The Division agrees with Respondents' that the Court must "look at an actor's actual state of mind at the time of the relevant conduct." *Alvin W. Gebhart, Jr. and Donna T. Gebhart*, SEC Admin. Proc. File No. 3-11953 (Nov. 14 2008). Here, there is no doubt that Respondents' actual state of mind at the relevant time involved actual awareness that SWH had no CPA license and a decision to ignore the laws of the State of Texas and issue audit reports without a license.

**4. A More-Than-Sufficient Number of Respondents' Misstatements Were Made in Connection With the Purchase and Sale of Securities.**

The parties agree that of the 38 audit reports Respondents prepared for 21 issuers while SWH's firm license was expired, six such issuers actually traded or issued securities during the relevant period. Thus, the "in connection with" requirement of Section 10(b) and Rule 10b-5 is met because Respondents' fraud "somehow touche[d] upon" and had "some nexus" with "any securities transaction." *SEC v. Clark*, 915 F.2d 439, 449 (9th Cir. 1990) (emphasis added).

In *SEC v. Zandford*, 535 U.S. 813, 819-820 (U.S. 2002), the Supreme Court stated that "we have explained that the statute should be "construed 'not technically and restrictively, but flexibly to effectuate its remedial purposes.'" (citing *Affiliated Ute Citizens v. United States*, 406 U.S. 128, 151 (1972) (quoting *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 195 (1963)). And where the fraud alleged involves public dissemination in a document such as a registration statement, Form 10-K or other such document on which an investor would presumably rely, the "in connection with" requirement is met by proof of the means of dissemination and the materiality of the misrepresentation or omission. See *In re Ames Dep't Stores Inc. Stock Litig.*, 991 F.2d 953, 963, 965 (2d Cir. 1993).

Hence, in this proceeding the “in connection with” standard is met because Respondents have been proven to be the makers of materially misleading statements and omissions disseminated publicly in Commission-filed registration statements, among other documents. Indeed, neither the Commission nor the Supreme Court has ever held that there must be a misrepresentation about the value of a particular security in order to run afoul of the Act. *Zandford*, 535 U.S. at 820.<sup>3</sup> Hence, Respondents’ misstatements and omissions made “in connection with” six public companies’ issuance and sale of securities more than satisfy the broad statutory standard imposed by Section 10(b) and Rule 10b-5.

For all of these reasons, as well as those stated in the Division’s underlying motion, the Division asks the Court to grant its motion and hold that Respondents violated Exchange Act Section 10(b) and Rule 10b-5 thereunder and order that they cease and desist from committing or causing future violations of these provisions.

**C. RESPONDENTS’ CONDUCT WARRANTS PERMANENTLY BARRING THEM FROM APPEARING BEFORE THE COMMISSION AND REQUIRING THEM TO PAY DISGORGEMENT, PREJUDGMENT INTEREST, AND SECOND TIER CIVIL PENALTIES.**

**1. A Permanent 102(e) Bar is Appropriate in This Case.**

Rule of Practice 102(e) is the primary tool available to the Commission to preserve the integrity of its processes and ensure the competence of the professionals who appear and practice before it. *In the Matter of Michael C. Pattison, CPA*, 2012 SEC LEXIS 2973, 15-16

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<sup>3</sup> The “in connection with” standard in Commission actions is as broad and flexible as is necessary to accomplish the statute’s purpose of protecting investors. *See SEC v. Hasho*, 784 F. Supp. 1059, 1106 (S.D.N.Y. 1992) (“any statement that is reasonably calculated to influence the average investor satisfies the ‘in connection with’ requirement of Rule 10b-5.”); *SEC v. Benson*, 657 F. Supp. 1122, 1131 (S.D.N.Y. 1987) (misstatements in annual and quarterly reports satisfy connection requirement because an investor would rely on such documents in deciding whether to purchase securities); *SEC v. Warner*, 652 F. Supp. 647, 651 (S.D. Fla. 1987) (allegation that fraud affected market for publicly traded security established “in connection with” element sufficient to withstand motion to dismiss); *SEC v. Joseph Schlitz Brewing Co.*, 452 F. Supp. 824, 829 (E.D. Wis. 1978) (material omissions from press releases and SEC filings satisfied connection requirement because reasonable investor might rely thereon and information is calculated to influence investors); *SEC v. Gen. Refractories Co.*, 400 F. Supp. 1248, 1257 (D.D.C. 1975) (material omissions from annual reports, proxy statements and 13 D Schedules satisfied connection requirement because investors might have based investment decisions upon documents).

(SEC 2012) (*citing Marrie v. SEC*, 374 F.3d 1196, 1200 (D.C. Cir. 2004)). Respondents lack the requisite qualifications to represent other issuers before the Commission for all of the reasons stated by the Division, specifically, their knowing and repeated violations of Section 10(b) and Rule 10b-5 by issuing audit reports while SWH's license was expired and consenting to the inclusion of the reports in issuers' Commission-filings. *See In the Matter of Robert W. Armstrong III*, Exchange Act Rel. No. 51920 at fn. 69 ("This reading of the Rule also conforms with past settled cases in which we have suspended accountants under Rule 102(e)(1)(iii) who either were not licensed or who had allowed their licenses to lapse at the time of their misconduct.") (emphasis added); *see also In the Matter of Gerald M. Kudler*, Admin. File No. 3-8896 (Dec. 18, 1995) (barring, under Rule 102(e)(3), a respondent who never held a CPA license for preparing false and misleading annual and quarterly reports); *In the Matter of Stumacher*, Admin. File No. 3-9432 (Sept. 24, 1997) (barring, under subparagraphs (i) and (iii) of Rule 102(e)(1), a respondent who never held a CPA license for, among other things, falsely holding himself out as a CPA when signing audit reports); *U.S. v. Arthur Young & Co.*, 465 U.S. 805, 817-18 (1984) (accountant who disregards professional obligations lacks competence to discharge "public watchdog' function" demanding "total independence from the client at all times").

Notwithstanding their unsuitability to practice before the Commission, Respondents are currently licensed CPAs who continue to provide attest services. They therefore pose a continuing threat to the Commission's processes and to the investing public. *See Matter of James Thomas McCurdy, CPA*, Exchange Act Rel. No. 49182, 82 SEC Docket 282, 2004 WL 210606 \* 9 (Feb. 4, 2004) ("McCurdy is an actively licensed CPA, and we anticipate that he will continue to conduct audits of public companies."); *In re Marrie*, Securities Act Rel. No. 1823,

Exchange Act Rel. No. 48246, 80 SEC Docket 2163, 2003 WL 21741785 \* 19 & n.51 (July 29, 2003) (accountants who are “actively licensed CPAs create a significant risk that they may return to that profession and again conduct audits of public companies”).

In an effort to mitigate against a permanent debarment, Respondents incorrectly claim that SWH’s license was merely “administratively suspended” through no fault of their own, and characterize their misconduct as an “isolated negligent violation,” while at the same time they admit knowingly issuing 38 separate audit reports, each without a valid firm license, during a nineteen month period. But SWH’s license was not merely administratively suspended. See Section III(A)(1) above; Response at p. 15.

In addition, Respondents claim without proof that a permanent debarment is unnecessary because Hatfield is “in all likelihood nearing the end of his professional accounting career.” *Id.* at p. 16. This argument is, at best, a double-edged sword. If indeed Hatfield is nearing the end of his accounting career, a permanent debarment will not impact him as meaningfully as if he were just starting out. Regardless, the Court’s determination of appropriate sanctions to impose against Respondents should be driven by the nature of their conduct, not their unsworn and unproved claims of hardship or pleas for leniency.

Finally, Respondents contend that because SWH has been licensed since 1994 *but for* the nineteen month expiration, their conduct is somehow less egregious than cases in which auditors who were never licensed were barred under 102(e). To the contrary, the undisputed evidence in this proceeding is that Respondents acted with extreme egregiousness, as they admit they knew they could not renew their license without a final peer review report from the PCAOB but nevertheless ignored the law and provided attest services for multiple issuers for more than a year and a half.

For all of these reasons, the Court should conclude that Respondents willfully violated Exchange Act Section 10(b) and Rule 10b-5 thereunder and also lack the requisite qualifications to represent others and should, therefore, be permanently barred from appearing before the Commission under Rule of Practice 102(e)(1)(i) and (iii).

**2. Respondents' should be required to pay disgorgement, prejudgment interest and second tier civil penalties.**

*a. Joint and several disgorgement and prejudgment interest.*

Respondents do not dispute that they charged and received \$187,222 in fees for the audit reports they prepared while SWH was unlicensed. Nor do they challenge the Division's conclusion that they are obligated to pay \$9,743.84 in prejudgment interest on their disgorgement sum. These funds are directly traceable to Respondents' fraud and, consequently, Respondents should be ordered to disgorge them, jointly and severally, and pay the legal interest thereon.

Because the Division has proved the essential elements of its claims and provided this Court with a reasonable approximation of the proper amount for disgorgement, Respondents' must clearly demonstrate that \$187,222 is not a reasonable approximation of the Respondents' ill-gotten gains. *See SEC v. Lorin*, 76 F.3d 458, 462 (2d Cir. 1996); *SEC v. Patel*, 61 F.3d 137, 140 (2d Cir. 1995). Respondents do not challenge the Division's disgorgement calculation, but instead argue that disgorgement is unnecessary to deter Respondents from committing future violations of the securities laws. Response at p. 17. Given Respondents' degree of willfulness in this case, disgorgement of the funds they obtained from their wrongful conduct is a reasonable method for deterring future misconduct, which deterrence is necessary considering Respondents' continued practice as CPAs. *See e.g., In the Matter of Halt, Buzas & Powell, Ltd.*, Exchange Act Rel. No. 57179 (Jan. 22, 2008) (auditor who issued reports on public company financial

statements while not registered with the PCAOB ordered to disgorge fees from those engagements).

*b. Second tier civil penalties.*

Respondents fail to create any genuine issue of material fact regarding whether Respondents should be penalized for their knowing and intentional disregard of the laws prohibiting Texas CPAs from providing attest services without a license. Respondents admit they were unable to renew SWH's license because its peer review was incomplete. They also acknowledge issuing 38 audit reports over the nineteen months that SWH was unlicensed without ever disclosing the fact that it was operating in violation of the law. Further, Respondents admit that they continue to practice as CPAs, which creates the possibility for them to once again disregard the rules and regulations governing CPAs.

There are no facts that weigh against imposing second tier civil penalties against Respondents. *See* Sections 21B(c) of the Exchange Act, *New Allied Dev. Corp.*, Exchange Act Release No. 37990 (Nov. 26, 1996), 52 S.E.C. 1119, 1130 n.33; *First Sec. Transfer Sys., Inc.*, 52 S.E.C. 392, 395-96 (1995); *see also Jay Houston Meadows*, Exchange Act Release No. 37156 (May 1, 1996), 52 S.E.C. at 787-88, *aff'd*, 119 F.3d 1219 (5th Cir. 1997); *Consol. Inv. Servs., Inc.*, 52 S.E.C. 582, 590-91 (1996). Respondents' conduct was not an isolated event but a series of willful violations spanning more than a year and a half. And while Respondents admitted their conduct, they have never acknowledged their wrongdoing. Nor have Respondents cooperated with the Division in these proceedings; instead they failed to appear for subpoenaed testimony in the underlying investigation and failed even to appear through a Declaration in this proceeding. Finally, Respondents have never disclosed their financial condition to the Division so there is no evidence that they are unable to pay penalties.


**IV.**  
**CONCLUSION**

For the foregoing reasons and those stated in its underlying motion and the incorporated evidence, the Division respectfully requests that its motion for summary disposition be granted, and that an order issue

- (a) requiring Scott W. Hatfield and S.W. Hatfield, CPA to cease and desist from violating or causing violations of Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 thereunder;
- (b) requiring Respondents to pay \$187,222 in disgorgement, jointly and severally;
- (c) requiring Respondents to pay \$9,743.84 in prejudgment interest, jointly and severally;
- (d) requiring Scott W. Hatfield to pay a civil penalty of no more than \$75,000 per violation, in an amount to be determined by the Court;
- (e) requiring S.W. Hatfield CPA to pay a civil penalty of no more than \$375,000 per violation, in an amount to be determined by the Court; and
- (f) permanently barring Respondents from appearing or practicing before the Commission pursuant to Rule of Practice 102(e)(1)(i) and 102(e)(1)(iii).

Dated: March 11, 2013.

Respectfully submitted,

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 67793**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3415**

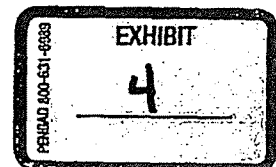
**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15012**

<b>In the Matter of</b>  <b>Scott W. Hatfield, CPA; and</b> <b>S. W. Hatfield, CPA</b>  <b>Respondents.</b>	
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**SUPPLEMENTAL DECLARATION OF WILLIAM TREACY**

I, William Treacy, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and that I am competent to testify as to the matters stated herein:

1. I am over 21 years of age. I am employed by the Texas State Board of Public Accountancy ("TSBPA") as Executive Director, a position I have held since September 1990.
2. I make this Declaration in support of the Division of Enforcement's Reply Brief in Support of Motion for Summary Disposition in the above-captioned administrative proceeding. This Declaration is intended to supplement my January 28, 2013 Declaration in this proceeding, which Declaration and exhibits thereto and incorporated herein by reference.
3. I have reviewed the Response in Opposition to Division of Enforcement's Motion for Summary Disposition and Brief in Support and observed many instances in which Respondents S.W. Hatfield, CPA and Scott W. Hatfield, CPA ("Respondents") incorrectly stated





the requirements for renewing a CPA firm license in Texas and the facts and circumstances surrounding the expiration of SWH's firm license.

4. SWH has been licensed by the TSBPA since 1994, *except for* the period in which its license was expired between January 31, 2010 and May 19, 2011.

5. Respondents incorrectly claim that SWH's CPA license was "administratively suspended" or administratively revoked," by the TSBPA, and that such suspension was merely "technical" in nature. SWH's license was never revoked or suspended. Rather, Respondents allowed SWH's firm license to expire on January 31, 2010, due to failure to complete peer review required by the laws of the State of Texas. *See* TEX. ADMIN. CODE Chapter 527; TEX. ADMIN. CODE RULE § 515.3(b)(4) ("If a firm is subject to peer review, then a firm's office license shall not be renewed unless the office has met the peer review requirements as defined in Chapter 527 of this title (relating to Peer Review)). Hence, the expiration was in no way a mere technicality, but the result of Respondents' failure to adhere to the legal requirements governing the licensing of Texas CPA firms.

6. Without a current firm license as of January 31, 2010, SWH was not legally permitted to perform attest services in Texas pursuant to TEX. OCC. CODE §§ 901.351; 901.456.

7. Respondents claim that at all relevant times, and now, they provide attestation services solely for public companies.

8. Respondents claim that the TSBPA and PCAOB determined that SWH did not provide attest services to non-public companies. The sole basis on which TSBPA made this determination was Respondents' own statements to the TSBPA. In my experience, it is very unusual for a CPA firm to provide attest services solely to public companies.

9. I am unaware of any determination by the PCAOB that SWH performed no non-public company attest services.

10. Respondents incorrectly assert that because they did not provide attestation services to non-public companies, SWH was exempt from enrolling and participating in a peer review program. To the contrary, because SWH performed attestation services for its public

company clients, it was not exempt from enrolling and participating in a peer review program. Under TEX. ADMIN. CODE Rule §527.4, each firm licensed or registered with the TSBPA that performs any attestation services or any accounting or auditing engagements, including audits, reviews, compilations, forecasts, projections, or special reports, is required to enroll and participate in a peer review program.

11. Pursuant to TEX. ADMIN. CODE § Rule 527.1(a), the TSBPA established a peer review program to monitor CPAs' compliance with applicable accounting, auditing and other attestation standards adopted by generally recognized standard-setting bodies. The program includes education, remediation, disciplinary sanctions or other corrective action where reporting does not comply with professional or regulatory standards.

12. TSBPA-registered CPA firms who audit public companies can satisfy their statutorily required peer review for such work by participation in the PCAOB's inspection program. TSBPA-registered CPA firms who also audit non-public companies can satisfy their statutorily required peer review work through a program offered by the American Institute of CPAs ("AICPA").

13. Based solely on SWH's representations that it did not perform any nonpublic company attestation services, the TSBPA concluded that SWH was not required to enroll and participate in a peer review program *in addition to* the PCAOB inspection program. In other words, SWH was able to satisfy its state-mandated peer review requirement through participation in the PCAOB review program.

14. A firm may claim an exemption from the State of Texas's peer review requirement by filing with the TSPBA, on an annual basis, an affidavit for Exemption from Peer Review. SWH did not file this affidavit for the 2010 or 2011 licensee years or otherwise assert that it was exempt from the TSBPA's mandatory peer review program.

15. Respondents incorrectly claim that SWH's license expired through no fault of their own. Under TEX. ADMIN. CODE Rule §527.4, it is the responsibility of every CPA firm to anticipate its needs for peer review services in sufficient time to enable the peer reviewer to

complete the peer review by the due date. Thus, every TSBPA-licensed CPA firm, including SWH, is responsible for completing peer review and, to the extent a peer review is not completed, responsibility for failure or inability to complete peer review rests with the firm. The TSBPA's Licensing Division will not renew a firm's CPA license if the firm has not completed peer review.

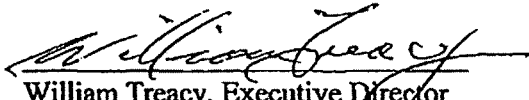
16. Respondents contend that the PCAOB was "delinquent" in completing its review of SWH and that the entire review process was "remarkably" delayed. In my experience, the issuance of the PCAOB's report on its inspection of SWH was not uniquely or remarkably delayed. The duration of a peer review, even assuming one that is unreasonably protracted, has no bearing on a firm's obligation to timely complete the peer review in order to renew its CPA license.

17. Respondents' claim that they were provided no notice that SWH's license would expire, or had expired, is not correct in light of the repeated statutory and written notifications provided them as detailed in §§ 5-12.

18. Finally, when the TSBPA reissued SWH's license, it did so effective May 19, 2011. The renewal was not retroactive to January 30, 2010. The TSBPA does not issue licenses, or renew licenses, retroactively. Consequently, any audit reports Respondents issued between January 31, 2010 and May 19, 2011 were issued without a valid firm license.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed this 7<sup>th</sup> day of March 2013.

  
William Treacy, Executive Director  
Texas State Board of Public Accountancy

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 67793

ACCOUNTING AND AUDITING ENFORCEMENT  
Release No. 3415

ADMINISTRATIVE PROCEEDING  
File No. 3-15012

In the Matter of

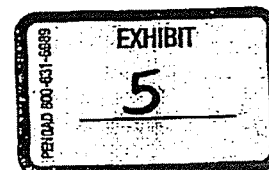
Scott W. Hatfield, CPA; and  
S. W. Hatfield, CPA

Respondents.

DIVISION OF ENFORCEMENT'S  
OBJECTIONS TO THE DECLARATION OF  
JOHN KOEPKE

The Division of Enforcement ("Division") of the United States Securities and Exchange Commission ("Commission") files these objections to the Declaration of John Koepke, submitted as Exhibit 1 in support of Respondents' Response in Opposition to Division of Enforcement's Motion for Summary Disposition, and respectfully shows the following:

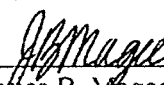
<i>PARAGRAPH</i>	<i>TESTIMONY</i>	<i>OBJECTION</i>
3	"protracted peer review"	Koepke's practice does not focus on TSBPA or PCAOB compliance issues or representation of auditors on issues of peer review or licensing requirements, thus he lacks foundation to testify about whether the peer review was "protracted" and such testimony is speculative and conclusory.



8	"extended time period"	Koepke's practice does not focus on TSBPA or PCAOB compliance issues or representation of auditors on issues of peer review or licensing requirements, thus he lacks foundation to testify about whether the peer review was "protracted" and such testimony is speculative and conclusory.
8	"These attempts, which included correspondence that I sent directly to George Diacont, Director of the PCAOB's Division of Registration and Inspection, were unsuccessful."	The referenced correspondence is unproven but for Koepke's self-serving statements that he made such correspondence and the documents themselves would be the best evidence of their existence.
9	"[T]he State Board closed its file on the Respondents on July 8, 2010 because of the failure of the PCAOB to issue a final peer review report."	The cited portions of testimony lack foundation and are inadmissibly speculative and conclusory
9	"I understand that this closure by the State Board resulted entirely from the delay by the PCAOB in issuing a final peer review report and was in no way the fault or responsibility of the Respondents."	The cited portions of testimony lack foundation and are inadmissibly speculative and conclusory

Dated: March 11, 2013.

Respectfully submitted,

  
 \_\_\_\_\_  
 Jessica B. Magee  
 Texas Bar No. 24037757  
 Toby M. Galloway  
 Texas Bar No. 00790733  
 Securities and Exchange Commission  
 Fort Worth Regional Office  
 Division of Enforcement  
 801 Cherry Street, 18th Floor  
 Fort Worth, Texas 76102  
 E-mail: [mageej@sec.gov](mailto:mageej@sec.gov)  
 Phone: (817) 978-6465 (Magee)  
 Fax: (817) 978-4927  
 Fort Worth, Texas 76102-6882

INITIAL DECISION RELEASE NO. 504  
ADMINISTRATIVE PROCEEDING  
FILE NO. 3-15012

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

In the Matter of :  
 :  
 :  
S. W. HATFIELD, CPA, and : INITIAL DECISION  
SCOTT W. HATFIELD, CPA : September 10, 2013

APPEARANCES: Jessica B. Magee and Toby M. Galloway for the  
Division of Enforcement, Securities and Exchange Commission

Jeffrey J. Ansley of Bell Nunnally & Martin LLP for  
Respondents S.W. Hatfield, CPA, and Scott W. Hatfield, CPA

BEFORE: Carol Fox Foelak, Administrative Law Judge

**SUMMARY**

This Initial Decision dismisses fraud charges brought against S.W. Hatfield, CPA (SWH), and Scott W. Hatfield, CPA (Hatfield) (collectively, Respondents). The charges concerned Respondents' audit reports that were included in public corporations' filings with the Securities and Exchange Commission (Commission) during a period when SWH's state license had expired and had not yet been renewed.

**I. INTRODUCTION**

**A. Procedural Background**

The Commission instituted this proceeding with a November 15, 2012, Corrected Order Instituting Proceedings (OIP), pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 (Exchange Act) and Rule 102(c) of the Commission's Rules of Practice (Rule 102(e)). The undersigned granted the parties leave to file motions for summary disposition at a January 7, 2013, prehearing conference, pursuant to 17 C.F.R. § 201.250(a). S.W. Hatfield, CPA, Admin. Proc. No. 3-15012 (A.L.J. Jan. 7, 2013) (unpublished). The Division of Enforcement (Division) timely filed its Motion for Summary Disposition on January 31, 2013. Respondents filed an Opposition on March 5, 2013, and the Division, a Reply on March 12, 2013. The administrative law judge is required by 17 C.F.R. § 201.250(b) to act "promptly" on a motion for summary disposition.

This Initial Decision is based on (1) the Division's Motion for Summary Disposition; (2) Respondents' Opposition; (3) the Division's Reply; and (4) Respondents' Answer to the OIP. There is no genuine issue with regard to any material fact, and this proceeding may be resolved by summary disposition, pursuant to 17 C.F.R. § 201.250(a). Any other facts in Respondents' pleadings have been taken as true, pursuant to 17 C.F.R. § 201.250(a). All arguments and proposed findings and conclusions that are inconsistent with this decision were considered and rejected.

### **B. Allegations and Arguments of the Parties**

The OIP alleges that Respondents violated Exchange Act Section 10(b) and Rule 10b-5 and, thus, do not "possess the requisite qualifications to represent others" within the meaning of Exchange Act Section 4C(a)(1)<sup>1</sup> and Rule 102(e)(1)(i) and "have willfully violated . . . any provision of the Federal securities laws" within the meaning of Exchange Act Section 4C(a)(3) and Rule 102(e)(1)(iii) in connection with thirty-eight SWH audit reports that twenty-one issuers included in periodic reports and registration statements filed with the Commission during a period when SWH's state license had expired and had not yet been renewed. The Division requests that Respondents be ordered to pay disgorgement of \$187,222 plus prejudgment interest and second-tier civil money penalties and be denied the privilege of appearing or practicing before the Commission. Respondents argue that the alleged violations are unproven, and, in the alternative, the requested monetary remedies are unwarranted or should be reduced and a bar or suspension is unwarranted.

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<sup>1</sup> Exchange Act Section 4C, which was added by the Public Company Accounting Reform and Investor Protection Act of 2002, known as the Sarbanes-Oxley law, codified Rule 102(e), which had been in existence for many years, and provided specific statutory authority for its provisions. Because of this history and the precedent concerning Rule 102(e), the discussion herein will cite Rule 102(e) rather than the identical provisions of Exchange Act Section 4C. "It is well established that when Congress revisits a statute giving rise to a longstanding administrative interpretation without pertinent change, the 'congressional failure to revise or repeal the agency's interpretation is persuasive evidence that the interpretation is the one intended by Congress.'" CFTC v. Schor, 478 U.S. 833, 846 (1986) (citations omitted); see also Lorillard v. Pons, 434 U.S. 575, 580-81 (1978) ("Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change [and] where, as here, Congress adopts a new law incorporating sections of a prior law, Congress normally can be presumed to have had knowledge of the interpretation given to the incorporated law, at least insofar as it affects the new statute.") (citations omitted); cf. Herman & MacLean v. Huddleston, 459 U.S. 375, 384-85 (1983) (Congress's decision to leave Section 10(b) intact while comprehensively revising the securities laws suggested that Congress ratified the well-established judicial interpretation of the implied private right of action under Section 10(b)); Davis v. Mich. Dep't of Treasury, 489 U.S. 803, 813 (1989) ("When Congress codifies a judicially defined concept, it is presumed, absent an express statement to the contrary, that Congress intended to adopt the interpretation placed on that concept by the courts.").

## II. FINDINGS OF FACT

Hatfield, licensed in Texas as a CPA since 1985, is sole proprietor of SWH, a public accounting firm based in Dallas, Texas. Answer at 1-2. During the time at issue, SWH was registered with the Public Company Accounting Oversight Board (PCAOB). Answer at 1. Since then, however, SWH's PCAOB registration has been permanently revoked and Hatfield has been permanently barred from association with a registered public accounting firm. Official notice, pursuant to 17 C.F.R. § 201.323, taken of S.W. Hatfield, C.P.A., Exchange Act Release No. 69930 (July 3, 2013).

Hatfield obtained SWH's initial license to practice as a public accounting firm from the Texas State Board of Public Accountancy (TSBA) in 1994 and renewed it annually through January 2009. Answer at 2. SWH's license expired on January 31, 2010, and was not renewed until May 19, 2011. Answer at 2. SWH issued thirty-eight audit reports during that period, as charged. Opposition at 1. These audit reports, which were titled "Report of Registered Independent Certified Public Accounting Firm," were included in periodic reports and registration statements of twenty-one issuers.<sup>2</sup>

## III. CONCLUSIONS OF LAW

The OIP charges that Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and, thus, do not possess the requisite qualifications to represent others within the meaning of Exchange Act Section 4C(a)(1) and Rule 102(e)(1)(i) and have willfully violated the federal securities laws within the meaning of Exchange Act Section 4C(a)(3) and Rule 102(e)(1)(iii). As discussed below, it is concluded that Respondents did not violate Exchange Act Section 10(b) and Rule 10b-5 and, consequently, there is no basis for sanctioning them under Rule 102(e).

### A. Antifraud Provisions

Respondents are charged with violating the antifraud provisions of the Exchange Act – Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which make it unlawful "in connection with the purchase or sale of any security," by jurisdictional means, to:

- 1) employ any device, scheme, or artifice to defraud;
- 2) make any untrue statement of a material fact or any omission to state a material fact necessary to make the statement made not misleading; or

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<sup>2</sup> Official notice is taken of the issuers' periodic reports and registration statements pertaining to the events at issue, which are in the Commission's public official records, pursuant to 17 C.F.R. § 201.323. Excerpts of the Forms are also attached to the Division's Motion for Summary Disposition as Ex. 2-F.



3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

Scienter is required to establish violations of Exchange Act Section 10(b) and Rule 10b-5. Aaron v. SEC, 446 U.S. 680, 690-91, 695-97 (1980); SEC v. Steadman, 967 F.2d 636, 641 & n.3 (D.C. Cir. 1992); Darvin v. Bache Halsey Stuart Shields, Inc., 479 F. Supp. 460, 464 (S.D.N.Y. 1979). It is "a mental state embracing intent to deceive, manipulate, or defraud." Aaron, 446 U.S. at 686 n.5; Ernst & Ernst v. Hochfelder, 425 U.S. 185, 193 & n.12 (1976); SEC v. Steadman, 967 F.2d at 641. Recklessness can satisfy the scienter requirement. See SEC v. Steadman, 967 F.2d at 641-42; Hollinger v. Titan Capital Corp., 914 F.2d 1564, 1568-69 (9th Cir. 1990); David Disner, 52 S.E.C. 1217, 1222 & n.20 (1997). Reckless conduct is "conduct which is 'highly unreasonable' and which represents 'an extreme departure from the standards of ordinary care . . . to the extent that the danger was either known to the defendant or so obvious that the defendant must have been aware of it.'" Rolf v. Blyth, Eastman Dillon & Co., Inc., 570 F.2d 38, 47 (2d Cir. 1978) (quoting Sanders v. John Nuveen & Co., 554 F.2d 790, 793 (7th Cir. 1977)).

Material misrepresentations and omissions violate Exchange Act Section 10(b) and Rule 10b-5. The standard of materiality is whether or not a reasonable investor or prospective investor would have considered the information important in deciding whether or not to invest. See Basic Inc. v. Levinson, 485 U.S. 224, 231-32, 240 (1988); TSC Indus., Inc. v. Northway, Inc., 426 U.S. 438, 449 (1976); SEC v. Steadman, 967 F.2d at 643.

SWH is accountable for the actions of its responsible officers, including Hatfield. See C.E. Carlson, Inc. v. SEC, 859 F.2d 1429, 1435 (10th Cir. 1988) (citing A.J. White & Co. v. SEC, 556 F.2d 619, 624 (1st Cir. 1977)). A company's scienter is imputed from that of the individuals controlling it. See SEC v. Blinder, Robinson & Co., 542 F. Supp. 468, 476 n.3 (D. Colo. 1982) (citing SEC v. Manor Nursing Ctrs., Inc., 458 F.2d 1082, 1096-97 nn.16-18 (2d Cir. 1972)). Thus, Hatfield's conduct and scienter are attributed to the firm.

#### **B. Respondents Did Not Violate the Antifraud Provisions**

Exchange Act Sections 12 and 13(a) and Rule 13a-1 require public corporations to file registration statements and annual reports with the Commission. Absent an exemption, Section 5 of the Securities Act of 1933 (Securities Act) requires an effective registration statement with audited financial statements before selling securities. A frequently used registration statement for domestic issuers is known as Form 10, and the annual report for domestic issuers is known as Form 10-K. Form S-1 is used by domestic issuers to register sales of securities pursuant to the Securities Act. As required by 17 C.F.R. Part 210,<sup>3</sup> financial statements included with these forms must be prepared in accordance with Generally Accepted Accounting Principles (GAAP)<sup>4</sup> and must be

<sup>3</sup> Part 210 of 17 C.F.R. (17 C.F.R. §§ 210.1-.12) is also known as Regulation S-X.

<sup>4</sup> GAAP are the basic postulates and broad principles of accounting pertaining to business enterprises. These principles establish guidelines for measuring, recording, and classifying the

audited by an independent accountant that is registered with the PCAOB. The accountant must be state-licensed and in good standing. 17 C.F.R. § 210.2-01(a).<sup>5</sup> While SWH was undeniably registered with the PCAOB during the time at issue, it was not state-licensed and in good standing then. Therefore, the issuers who included SWH's audit reports with their filings violated the Exchange Act and Securities Act reporting provisions, and Hatfield and SWH were secondarily liable for the violations.<sup>6</sup> However, there is no allegation that the audit reports or the financial statements that were the subject of the audit reports contained misrepresentations, much less that Respondents were in any way liable for misrepresentations in the reports and financial statements. Accordingly, the allegation that Respondents violated Exchange Act Section 10(b) and Rule 10b-5 is unproven.

In light of this conclusion, there is no basis for sanctioning Respondents pursuant to Rule 102(e)(1)(iii). Nor is there any basis for sanctioning them pursuant to Rule 102(e)(1)(i). To the extent that Rule 102(e)(1)(i) is referenced in any litigated case, it is associated with Rule 102(e)(1)(iii) and a respondent's having willfully violated the federal securities laws. There is no litigated case in which a respondent was sanctioned pursuant to Rule 102(e)(1)(i) alone.<sup>7</sup>

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transactions of a business entity. See SEC v. Arthur Young & Co., 590 F.2d 785, 789 n.4 (9th Cir. 1979).

<sup>5</sup> 17 C.F.R. § 210.2-01(a) provides:

The Commission will not recognize any person as a certified public accountant who is not duly registered and in good standing as such under the laws of the place of his residence or principal office. The Commission will not recognize any person as a public accountant who is not in good standing and entitled to practice as such under the laws of the place of his residence or principal office.

<sup>6</sup> The discussion of Exchange Act Section 13(a) and Rule 13a-1 and Securities Act Section 5 is merely to explain the circumstances by which Respondents' audit reports were included in the issuers' filings. The OIP did not charge Respondents with violating those provisions.

<sup>7</sup> To the extent that settlements are cited in support of sanctioning Respondents, it goes without saying that settlements are not precedent, as the Commission has stressed many times. See Richard J. Puccio, 52 S.E.C. 1041, 1045 (1996) (citing David A. Gingras, 50 S.E.C. 1286, 1294 (1992), and cases cited therein); Robert F. Lynch, 46 S.E.C. 5, 10 n.17 (1975) (citing Samuel H. Sloan, 45 S.E.C. 734, 739 n.24 (1975); Haight & Co. Inc., 44 S.E.C. 481, 512-13 (1971), aff'd without opinion, (D.C. Cir. 1971); Security Planners Assocs., Inc., 44 S.E.C. 738, 743-44 (1971)); see also Mich. Dep't of Natural Res. v. FERC, 96 F.3d 1482, 1490 (D.C. Cir. 1996) and cases cited therein (settlements are not precedent). Indeed, all Commission settlement orders contain disclaimers to this effect: "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."

#### IV. ULTIMATE CONCLUSIONS

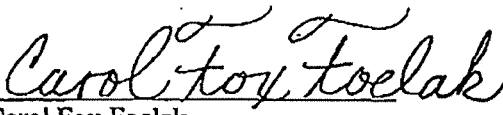
It is concluded that SWH and Hatfield did not violate Exchange Act Section 10(b) and Rule 10b-5 thereunder, and consequently, there is no basis to sanction them pursuant to Exchange Act Section 4C(a)(1), (3) and Rule 102(e)(1)(i), (iii). Accordingly, the proceeding will be dismissed as to both Respondents.

#### V. ORDER

Based on the findings and conclusions set forth above:

IT IS ORDERED that this administrative proceeding IS DISMISSED as to S.W. Hatfield, CPA, and Scott W. Hatfield, CPA.

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission's Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days after service of the Initial Decision. A party may also file a motion to correct a manifest error of fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then that party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.

  
Carol Fox Foelak  
Administrative Law Judge

Respectfully submitted.

David Reece  
David Reece, Esq.  
Texas Bar No. 24002810  
Jessica B. Magee  
Texas Bar No. 24037757

*with permission by*  
*W. David Jones*

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COUNSEL FOR  
DIVISION OF ENFORCEMENT

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

Administrative Proceeding  
File No. 3-15012

In the Matter of	:	
	:	
	:	
Scott W. Hatfield, CPA, and	:	<b>DIVISION OF ENFORCEMENT'S</b>
S. W. Hatfield, CPA	:	<b>PETITION FOR REVIEW</b>
	:	
Respondents.	:	
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Pursuant to Rule 410 of the Commission's Rules of Practice, the Division of Enforcement petitions the Commission for review of the Initial Decision rendered in this matter by Administrative Law Judge Carol Fox Foelak on September 10, 2013. The Initial Decision granted summary disposition in favor of the Respondents and dismissed this proceeding.<sup>1</sup>

FACTUAL BACKGROUND<sup>2</sup>

Respondent Scott W. Hatfield, CPA ("Hatfield"), of Dallas, Texas, is the sole proprietor of Respondent S.W. Hatfield, CPA ("SWH"), a Texas accounting firm originally licensed through the Texas State Board of Public Accountancy in 1994. Hatfield renewed SWH's license annually through January 1, 2009. But from January 31, 2010 through May 19, 2011, SWH's firm license was expired and had not been renewed. Specifically, SWH's license had expired due to non-payment of required fees and a failure to complete required peer reviews. The Texas

<sup>1</sup> In a separate proceeding, the Public Company Accounting Oversight Board (PCAOB) permanently revoked SWH's PCAOB registration and barred Hatfield from association with a registered public accounting firm. The Commission sustained the PCAOB's findings and sanctions. Exchange Act Release No. 69930 (July 3, 2013).

<sup>2</sup> This factual background is taken from the findings included within the Initial Decision and the record evidence.

Public Accountancy Act requires a firm to hold a valid license in order to provide attest services, including audits. Because its license was expired, SWH was not in good standing in Texas and was, therefore, not recognized as an accountant by the Commission during that period. The Texas State Board of Accountancy told Hatfield that he could be sanctioned if he issued audit reports without a valid license.

Nevertheless, knowing that SWH's license was expired, Hatfield and SWH issued 38 audit reports for 21 public company issuers. The Respondents issued the audit reports while SWH lacked a license and was therefore not in good standing, and the reports were included in the public filings of SWH's issuer clients. Hatfield signed the audit reports and knowingly authorized them to be included in the issuers' public filings. Respondents charged \$187,222 as fees for audits conducted or completed while SWH's license was expired.

#### THE ORDER INSTITUTING PROCEEDINGS AND INITIAL DECISION

The Order Instituting Proceedings alleged that, as a result of their actions, the Respondents willfully violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5(b) thereunder. The OIP further alleged that, as a result of their conduct, Respondents do not possess the requisite qualifications to represent others, pursuant to Section 4C(a)(1) and Rule 102(e)(1)(i) of the Commission's Rules of Practice. Finally, the OIP alleged that, as a result of their actions, Respondents willfully violated the federal securities laws, pursuant to Section 4C(a)(3) of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

In ruling on a motion for summary disposition filed by the Division, ALJ Foelak, without specifically addressing the Division's various arguments, stated simply that "there is no allegation that the audit reports or the financial statements that were the subject of the audit reports contained misrepresentations, much less that Respondents were in any way liable for

misrepresentations in the reports and financial statements.<sup>3</sup> Accordingly, the allegation that Respondents violated Exchange Act Section 10(b) and Rule 10b-5 is unproven.” [OIP at 4-5].<sup>4</sup>

ALJ Foelak further concluded that, because the allegation that Respondents had violated Section 10(b) and Rule 10b-5 of the Exchange Act had not been proven, there was no basis for sanctioning them pursuant to Rule 102(3)(1)(iii). [OIP at 4].

Finally, ALJ Foelak concluded there was no basis for sanctioning the Respondents under Rule 102(e)(1)(i). Specifically, ALJ Foelak based that conclusion on her understanding that Rule 102(e)(1)(i) has been referenced in litigated cases only in association with a Rule 102(e)(1)(iii) sanction and a finding that a respondent willfully violated the federal securities laws. [OIP at 5]. In other words, according to the Initial Decision, because “there is no litigated case in which a respondent was sanctioned pursuant to Rule 102(e)(1)(i) alone,” the Respondents could not be sanctioned under it here.

As discussed below, the Division objects to and takes exception to each of the findings and conclusions noted above.

#### THE DIVISION’S OBJECTIONS AND EXCEPTIONS TO THE INITIAL DECISION

- A. The Initial Decision’s overly narrow interpretation of culpability ignored established precedent and resulted in the wrong conclusion that Respondents could not be held liable under Section 10(b) and Rule 10b-5 of the Exchange Act.**

The ALJ’s conclusion that Respondents did not violate Exchange Act Section 10(b) and Rule 10b-5 is based on a misreading of the OIP and the Division’s allegations and on a

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<sup>3</sup> The Respondents did not file a motion for summary disposition.

<sup>4</sup> ALJ Foelak noted that the issuers who included the audit reports with their filings violated the reporting provisions of the Exchange Act and the Securities Act of 1933 and that the Respondents were secondarily liable for the violations. She noted, however, the OIP did not charge Respondents will violating the reporting provisions. [OIP at 5].

misapplication of well-settled law. In fact, especially in light of the truncated nature of the opinion, the Initial Decision creates significant risk that it will be used to further improperly narrow the scope of liability to which professionals such as auditors of public companies may be subjected. Therefore, the Division seeks review of the ALJ's findings and conclusions related to that issue.

First, the Initial Decision misconstrues the allegations of the OIP and the Division's arguments. Specifically, ALJ Foelak ignored the allegations, both within the OIP and in the Division's briefing, that Hatfield and SWH's audit reports were themselves false and misleading. Indeed, the OIP rests on the core allegation that the Respondents are liable for the false claim implicit in the audit reports that the audit reports are prepared by properly licensed accountants recognized as such by the Commission. [See, e.g. OIP at paragraphs 2, 7-11]. And the Division argued in its motion for summary disposition that "[i]mplicit in each of SWH's audit reports issued between January 31, 2010 and May 19, 2011 was the representation to each issuer that SWH was recognized as a CPA under the federal securities and qualified and permitted to issue audit reports on its clients' financial statements." [See Division's Motion for Summary Disposition at p. 13]. As the Division alleged – and indeed, as the undisputed evidence showed – this representation was flatly untrue, since Respondents were unquestionably not qualified as accountants for SEC reporting purposes during the relevant period. The Division further alleged and proved that Hatfield knowingly signed those audit reports and intentionally consented to their inclusion in periodic filings disseminated to the public. In short, contrary to the ALJ's conclusion, the Division did specifically allege that Respondents' audit reports themselves were false and misleading, and presented evidence directly on this point.

ALJ Foelak also suggested that the Division had not alleged that the Respondents were liable for any misrepresentations in the audit reports or the financial statements. [OIP at p. 5].



Again, this finding contradicts the OIP's allegations and the Division's arguments in its motion for summary disposition. For example, the Division alleged and argued that Respondents were solely responsible for the content of their audit reports, and controlled the dissemination of those reports to the public through the consents they intentionally signed to allow issuers to include the reports in their public filings. [See, e.g., OIP at paragraph 7-9, Motion for Summary Disposition at p. 14-15]. The Division provided ALJ Foelak with extensive citation to Commission and other precedent establishing that publicly filed audit reports prepared someone not recognized as an accountant are material misstatements in violation of the antifraud provisions. [See, e.g., Motion for Summary Disposition at p. 12-13].<sup>5</sup> The Division further alleged, and argued at length, that the Respondents were liable for the materially false audit reports included in the issuers' public filings because, for example, the statements made in the reports were explicitly attributed to the Respondents. [See, e.g., Motion for Summary Disposition at p. 15 and n.5., citing, *inter alia* *SEC v. KPMG LLP*, 412 F.Supp. 2d 349, 372-374 (S.D.N.Y. 2006) (holding audit engagement partners directly liable for false audit opinion included in issuers' filings because they had the ultimate authority of whether to issue the firm's audit opinion) and Division of Enforcement's Reply Brief in Support of Motion for Summary Disposition at 8-15]. The ALJ's evident disregard for the Division's explicit allegations on this point also warrant Commission review of the Initial Decision.

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<sup>5</sup> ALJ Foelak apparently disregarded any prior Commission order that arose from a settlement, citing to case law indicating that settlements are not precedent. [See Initial Decision at 5, n.7]. It is unclear whether ALJ Foelak applied this view to the Division's arguments related to the fraud allegations or only to the question discussed below of whether Rule 102(e)(1)(i) provides an independent basis to sanction Respondents.

In any event, this sweeping disregard for Commission Orders is not warranted. As documents approved by the Commission, Orders in administrative proceedings provide relevant, even if not always dispositive, explanations of the Commission's view of the legal principles at issue. Moreover, such settlements are routinely cited by the Commission and courts as authority. Finally, the Division also cited federal court actions to support its arguments, including *SEC v. CoElco, Ltd*, et al, Civil Action No. 86-7892 (C.D. Cal.) (October 25, 1988).

Equally troubling is the Initial Decision's implication that, as a matter of law, an auditor may not be held liable under Section 10(b) and Rule 10b-5 for material misrepresentations in an audit report, that are included in an issuer's public filings with the auditor's knowing consent. [OIP at 5 "the allegation that Respondents violated Exchange Act Section 10(b) and Rule 10b-5 is unproven"]. For example, the Initial Decision recognizes that issuers who included SWH's audit reports may have violated the reporting provisions of the Exchange Act and the Securities Act, and that Respondents could be secondarily liable for those violations. [Initial Decision p. 5].<sup>6</sup> But the decision suggests that the Respondents could only be held secondarily liable for those reporting violations, and could not be held primarily liable for fraud. [Id.]

The Commission should review and correct this implication. As discussed above, the Commission and courts have long held that an auditor may be held primarily liable for fraud if his audit opinion is false and misleading and he acts with the requisite state of mind. Specifically to this case, an auditor violates the antifraud provisions when he issues an audit opinion without being properly licensed and qualified as an accountant. [See generally Division's Motion for Summary Disposition at pp. 12-14, discussing *In the Matter of Ronald Effren, et al.*, 1996 SEC LEXIS 69 (January 16, 1996) (settled administrative proceeding); *In the Matter of Alan S. Goldstein*, 1994 SEC LEXIS 2787 (SEC 1994) (settled administrative proceeding); and *SEC v. CoElco, Ltd.*, Civil Action No. 86-7892 (C.D. Cal.) (October 25, 1988); 1988 SEC LEXIS 2184 (October 31, 1988)].

Unless the Commission corrects this error, the Initial Decision could be read to improperly limit the scope of liability that can, and should, attach to auditors who intentionally or recklessly issue materially false and misleading audit reports, that the auditor knows will be

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<sup>6</sup> The Division does not disagree with that conclusion. But it disagrees, as discussed above, that the Respondent's actions only support to reporting violations.

included in public filings. The Division also asks that the Commission issue an order finding that each Respondent violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**B. The Initial Decision incorrectly holds that the Respondents cannot be sanctioned under Section 4C of the Exchange Act and Rule 102(e)(1)(i) unless they are also found to have willfully violated the federal securities laws.**

Rule of Practice 102(e) is the Commission's primary tool to preserve the integrity of its processes and to ensure the competence of the professionals who appear and practice before it. *See, e.g., Marrie v. SEC*, 374 F.3d 1196, 1200 (D.C. Cir. 2004). The Initial Decision, however, without any citation, applies an excessively narrow interpretation of that Rule. First, the Initial Decision incorrectly holds that Exchange Act Section 4C(a)(1) and SEC Rule of Practice 102(e)(1)(i) do not provide an independent basis to sanction an accountant, but instead only applies if the Division alleges and proves that the accountant also willfully violated the federal securities laws. This holding misconstrues the plain reading of Rule 102(e) and well-established precedent.

Rule 102(e)(1) provides that the Commission may censure a person or deny, temporarily or permanently, the privilege of appearing or practicing before it in any way to any person who is found by the Commission:

- i. “[n]ot to possess the requisite qualifications to represent others; or
- ii. “[t]o be lacking in character or integrity or to have engaged in unethical or improper professional conduct; or
- iii. To have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

Rule 102(e)(1)(i), (ii), and (iii) (emphasis added).<sup>7</sup>

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<sup>7</sup> As the Initial Decision noted, Section 4C and Rule 102(e) are, in essence, identical. [OIP at n. 1]. Therefore, like the Initial Decision, the Division here only explicitly discussed Rule 102(e), but the same analysis, and objections, apply to its claims under Section 4C.

Contrary to the Initial Decision's conclusion, Rule 102(e)(1)(i) provides an independent basis to sanction Respondents. Rule 102(e) "...set[s] forth three independent bases on which the Commission may discipline a person..." including when the attorney (or person) lacks the requisite qualification to represent others. *In the Matter of Steven Altman, Esq.*, Rel. No. 63306 (November 10, 2010), *aff'd* by DC Circuit (2011). As the Commission explained:

"Altman argues that this proceeding should be dismissed for a variety of reasons. His first reason is that he was not charged with violating the federal securities laws. A federal securities law violation, however, is not a prerequisite to the initiation of a disciplinary proceeding under Rule 102(e) and Exchange Act Section 4C. Those provisions set forth three independent bases on which the Commission may discipline a person licensed to practice as an attorney: first, when the attorney lacks the "requisite qualifications to represent others"; second, when the attorney lacks "character or integrity" or engages in "unethical or improper professional conduct"; or third, when the attorney willfully violates, or willful aids and abets a violation of, the federal securities laws."

*Id.* (emphasis added). Because the Initial Decision erroneously states that Rule 102(e)(1)(i) only applies when the Respondent has also been found to have willfully violated the federal securities laws under Rule 102(e)(1)(iii), Commission review is warranted.

Indeed, by holding that Rule 102(e)(1)(i) can apply only if Rule 102(e)(1)(iii) is also triggered, the Initial Decision effectively renders Rule 102(e)(1)(i) a nullity. This violates fundamental rules of statutory and regulatory interpretation. The three subsections of Rule 102(e)(1) are written disjunctively, as evident by the recurrence of the word "or" between each subsection. This means that they each supply an independent ground for barring a professional from appearing or practicing before the Commission. There is nothing in the Rule to support a conclusion that subsections (i) and (iii) are somehow dependent upon one another or otherwise linked. Had the Commission intended Rule 102(e)(1)(i) to apply only if Rule 102(e)(1)(iii) also applied, it could easily have included conjunctive language to make that condition apparent. Or it could have eliminated subsection (i) altogether. But it did neither of these things and, accordingly, ALJ Foelak's application of these provisions is in error.

In short, because Respondents issued audit reports without holding proper licenses and without SWH being recognized as an accountant by the Commission, Rule 102(e)(1)(i) applies here. *See, e.g., In the Matter of Alan S. Goldstein, CPA*, Exchange Act Release No. 34641 (Sept. 6, 1994) (“As an accountant whose license to practice as a CPA had lapsed, Goldstein did not possess the requisite qualifications to represent others within the meaning of Rule 2(e)(1)(i) of the Commission’s Rules of Practice.”); *In the Matter of Elliot Stumacher*, Exchange Act Release No. 3924 (Sept. 24, 1997) (“Stumacher is not duly registered and in good standing as a CPA. . . [t]hus, [he] does not possess the requisite qualifications to represent others as a certified public accountant before the Commission.”). Accordingly, the Division asks the Commission to review the Initial Decision’s ruling on this issue and permanently bar Respondents from appearing or practicing before the Commission pursuant to Exchange Act Section 4C and Rule 102(e)(1)(i).

**C. The Initial Decision improperly determined that the Respondents should not be sanctioned under Exchange Act Section 4C(a)(1) and Rule 102(e)(1)(iii).**

Second, the Initial Decision wrongly dismissed the OIP’s claims under Rule 102(e)(1)(iii). As discussed above, the Respondents willfully violated the antifraud provisions of the Exchange Act. For that reason, Respondents should be sanctioned under Rule 102(e)(1)(iii). The Division asks the Commission to review the Initial Decision’s findings and conclusion that Respondents could not be sanctioned under Section 4C of the Exchange Act and Rule 102(e)(1)(iii) and permanently bar Respondents from appearing or practicing before the Commission pursuant to that provision.

**D. The Respondents should have been subjected to further appropriate sanctions.**

Finally, the Division takes exception to the ALJ’s refusal to impose other appropriate sanctions against Respondents, including entering a cease-and-desist order, ordering disgorgement, plus prejudgment interest, and civil monetary penalties. As explained in the

Division's briefing, the Respondents conduct more than warranted the imposition of such remedies. Accordingly, the Division asks that the Commission issue a cease-and-desist order, order the Respondents to pay, on a joint and several liability basis, disgorgement of at least \$187,222, plus prejudgment interest, and order each Respondent to pay a second tier civil penalty.

#### CONCLUSION

In sum, the Commission should review the Initial Decision in this matter and: (1) find that Respondents violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) order Respondents to cease and desist from future violations; (4) order Respondents to pay disgorgement, on a joint and several liability basis, of \$187,222, plus prejudgment interest pursuant to Rule 600 of the Commission's Rules of Practice, (5) order each Respondent to pay an appropriate second-tier civil penalty; and (6) permanently bar Respondents from appearing or practicing before the Commission pursuant to either, or both of, Rule of Practice 102(e)(1)(i) and 102(e)(1)(iii).<sup>8</sup>

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<sup>8</sup> As noted above, for the same reasons, Respondents should be sanctioned under Section 4C of the Exchange Act.

Dated: October 1, 2013

Respectfully submitted,

David B. Reece with permission by *D. David Jones*  
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Division of Enforcement  
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ORIGINAL

UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION  
October 22, 2013

SECURITIES EXCHANGE ACT OF 1934  
Release No. 70738 / October 22, 2013

ADMINISTRATIVE PROCEEDING  
File No. 3-15012

In the Matter of

S.W. HATFIELD, CPA, and  
SCOTT W. HATFIELD, CPA

ORDER  
GRANTING  
PETITION  
FOR REVIEW  
AND SCHEDULING  
BRIEFS

Pursuant to Commission Rule of Practice 411,<sup>1</sup> the petition of the Division of Enforcement for review of the administrative law judge's initial decision<sup>2</sup> is granted. Pursuant to Rule of Practice 411(d),<sup>3</sup> the Commission will determine what sanctions, if any, are appropriate in this matter.

Accordingly, IT IS ORDERED, pursuant to Rule of Practice 450(a),<sup>4</sup> that a brief in support of the petition for review shall be filed by November 21, 2013. A brief in opposition

<sup>1</sup> 17 C.F.R. § 201.411.

<sup>2</sup> *S.W. Hatfield, CPA, and Scott W. Hatfield, CPA*, Initial Decision Rel. No. 504 (Sept. 10, 2013), \_\_\_ SEC Docket \_\_\_.

<sup>3</sup> 17 C.F.R. § 201.411(d).


<sup>4</sup> 17 C.F.R. § 201.450(a).



shall be filed by December 23, 2013, and any reply brief shall be filed by January 6, 2014.<sup>5</sup> Pursuant to Rule of Practice 180(c),<sup>6</sup> failure to file a brief in support of the petition may result in dismissal of this review proceeding as to that petitioner.

For the Commission, by the Office of General Counsel, pursuant to delegated authority.

Elizabeth M. Murphy  
Secretary

  
By: Lynn M. Powalski  
Deputy Secretary

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<sup>5</sup> As provided by Rule of Practice 450(a), no briefs in addition to those specified in this schedule may be filed without leave of the Commission. Attention is called to Rules 150 – 153, 17 C.F.R. §§ 201.150 – 153, with respect to form and service, and Rules of Practice 450(b) and (c), 17 C.F.R. §§ 201.450(b), 201.450(c), with respect to content and length limitations. Requests for extensions of time to file briefs are disfavored.

<sup>6</sup> 17 C.F.R. § 201.180(c).

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

Administrative Proceeding  
File No. 3-15012

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In the Matter of	:	
	:	
	:	<b>DIVISION OF</b>
	:	<b>ENFORCEMENT'S BRIEF IN</b>
Scott W. Hatfield, CPA, and	:	<b>SUPPORT OF PETITION</b>
S. W. Hatfield, CPA	:	<b>FOR REVIEW</b>
	:	
Respondents.	:	

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**DECLARATION OF JESSICA B. MAGEE**

I, Jessica B. Magee, do hereby declare under penalty of perjury and in accordance with 28 U.S.C. § 1746, that the following is true and correct, that this Declaration is made of my own personal knowledge, and that I am competent to testify as to the matters stated herein.

1. This Declaration is offered in support of the Securities and Exchange Commission's ("Commission") *Brief in Support of Petition for Review of Initial Decision* filed simultaneously herewith.

2. I am employed as a Trial Attorney by the United States Securities and Exchange Commission's ("Commission") Division of Enforcement ("Division") in the Fort Worth Regional Office. I have been employed in this capacity since March 25, 2012, prior to which I was employed as a Commission Enforcement Attorney beginning on March 29, 2010. My official duties with the Commission include representing the Commission in its litigation of securities laws violations.

3. I am licensed to practice law in the state of Texas, am a member in good standing of

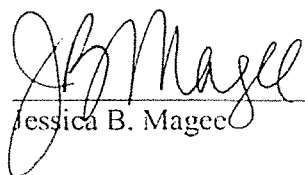
the Texas State Bar.

4. As part of my official duties, I reviewed the Commission's file in the above-captioned proceeding.

5. Based on my review of these materials, I determined that Respondents Scott W. Hatfield and S.W. Hatfield, CPA jointly and severally owe \$187,222 in disgorgement, as they received this sum as fees collected from their fraudulent conduct in connection with the issuance of audit reports prepared while S.W.Hatfield, CPA lacked a valid firm license and was not in good standing with the State of Texas or recognized as an accountant pursuant to Regulation S-X. I calculated the prejudgment interest on the principal amount of \$187,222 using the quarterly interest rate used by the IRS for computation of interest on underpayment of taxes from May 19, 2011, the date on which Respondents renewed SWH's firm license and by which they had billed for all services provided while SWH's license was expired through the filing of the Division of Enforcements *Brief in Support of Petition for Review of Initial Decision*. According to that calculation, Respondents are obligated to pay \$14,709.77 in prejudgment interest. Attached hereto as Exhibit I is a true, correct, and complete copy of the Prejudgment Interest Report I prepared on behalf of the Commission with regard to Respondents.

Further Declarant Sayeth Not.

Signed this 21st day of November 20, 2013.

  
\_\_\_\_\_  
Jessica B. Magee



# U.S. Securities and Exchange Commission

## Division of Enforcement

### Prejudgment Interest Report

#### Scott W. Hatfield and S.W.Hatfield Prejudgment Interest

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
<b>Violation Amount</b>				\$187,222.00
06/01/2011-06/30/2011	4%	0.33%	\$615.52	\$187,837.52
07/01/2011-09/30/2011	4%	1.01%	\$1,893.81	\$189,731.33
10/01/2011-12/31/2011	3%	0.76%	\$1,434.68	\$191,166.01
01/01/2012-03/31/2012	3%	0.75%	\$1,425.91	\$192,591.92
04/01/2012-06/30/2012	3%	0.75%	\$1,436.55	\$194,028.47
07/01/2012-09/30/2012	3%	0.75%	\$1,463.17	\$195,491.64
10/01/2012-12/31/2012	3%	0.75%	\$1,474.20	\$196,965.84
01/01/2013-03/31/2013	3%	0.74%	\$1,457.01	\$198,422.85
04/01/2013-06/30/2013	3%	0.75%	\$1,484.09	\$199,906.94
07/01/2013-09/30/2013	3%	0.76%	\$1,511.63	\$201,418.57
10/01/2013-10/31/2013	3%	0.25%	\$513.20	\$201,931.77
<b>Prejudgment Violation Range</b>			<b>Quarter Interest Total</b>	<b>Prejudgment Total</b>
06/01/2011-10/31/2013			\$14,709.77	\$201,931.77

EXHIBIT 1