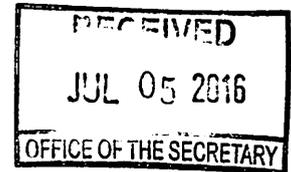


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



Administrative Proceeding
File No. 3-17228

In the Matter of

**David S. Hall, P.C. d/b/a The Hall
Group CPAs,
David S. Hall, CPA,
Michelle L. Helterbran Cochran,
CPA, and
Susan A. Cisneros**

Respondents.

**DIVISION OF ENFORCEMENT'S
MOTION FOR PARTIAL SUMMARY
DISPOSITION AS TO RESPONDENTS
DAVID S. HALL P.C. D/B/A THE HALL
GROUP CPAS AND DAVID S. HALL, CPA
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 partial summary disposition of this action as to Respondents David S. Hall, P.C. d/b/a The Hall Group CPAs ("THG") and David S. Hall, CPA, because there exists no genuine issue with regard to any material fact and the Division is entitled to partial summary disposition as a matter of law. 17 C.F.R. § 201.250(b).

I.
INTRODUCTION

The key questions for this motion are:

- (1) whether THG and Hall lacked independence when providing audit services for certain clients;
- (2) whether THG and Hall conducted audits and reviews in accordance with PCAOB standards; and

(3) whether Hall, as CFO of DynaResource, allowed the company's interim financial statements to be reviewed by an accountant that lacked independence.

Because the answers are "Yes," THG willfully violated, and Hall willfully aided and abetted THG's violation of, Section 2-02(b)(1) of Regulation S-X; THG and Hall caused their clients' violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder; and Hall violated Rule 13a-14 of the Exchange Act and caused DynaResource's violation of Section 13(a) and Rule 13a-13. Based on these violations, THG and Hall should be ordered to cease and desist from these violations, assessed civil penalties, and permanently barred from appearing or practicing before the Commission for their improper professional conduct and for willfully violating, or willfully aiding and abetting violations of, the federal securities laws.

II. **PROCEDURAL BACKGROUND**

This proceeding was instituted on April 26, 2016, pursuant to Sections 4C and 21C of the Exchange Act and Rule of Practice 102(e). The Respondents were properly served with the OIP. Respondent Michelle Helterbran Cochran filed her response on or about May 24, 2016. Respondent Cisneros filed her response on May 31, 2016. Respondents THG and Hall filed a joint response on June 16, 2016. The Division provided its entire non-privileged investigative file to the Respondents for inspection. The Court granted the Division's request to file the instant motion for summary disposition in its May 25, 2016 Order Following Prehearing Conference.

III. **ADMITTED AND UNDISPUTABLE FACTS**

David S. Hall is a CPA licensed in Texas. *Hall Respondents' Answer to the Order Instituting Public Administrative and Cease and Desist Proceeding* ("Hall Response"), at ¶ 2.

Hall owns 100% of David S. Hall, P.C., a Texas corporation which was licensed to practice public accountancy in Texas as The Hall Groups CPAs from April 5, 2006, through May 31, 2014. *Id.*, at ¶¶ 1-2. From April 2006 until February 2012, Hall was the firm's sole partner. *Id.*, at ¶ 21.

Because he was the firm's sole partner, Hall provided audit services for multiple clients for extended periods. For example, Hall served as the lead auditor for Surface Coatings, Inc. from 2006 through 2010. *See* Declaration of David Whipple ("Whipple Dec."), attached hereto as Exhibit A, at ¶¶ 19-22 and Exhibits 18-21. He served as the lead auditor for Latitude 360 f/k/a Kingdom Concrete, Inc. ("Latitude 360") from 2005 to 2010. Whipple Dec., at ¶¶ 7-11 and Exhibits 6-10. Finally, he served as lead partner for 360 Global Investments, Inc. f/k/a 360 Global Wine, Inc. ("360 Global") from 2005 to 2009. Whipple Dec., at ¶¶ 2-6 and Exhibits 1-5.

In February 2012, Hall made Michelle Helterbran Cochran a partner of the firm specifically to address partner rotation issues. Hall Response, at ¶ 21; Whipple Dec., at ¶ 24 and Exhibit 23. On November 20, 2012, in response to a December 5, 2011 PCAOB final inspection report, Hall acknowledged in section 3 of his response, titled "Independence," that he had served as the lead engagement partner for an issuer "for five consecutive balance sheets and for the first quarter of the sixth year." Whipple Dec., at ¶ 24 and Exhibit 23. He later said that "the firm has added another partner [Helterbran] in order to address partner rotation after the fifth year and has developed a log ... to ensure that appropriate partner rotation occurs." *Id.*

After Helterbran was named partner, she began serving as lead partner for Surface Coatings, Latitude 360, and 360 Global. Helterbran stayed with THG until July 2013. Hall Response, at ¶ 22. After Helterbran left, and until December 2013 when he sold the firm, Hall was again the firm's sole partner. *Id.* Accordingly, he once again began serving as lead partner

for all audits and reviews THG conducted after July 2013, including reviews for Surface Coatings, Latitude 360, and 360 Global. Hall Response, at ¶¶ 19, 22, and 25.

THG Fails to Properly Perform EQRs for Multiple Engagements

The PCAOB inspected THG in 2013. Whipple Dec., at ¶ 25 and Exhibit 24. In July of 2013, the PCAOB issued an Inspection Comment to the Hall Group, noting that the firm had not complied with engagement quality review (“EQR”) requirements in recent engagements. *Id.* Hall responded to the comment in a handwritten statement, stating “[w]e agree with the issue noted above and are in process for negotiating an agreement with an outside CPA firm (PCAOB registered) and will not issue any more reports until this is in place and have that firm perform the appropriate review process.” *Id.* He also noted that the firm had recently conducted training on EQRs. *Id.*

Despite these assurances, Hall admits that between July 2013 and December 2013, the firm “did not have the staffing to perform EQRs on approximately 10 review engagements performed during that time frame.” Hall Response, at ¶ 19. This admission is further supported by the firm’s documentation, which shows that Hall failed to obtain an EQR, or acted as both engagement and EQR partner, for multiple audits and reviews during this time. Whipple Dec., at ¶¶ 12, 14, 17-18, 23 and Exhibits 11, 13, 16-17, 22. Indeed, the work papers for THG’s audit relating to the Seven Arts Form 10-K for the fiscal year ended June 30, 2013, included a handwritten page entitled “Seven Arts Supervision / Review / Approval 6-30-13,” stating “The Hall Group did not have access to an Engagement Quality reviewer for this audit. Therefore Mr. Hall acted as Eng[agement] Quality Reviewer.” Whipple Dec., at ¶ 17 and Exhibit 16. A few months later, Hall again acted as both the engagement partner and engagement quality reviewer for THG’s review of Seven Arts’ interim financial statements for the period ended September 30,

2013. The work papers for this review included a handwritten note that says “The Hall Group did not have access to a Partner Level Engagement Reviewer. We stand by our work.” Whipple Dec., at ¶ 18 and Exhibit 17.

Hall Sells THG’s Assets and Joins DynaResource

In or around December 2013, Hall sold certain assets of THG to Thakkar CPA. Hall Response, at ¶ 1, 19. As part of this transaction, Thakkar CPA issued a two-year promissory note to THG with a face value of \$313,516. *Id.* Hall assisted Thakkar CPA in retaining THG’s audit clients, including DynaResource, who engaged Thakkar CPA. Hall Response, at ¶ 27. On April 15, 2014, DynaResource named Hall as its CFO. *Id.* As CFO, Hall was Thakkar CPA’s primary contact on review issues. *Id.*

As DynaResource’s auditor, Thakkar CPA reviewed DynaResource’s interim financial statements included in the company’s Forms 10-Q for the first three quarters of 2014. Hall Response, at ¶ 2, 28. In each of these filings, Hall signed the certifications required of a principal financial officer under Rule 13a-14. *Id.* Thakkar CPA continued to serve as DynaResource’s auditor until it resigned on March 5, 2015. Hall Response, at ¶ 2, 28.

IV.

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 THG and Hall admit many of the material facts and the plain language of their own documents establishes the essential elements of the Division’s claims.

B. THG and Hall Lacked Independence as to at Least Three Clients

An accountant is not independent of an audit client if he performs the services of a lead auditor for more than five consecutive years. 17 C.F.R § 210.2-01(c)(6)(i)(A)(1). Once a lead partner reaches the five-year limit, they are not independent of an audit client if they perform the services of a lead partner during the next five years. 17 C.F.R § 210.2-01(c)(6)(i)(B)(1). The “lead partner” is the audit partner who has the primary responsibility for an audit or review. 17 C.F.R § 210.2-01(f)(7)(ii)(A).

As he was the sole partner of THG from 2006 to February 2012, David Hall served as the lead partner for Surface Coatings for the fiscal years ended 2006 through 2010; the lead partner for Latitude 360 for the fiscal years ended 2005 to 2010; and the lead partner for 360 Global for the fiscal years ended 2005 to 2009. Because he had served as lead partner for these clients for

the five-year limit, Hall was prohibited from serving as lead partner again until 2015 for 360 Global and 2016 for Surface Coatings and Latitude 360. 17 C.F.R § 210.2-01(c)(6)(i)(B)(1).

But Hall acted as lead partner for the review engagements of these companies for the periods ended June 30 and September 30, 2013. Hall Response, at ¶ 19. Further, Hall admits that he was THG's sole partner from July 2013 until the firm's assets were sold in or around December 2013. *Id.* As the firm's sole partner, he necessarily functioned as the lead partner at the time the Forms 10-Q for the periods ended June 30 and September 30, 2013 were issued for 360 Global, Surface Coatings and Latitude 360. Because he acted as lead partner during the prohibited five-year period, Hall was as a matter of law not independent of these clients.

17 C.F.R § 210.2-01(c)(6)(i)(B)(1).

C. THG and Hall Conducted Audits And Reviews That Were Not In Accordance With PCAOB Standards

It is undisputed that THG and Hall conducted audits and reviews that did not comply with PCAOB standards. Auditing Standard No. 7, *Engagement Quality Review* ("AS 7"), requires an auditor to obtain an engagement quality review ("EQR") and concurring approval to issue the engagement report for each audit and interim review engagement.¹ AS 7, ¶ 1. Additionally, AS 7 states that "[a]n engagement quality reviewer from the firm that issues the engagement report (or communicates an engagement conclusion, if no report is issued) must be a partner or another individual in an equivalent position." AS 7, ¶ 3. Among other things, an engagement quality reviewer must be competent, *i.e.*, must possess the level of knowledge and competence related to accounting, auditing and financial reporting required to serve as the engagement partner on the engagement under review. AS 7, ¶ 5. Additionally, an engagement quality reviewer must maintain objectivity and perform the engagement quality review with

¹ AS 7 is effective for audits and interim reviews for fiscal years beginning on or after December 15, 2009.

integrity. AS 7, ¶ 6. To maintain objectivity, the engagement quality reviewer should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team. AS 7, ¶ 7. It is therefore axiomatic that the engagement partner cannot also act as the EQR partner on an audit or review.

Hall was well aware of, yet repeatedly failed to follow, these requirements. The PCAOB inspected THG in 2013 and issued a comment that an improper engagement quality reviewer had performed EQRs during the reviewed period. Whipple Dec., at ¶ 25 and Exhibit 24. In a response to the PCAOB, Hall confirmed in writing that THG “w[ould] *not issue any more reports*” (emphasis added) until it completed arrangements with an outside firm to perform the EQRs. *Id.* Contrary to Hall’s representation, he knowingly disregarded the PCAOB standards and failed to obtain an EQR for *any* of the firm’s review and audit engagements for fiscal periods ended June 30 and September 30, 2013—engagements conducted after his written representation to the PCAOB. Hall Response, at ¶ 19. On the 2013 audit for Seven Arts, Hall added a memo to the audit file stating, in part, “The Hall Group did not have access to an Engagement Quality Reviewer for this audit. Therefore, Mr. Hall acted as Eng[agement] Quality Reviewer.” Whipple Dec., at ¶ 17 and Exhibit 16. In the first quarter fiscal year 2014 review for this same client, Hall did not sign off as the EQR partner but added a memo to the file reiterating that “The Hall Group did not have access to an Engagement Quality Reviewer” and concluded by stating “[w]e stand by our work.” Whipple Dec., at ¶ 18 and Exhibit 17. And on the 2012 audit for Medient Studios, Hall signed the work papers as both the engagement partner and the EQR partner. Whipple Dec., at ¶ 14 and Exhibit 13.

Because THG and Hall failed to obtain proper EQRs for multiple audits and reviews in 2013, THG and Hall as a matter of law conducted audits and reviews that were not in accordance with PCAOB standards.

D. While CFO of DynaResource, Hall Allowed Its Interim Financial Statements to Be Reviewed by an Accountant That Lacked Independence

Rules 2-01(c)(1) and 2-01(c)(3) of Regulation S-X state, in part, that an accountant is not independent when the accounting firm has any loan to or from or certain business relationships with an audit client's officers. 17 C.F.R. § 210.2-01(c)(1)(ii)(A), (c)(3). Because of the promissory note between Thakkar CPA and Hall, Thakkar CPA was not independent of DynaResource as a matter of law after Hall became DynaResource's CFO on April 15, 2014, a fact which Hall admits. Hall Response, at ¶ 19. Despite their lack of independence, Hall not only helped Thakkar CPA obtain DynaResource as an audit client, but he also permitted Thakkar CPA to review the company's interim financial statements for the first three quarters of 2014. Hall Response, at ¶¶ 27-28.

E. THG Willfully Violated, and Hall Willfully Aided and Abetted and Caused THG's Violations of, Rule 2-02(b)(1) of Regulation S-X

Rule 2-02(b)(1) of Regulation S-X requires an accountant's report to state "whether the audit was made in accordance with generally accepted auditing standards."² 17 C.F.R. § 210.2-02(b)(1). Thus, an auditor violates Rule 2-02(b)(1) if it issues a report stating it has conducted its audit in accordance with PCAOB standards when it has not.

THG issued, and Hall approved the issuance of, accountants' reports for Medient Studios, Inc. for the fiscal year ended December 31, 2012, and Seven Arts Entertainment, Inc. for the fiscal year ended June 30, 2013. Whipple Dec., at ¶¶ 13, 15 and Exhibits 12, 14. These reports

² "References in Commission rules and staff guidance and in the federal securities laws to GAAS or to specific standards under GAAS, as they relate to issuers, should be understood to mean the standards of the PCAOB plus any applicable rules of the Commission." See SEC Release No. 34-49708 (May 14, 2004).

state that THG conducted its audits in accordance with PCAOB standards. These statements were false. As shown above, Hall knew that he needed to obtain an EQR for these two audits; he had recently confirmed in writing to the PCAOB that he would comply with AS 7, but admits he failed to do so; and he knowingly acted as both the engagement partner and the engagement quality reviewer for these two audits. Therefore, these audits were not conducted in accordance with PCAOB standards. As a result, THG willfully violated, and Hall willfully aided and abetted and caused THG's violations of, Rule 2-02(b)(1).

F. THG and Hall Caused Issuers to Violate Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 Thereunder

Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require issuers to file annual and quarterly reports with the Commission. 17 C.F.R §§ 240.13a-1, 13a-13. Form 10-K is the standard form for annual reports, while Form 10-Q is the standard form for quarterly reports. *See* 17 C.F.R § 249.310 (10-K), 249.308(a) (10-Q). Both forms require that the financial statements included therein comply with Regulation S-X. *See* Item 8, Form 10-K; Item 1, Form 10-Q.

For annual reports, Regulation S-X requires that an accountant's report (defined in 17 C.F.R. § 210.1-02(a) as a document in which an *independent* public or certified accountant sets forth certain information) state whether the audit was made in accordance with PCAOB standards. 17 C.F.R. § 210.2-02(b)(1). For quarterly reports, Regulation S-X requires that the interim financial statements included in the report be reviewed by an *independent* public accountant in accordance with PCAOB standards. 17 C.F.R. § 210.10-01(d). Accordingly, if an audit or review is not conducted by an independent auditor or is not conducted in accordance with PCAOB standards, the Form 10-K or Form 10-Q does not comply with Regulation S-X and violates Section 13(a) and Rules 13a-1 and 13a-13 thereunder.

As shown above, Hall's violations of the Commission's partner rotation requirements caused THG to not be independent for at least three of its review clients for the periods ended June 30 and September 30, 2013. Additionally, Hall admits that THG failed to obtain EQRs for at least 10 review engagements between July and December 2013, which means that each of these reviews were not conducted in accordance with PCAOB standards. Further, the audit work papers show that Hall failed to obtain a proper EQR for at least two audits: Medient Studios for the fiscal year ended December 31, 2012, and Seven Arts Entertainment for the fiscal year ended June 30, 2013. As a result, these audits also were not conducted in accordance with PCAOB standards.

THG issued these accountant's reports and falsely stated that it conducted its audits in accordance with PCAOB standards. Accordingly, issuers were not compliant with Section 13(a) and Rule 13a-1 thereunder when they incorporated THG's false accountant's reports into their Forms 10-K. Similarly, THG failed to conduct its reviews of interim financial statements in accordance with PCAOB standards. These issuers were not compliant with Rule 13a-13 when they included in the Forms 10-Q interim financial statements that THG failed to review in accordance with PCAOB standards. As a result, THG and Hall caused issuers to violate Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder.

G. Hall Caused DynaResource to Violate Section 13(a) of the Exchange Act and Rule 13a-13 Thereunder and Directly Violated Rule 13a-14 of the Exchange Act.

As shown in Section III.D above, because Hall, as DynaResource's CFO, had a promissory note with Thakkar CPA, the firm was as a matter of law not independent from DynaResource. *See* 17 C.F.R. § 210.2-01(c)(1)(ii)(A), (c)(3). Regulation S-X requires that all interim financial statements "must be reviewed by an *independent* public accountant using professional standards and procedures for conducting such reviews." 17 C.F.R. § 210.10-01(d)

(emphasis added). DynaResource retained Thakkar CPA to perform these required reviews for the first three quarters of 2014. But, because Thakkar CPA was not independent, DynaResource did not comply with the requirement that the review be conducted by an independent accountant. As discussed in Section III.F above, if a quarterly filing does not comply with Section 10-01, then it is not a proper filing under Form 10-Q and thus is a violation of Section 13(a) and Rule 13a-13 as to that quarter. Accordingly, DynaResource violated Section 13(a) of the Exchange Act and Rule 13a-13 thereunder for the periods ended March 31, June 30, and September 30, 2014. And Hall caused this violation. He not only assisted Thakkar CPA in obtaining the work as DynaResource's auditors, but he also was the primary contact on the review-related issues for the relevant periods. Hall Response, at ¶ 27.

Hall's use of Thakkar CPA for the 2014 reviews not only resulted in his causing DynaResource to violate Section 13(a) and Rule 13a-1, it also resulted in his violation of Rule 13a-14 of the Exchange Act. Rule 13a-14 requires each report filed on Form 10-Q and 10-K under Section 13(a) to include certifications signed by each principal executive and principal financial officer of the issuer, or persons performing similar functions. Paragraph 2 of the certification requires certifying officers to confirm that, based on their knowledge, the "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 [the] report." Item 601(b)(31) of Regulation S-K, 17 C.F.R. § 229.601(b)(31). Hall signed these certifications as DynaResource's CFO for each of DynaResource's 2014 Forms 10-Q. Hall Response, at ¶ 28.

Because Thakkar CPA was not independent of DynaResource when it conducted the interim reviews in 2014, Thakkar CPA did not conduct the reviews in accordance with PCAOB

standards. By failing to disclose that the interim financial statements were not reviewed by an independent auditor in accordance with PCAOB standards, the Forms 10-Q contained a material omission “necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading” Hall’s certifications for each of DynaResource’s 2014 Forms 10-Q were therefore false. And Hall knew they were false: he knew that the interim financial statements had to be reviewed by an independent auditor; he knew that Thakkar CPA was performing the reviews; he knew that he was an officer of DynaResource; and he knew that he had a promissory note with Thakkar CPA. As a result, Hall willfully violated Rule 13a-14 of the Exchange Act by signing false certifications.

H. Cease-and-Desist Sanctions are Appropriate

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). 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).³ 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*,

³*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.”).

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 THG and Hall to cease and desist from violating, or causing violations of, Rule 2-02(b)(1) of Regulation S-X and Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder and ordering Hall to cease and desist from violating, or causing violations of, Rule 13a-14 of the Exchange Act. THG and Hall's actions were clearly egregious and recurrent: they knowingly and repeatedly conducted audits and reviews that failed to comply with PCAOB standards which they knew would be included in the issuers' Commission filings. The indisputable facts here do not reflect a one-time lapse in memory or an isolated, inadvertent oversight, but rather a pattern of repeated and intentional violations of the law for which they profited.

Additionally, THG and Hall acted with a high degree of scienter, having been notified by the PCAOB that they were violating PCAOB standards. Given Hall's repeated notifications of misconduct, and his continual failure to obtain required EQRs despite his written—yet hollow—assurances that he would not continue to violate these provisions, THG's and Hall's actions present a high likelihood for the continual flouting of the securities laws and rules governing public accountancy. Indeed, Hall is still a licensed CPA, and continues to threaten the integrity of the Commission's forum and process. And while THG is not currently registered with the PCAOB, it remains a legal entity that could be used by Hall or sold to others to again enter the public accounting business. Furthermore, THG and Hall have offered no assurances against future violations, expressed no remorse, accepted no responsibility for their actions, or even recognized the wrongful nature of their conduct.

For all of these reasons, and because there are no material facts in dispute, the Court should order THG and Hall to cease and desist from violating, or causing violations of, Rule 2-02(b)(1) of Regulation S-X and Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder and order Hall to cease and desist from violating, or causing violations of, Rule 13a-14 of the Exchange Act.

I. THG and Hall should be penalized

Section 21B(a)(2) of the Exchange Act authorizes the Commission to impose civil money penalties in any proceeding, such as this one, instituted under Section 21C of the Exchange Act where the Commission finds that a person is has violated, or caused the violation of, any provision of the Exchange Act or the rules and regulations issued thereunder.

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).

Penalties against THG and Hall are appropriate and should be imposed due to the brazen and repeated nature of THG and Hall's misconduct. THG and Hall were entrusted by issuers and users of financial information—including investors—to act as important gatekeepers and safeguards to ensure the integrity and accuracy of information filed with the Commission. THG and Hall, rather than identifying and preventing violations of the federal securities laws, substantially assisted and perpetuated violations. Indeed, the undisputable evidence shows that

THG and Hall knew that they needed to comply with the partner rotation and EQR requirements, but they deliberately failed to do so. Significant penalties are warranted here to both penalize THG and Hall for their actions, but also to deter them from future bad acts.

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 THG and Hall's violative acts involved the deliberate or 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 second-tier penalty the Court may order is \$80,000 for Hall and \$400,000 for THG. *See* 15 U.S.C. 78u-2(b)(2); 17 C.F.R. § 201.1005 (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 THG and Hall.

J. THG and Hall Should Be Barred from Appearing or Practicing Before the Commission

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 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)(2) and (3) and Rule 102(e)(1)(ii) 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 to have engaged in "improper professional

conduct” 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.”⁴

1. THG and Hall Engaged in Improper Professional Conduct

Rule 102(e) and Section 4C define improper professional conduct as: “[a] single instance of highly unreasonable conduct that results in a violation of applicable professional standards in circumstances in which the registered public accounting firm or associated person knows, or should know, that heightened scrutiny is warranted; [or] [r]epeated instances of unreasonable conduct, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission.” Exchange Act § 4C(b)(2); Rule 102(e)(1)(iv). “The term ‘repeated’ may encompass as few as two separate instances of unreasonable conduct occurring within one audit.” *Rule 102(e) Release*, 57,169, quoted approvingly in *Kevin Hall, CPA and Rosemary Meyer, CPA*, Rel. No. 61162, AAER No. 3080 (December 14, 2009). “Because of the importance of an accountant’s independence to the integrity of the financial reporting system, the Commission has concluded that circumstances that raise questions about an accountant’s independence always merit heightened scrutiny.” Amendment to Rule 102(e) of the Commission’s Rules of Practice, 63 Fed. Reg. 57,164 - 67 (Oct. 26, 1998). The Commission has defined the “highly unreasonable” standard as:

an intermediate standard, higher than ordinary negligence but lower than the traditional definition of recklessness used in cases brought under Section 10(b) of the Exchange Act and Rule 10b-5 of the Exchange Act. The highly unreasonable standard is an objective standard. The conduct at issue is measured by the degree of the departure from professional standards and not the intent of the accountant.

⁴ 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).

Id. at 57,167; *see also In the Matter of Ernst & Young LLP*, Admin. Proc. File No. 3- 10933, SEC Initial Decision Release No. 249, at 60 (Apr. 16, 2004). Unlike the “highly unreasonable” standard, when considering “[r]epeated instances of unreasonable conduct’...[t]he term ‘unreasonable’...connotes an ordinary or simple negligence standard.” *Id.* at 57,164, 57,169.

As noted above, THG and Hall failed to conduct numerous audit and review engagements in accordance with PCAOB standards. THG and Hall’s intentional disregard for complying with PCAOB standards is most clearly evidenced by Hall knowingly representing to the PCAOB that he would comply with the PCAOB’s engagement quality review requirements and then, only days later, failing to obtain an engagement quality review by a qualified reviewer for *any* of the firm’s review and audit engagements for fiscal periods ended June 30 and September 30 as required under AS 7. Hall Response, at ¶ 19. This continual misconduct qualifies as repeated instances of at least negligent conduct. Additionally, Hall’s actions constitute multiple instances of highly unreasonable conduct when he impaired the firm’s independence by serving as the lead engagement partner for the second and third quarter 2013 reviews for Surface Coatings, Latitude 360, and 360 Global.

2. THG and Hall Willfully Violated the Federal Securities Laws

Rule 102(e)(1)(iii) and Section 4C(a)(3) also authorize the Commission to censure or temporarily or permanently bar accountants who willfully violate, or willfully aid and abet a violation of, any provision of the federal securities laws. “Willfully” means intentionally committing the act that constitutes the violation. There is no requirement that the actor also be aware the he is violating a rule or statute. *See Wonsover v. SEC*, 205 F.3d 408, 414-15 (D.C. Cir. 2000); *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). As shown above, THG willfully violated, and

Hall willfully aided and abetted The Hall Group's violations of, Rule 2-02(b)(1) of Regulation S-X.

3. A Permanent Bar is Appropriate

THG and Hall's highly unreasonable conduct, repeated instances of unreasonable conduct, and willful violations, or aiding and abetting violations of, the federal securities laws, demonstrate 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 his unsuitability to practice before the Commission, Hall is still a licensed CPA, and he poses a continuing threat to the Commission's processes and to the investing public. *See 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 in Section IV.H above, THG and Hall should be permanently barred from appearing before the Commission in accordance with Section 4C(a)(2) and (3) of the Exchange Act and Rules of Practice 102(e)(1)(ii) and (iii).⁵

⁵ 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 Hall's own career. *See Decker v. SEC*, 631 F.2d 1380, 1384 (10th 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.

K. THG and Hall's Affirmative Defenses Do Not Prevail

THG and Hall assert four affirmative defenses in this proceeding. First, THG and Hall allege that this proceeding is “barred in whole or in part by the doctrines of judicial estoppel, res judicata, claim or issue preclusion, equitable estoppel, collateral estoppel, and accord and satisfaction and settlement” based on a settlement that THG and Hall entered into with the PCAOB: *In re The Hall Group, CPAs and David S. Hall, CPA*, PCOAB Release No. 105-2016-015 (April 26, 2016). But this proceeding involves different parties, different conduct, different causes of action, and different remedies than the PCAOB’s proceeding. Accordingly, this proceeding is not barred. *See Apotex, Inc. v. Food & Drug Admin.*, 393 F.3d 210, 217 (D.C.Cir. 2004) (“[A] judgment on the merits in a prior suit bars a second suit involving identical parties or their privies based on the same cause of action.”).

THG and Hall also raise the affirmative defenses of the statute of limitations and retroactive application of the laws. Neither of these apply. This proceeding does not seek relief related to any conduct prior to 2013 or under any law that was not effective as of the date of the relevant conduct.

Finally, THG and Hall allege that this proceeding is unconstitutional because it has been “brought as an administrative proceeding before judges who have not been properly appointed” To the extent THG and Hall are raising a challenge under the Appointments Clause, the Commission has soundly rejected that argument. *Raymond J. Lucia Cos., Inc.*, Exchange Act Release No. 75837, 2015 SEC LEXIS 3628, at *76-90 (Sept. 3, 2015), *appeal pending*, No. 15-1345 (D.C. Cir.); *accord Timbervest, LLC*, Investment Advisers Act of 1940 Release No. 4197, 2015 SEC LEXIS 3854, at *89-104 (Sept. 17, 2015), *appeal pending*, No. 15-1416 (D.C. Cir.); *David F. Bandimere*, Securities Act of 1933 Release No. 9972, 2015 SEC

LEXIS 4472, at *74-86 (Oct. 29, 2015), *appeal pending*, No. 15-9586 (10 Cir.). And THG and Hall identify no other grounds for the alleged due process and equal protection violations.

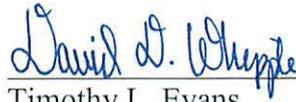
V.
CONCLUSION

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

- (a) requiring David S. Hall, P.C. d/b/a The Hall Group CPAs and David S. Hall to cease and desist from committing or causing any violation or any future violation of Rule 2-02(b)(1) of Regulation S-X and Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder;
- (b) requiring David S. Hall to cease and desist from committing or causing any violation or any future violation of Rule 13a-14 of the Exchange Act;
- (c) requiring David S. Hall, P.C. d/b/a The Hall Group CPAs to pay a civil penalty of not more than \$400,000 per violation, in an amount to be determined by the Court;
- (d) requiring David S. Hall to pay a civil penalty of not more than \$80,000 per violation, in an amount to be determined by the Court; and
- (e) permanently barring David S. Hall, P.C. d/b/a The Hall Group CPAs and David S. Hall from appearing or practicing before the Commission pursuant to Sections 4C(a)(2) and 4c(a)(3) of the Exchange Act and Rules of Practice 102(e)(1)(ii) and 102(e)(1)(iii).

Dated: July 1, 2016

Respectfully submitted,



Timothy L. Evans
Texas Bar No. 24065211
David D. Whipple
D.C. Bar No. 999495
New York Registration No.402565
United States Securities and
Exchange Commission
Fort Worth Regional Office
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102
(817) 978-5036
(817) 978-4927 (facsimile)
EvansTim@sec.gov

COUNSEL FOR
DIVISION OF ENFORCEMENT

Service List

Pursuant to Rule 150 of the Commission's Rules of Practice, I hereby certify that a true and correct copy of the *Division of Enforcement's Motion For Partial Summary Disposition* was served on the following on July 1, 2016 via United Parcel Service, Overnight Mail:

Honorable Cameron Elliot
Administrative Law Judge
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-2557

David S. Hall, P.C. d/b/a The Hall Group CPAs
c/o Stuart N. Bennett, Esq.
Jones & Keller, P.C.
1999 Broadway, Suite 3150
Denver, CO 80202

David S. Hall, CPA
c/o Stuart N. Bennett, Esq.
Jones & Keller, P.C.
1999 Broadway, Suite 3150
Denver, CO 80202

Michele L. Helterbran Cochran, CPA
[REDACTED]
Coppell, TX [REDACTED]

Ms. Susan A. Cisneros
[REDACTED]
Lewisville, TX [REDACTED]

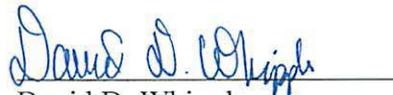

David D. Whipple

Exhibit A

-

**Whipple
Declaration**

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-17228

In the Matter of

**David S. Hall, P.C. d/b/a The Hall
Group CPAs,
David S. Hall, CPA,
Michelle L. Helterbran Cochran, CPA,
and
Susan A. Cisneros**

Respondents.

**DECLARATION OF DAVID D. WHIPPLE IN SUPPORT OF
DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSITION**

DAVID D. WHIPPLE, pursuant to 28 U.S.C. § 1746, declares:

1. I am counsel with the Division of Enforcement ("Division") of the Securities and Exchange Commission ("Commission"), and co-counsel for the Division in the above-captioned administrative proceeding. I submit this Declaration in support of the Division's Motion for Summary Disposition ("Motion").

2. Attached hereto as Exhibit 1 is a true copy of an excerpted Form 10-KSB for the fiscal year ended December 31, 2005, filed with the Commission by 360 Global Wine Company on March 31, 2006.

3. Attached hereto as Exhibit 2 is a true copy of an excerpted Form 10-KSB for the fiscal year ended December 31, 2006, filed with the Commission by 360 Global Wine Company on May 21, 2007.

4. Attached hereto as Exhibit 3 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2007, filed with the Commission by 360 Global Investments on October 3, 2012.

5. Attached hereto as Exhibit 4 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2008, filed with the Commission by 360 Global Investments on January 4, 2013.

6. Attached hereto as Exhibit 5 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2009, filed with the Commission by 360 Global Investments on January 11, 2013.

7. Attached hereto as Exhibit 6 is a true copy of an excerpted Form SB-1/A Registration Statement filed with the Commission by Kingdom Koncrete, Inc. on July 12, 2007.

8. Attached hereto as Exhibit 7 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2007, filed with the Commission by Kingdom Koncrete, Inc. on April 11, 2008.

9. Attached hereto as Exhibit 8 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2008, filed with the Commission by Kingdom Koncrete, Inc. on March 30, 2009.

10. Attached hereto as Exhibit 9 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2009, filed with the Commission by Kingdom Koncrete, Inc. on March 5, 2010.

11. Attached hereto as Exhibit 10 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2010, filed with the Commission by Kingdom Koncrete, Inc. on February 1, 2011.

12. Attached hereto as Exhibit 11 is a true copy of The Hall Group's Supervision, Review and Approval Form for its review of Kingdom Koncrete, Inc.'s interim financial statements for the period of June 30, 2013.

13. Attached hereto as Exhibit 12 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2012, filed with the Commission by Medient Studios, Inc. on April 16, 2013.

14. Attached hereto as Exhibit 13 is a true copy of The Hall Group's Supervision, Review and Approval Form for its audit of Medient Studios, Inc.'s fiscal year ended December 31, 2012.

15. Attached hereto as Exhibit 14 is a true copy of an excerpted Form 10-K for the fiscal year ended June 30, 2013, filed with the Commission by Seven Arts Entertainment, Inc. on October 15, 2013.

16. Attached hereto as Exhibit 15 is a true copy of an excerpted Form 10-K/A for the fiscal year ended June 30, 2013, filed with the Commission by Seven Arts Entertainment, Inc. on October 21, 2013.

17. Attached hereto as Exhibit 16 is a true copy of a hand-written audit workpaper titled, "Seven Arts Supervision, Review and Approval" for the fiscal year ended June 30, 2013.

18. Attached hereto as Exhibit 17 is a true copy of a hand-written audit workpaper titled, "Seven Arts Supervision, Review and Approval" for the quarter ended September 30, 2013.

19. Attached hereto as Exhibit 18 is a true copy of an excerpted Form S-1/A Registration Statement filed with the Commission by Surface Coatings, Inc. on September 17, 2008.

20. Attached hereto as Exhibit 19 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2008, filed with the Commission by Surface Coatings, Inc. on March 31, 2009.

21. Attached hereto as Exhibit 20 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2009, filed with the Commission by Surface Coatings, Inc. on March 30, 2010.

22. Attached hereto as Exhibit 21 is a true copy of an excerpted Form 10-K for the fiscal year ended December 31, 2010, filed with the Commission by Surface Coatings, Inc. on March 7, 2011.

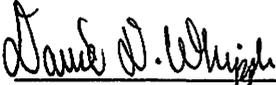
23. Attached hereto as Exhibit 22 is a true copy of Surface Coatings, Inc.'s Supervision, Review and Approval Form for June 31, 2013 [sic].

24. Attached hereto as Exhibit 23 is a true copy of The Hall Group letter dated November 20, 2012 to the Public Company Accounting Oversight Board.

25. Attached hereto as Exhibit 24 is a true copy of Public Company Accounting Oversight Board Inspection Comment Form for The Hall Group dated July 15, 2013.

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

Executed on June 30, 2016.



David D. Whipple

Exhibit A-1

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File number 0-50092

360 GLOBAL WINE COMPANY

(Name of Small Business Issuer in Its Charter)

NEVADA

(State or other jurisdiction of incorporation or
organization)

One Kirkland Ranch Road
Napa, CA

(Address of principal executive offices)

██████████
(I.R.S. employer identification number)

██████████
(Zip Code)

Issuer's telephone number, including area code: (707) 254-9100

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-KSB or any amendment to this Form 10-KSB

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Issuer's revenues for its most recent fiscal year: \$12,649,028

Aggregate market value of the 266,477 shares, on a post-split basis, of voting stock held by non-affiliates of the Issuer based upon the closing bid price of such stock as of December 30, 2005: \$1,079,110

Number of shares of Common Stock outstanding at December 31, 2005: 670,583 on an adjusted, post-split basis

DOCUMENTS INCORPORATED BY REFERENCE: None

Transitional Small Business Disclosure Format: Yes No

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of
360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.)
Napa, California

We have audited the accompanying consolidated balance sheet of 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2005 and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended. 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 audit. The financial statements of 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2004, were audited by other auditors whose report was dated May 5, 2005, and expressed a qualified opinion as to its continuing as a going concern 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. An audit 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 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 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2005, and the results of its operations and its cash flows for the year then ended 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 11 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

David S. Hall, P.C.

Dallas, Texas
March 18, 2006

Report of Independent Registered Public Accounting Firm

To the Board of Directors
360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.)
Napa, California

We have audited the accompanying consolidated balance sheet of 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the 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. An audit includes examining on a test basis, evidence supporting the amount 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 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 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) will continue as a going concern. As discussed in Note 12 to the consolidated financial statements, 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) has incurred losses of \$13,201,462 for the year ended December 31, 2004. 360 Global will require additional working capital to develop its business until 360 Global either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about 360 Global's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 15. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Lopez, Blevins, Bork & Associates, LLP
Houston, Texas

March 29, 2006

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting of the Company. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management plans to conduct an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this evaluation, management can then conclude whether the Company's system of internal control over financial reporting is effective.

Exhibit A-2

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

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-50092

360 Global Wine Company

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

Sonoma, CA

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: _____

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$.0001 par value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State issuer's revenues for its most recent fiscal year. \$17,268,132

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the average bid and asked price of such common equity as of March 31, 2007, was \$3,367,424

As of March 31, 2007, the issuer had 8,619,389 outstanding shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

Transitional Small Business Disclosure Format (check one): Yes No

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.)
Sonoma, California

We have audited the accompanying consolidated balance sheet of 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2006 and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended. 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 audit. 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. An audit 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 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 360 Global Wine Company (Formerly Knightsbridge Fine Wines, Inc.) as of December 31, 2006, and the results of its operations and its cash flows for the year then ended 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 15 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. In addition, the Company has filed for Chapter 11 bankruptcy protection in order to reorganize and work out its debt arrangements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Hall Group, CPAs
Dallas, Texas

May 20, 2007

F-1

Exhibit A-3

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: _____

or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

360 Global Investments

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction
of Incorporation or Organization)

0001124019
(Commission
File Number)

[REDACTED]
(I.R.S. Employer
Identification No.)

8439 Sunset Boulevard, Suite 402, West Hollywood, CA 9069
(Address of Principal Executive Offices) (Zip Code)

(310) 777 8889

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Name of each exchange on which registered

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

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 [X]

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 (§229.405 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 [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the

price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Note.—If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in the Form.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 8,619,389

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
360 Global Investments and Subsidiaries (Formerly 360 Global Wine Company)
Los Angeles, California

We have audited the accompanying consolidated balance sheets of 360 Global Investments and Subsidiaries (Formerly 360 Global Wine Company) as of December 31, 2007 and 2006 and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years then ended. 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. An audit 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 financial statement presentation. We believe that our audits provide 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 360 Global Investments and Subsidiaries (Formerly 360 Global Wine Company) as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended 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 14 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. In addition, the Company has filed for Chapter 11 bankruptcy protection in order to reorganize and work out its debt arrangements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Hall Group, CPAs
Dallas, Texas

August 14, 2012

Exhibit A-4

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
[X]

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008.

or

[]

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from [Date] to [Date]

Commission File Number: 0001124019

360 Global Investments

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

8439 Sunset Blvd, Suite 402, West Hollywood
(Address of principal executive offices)

90069
(Zip Code)

(310) 777 8889

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act:

(Title of each 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 [x]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [x]

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 [x]

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 [x]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 [x]

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 [] (Do not check if a smaller reporting company)

Smaller reporting company [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [x]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the http://www.sec.gov/Archives/edgar/data/1124019/000112401913000001/form10k2008v2.htm

registrant's most recently completed second fiscal quarter.

Note.—If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

8,619,389

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
360 Global Investments and Subsidiaries (Formerly 360 Global Wine Company)
Los Angeles, California

We have audited the accompanying consolidated balance sheets of 360 Global Investments and Subsidiaries (Formerly 360 Global Wine Company) as of December 31, 2008 and 2007 and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the years then ended. 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. An audit 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 financial statement presentation. We believe that our audits provide 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 360 Global Investments and Subsidiaries (Formerly 360 Global Wine Company) as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended 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 14 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. In addition, the Company has filed for Chapter 11 bankruptcy protection in order to reorganize and work out its debt arrangements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Hall Group, CPAs
Dallas, Texas

January 3, 2013

Exhibit A-5

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X]

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009.

or

[]

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from [Date] to [Date]

Commission File Number: 0001124019

360 Global Investments

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

8439 Sunset Blvd, Suite 402, West Hollywood
(Address of principal executive offices)

90069
(Zip Code)

(310) 777 8889

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act:

(Title of each 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 [x]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [x]

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 [x]

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 [x]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 [x]

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 [] (Do not check if a smaller reporting company)

Smaller reporting company [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [x]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the http://www.sec.gov/Archives/edgar/data/1124019/000112401913000005/form10k2009.htm

registrant's most recently completed second fiscal quarter.

Note.—If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

5,000,000 as of January 9, 2013

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 31, 2008).

Exhibit A-6

As filed with the Securities and Exchange Commission on July 12, 2007

File No. 333-138194

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

FORM SB-1/A (Alternative 2)
AMENDMENT NO. 4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

KINGDOM KONCRETE, INC.
(Exact name of registrant as specified in its charter)

Nevada	7389	
-----	-----	-----
(State or jurisdiction of incorporation or organization)	(Primary Industrial Classification Code No.)	I.R.S. Employer Identification No.

4232 E. Interstate 30, Rockwall, Texas 75087	(972) 771-4205
-----	-----
(Address, including the ZIP code & telephone number, including area code of Registrant's principal executive office)	

4232 E. Interstate 30, Rockwall, Texas 75087	(972) 771-4205
-----	-----
(Address of principal place of business or intended principal place of business)	

Edward Stevens

4232 E. Interstate 30, Rockwall, Texas 75087	(972) 771-4205
-----	-----
(Name, address, including zip code, and telephone number, including area code of agent for service)	

Copies to: T. Alan Owen

The Owen Law Firm, P.C.
Attorneys at Law
1112 E. Copeland Road, Suite 420
Arlington, Texas 76011
(817) 460-4498 Tel
(817) 795-0154 Fax

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the securities Act registration 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 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 number of the earlier effective registration statement for the same offering.

CAPITALIZATION

The following table sets forth our capitalization as of May 31, 2007. Our capitalization is presented on:

- * an actual basis;
- * a pro forma basis to give effect to net proceeds from the sale of the minimum number of shares (150,000) we plan to sell in this offering; and
- * a pro forma basis to give effect to net proceeds from the sale of the midpoint number of shares (500,000) we plan to sell in this offering; and
- * a pro forma basis to give effect to the net proceeds from the sale of the maximum number of shares (1,000,000) we plan to sell in this offering.

	Actual Unaudited May 31, 2007	After Minimum Offering	After Midpoint Offering	After Maximum Offering
Stockholders' equity				
Common Stock, \$0.001 par value; 50,000,000 shares authorized;	5,000	5,150	5,500	6,000
Additional Paid In Capital	19,554	77,635	244,785	484,785
Retained earnings	(123,876)	(123,876)	(123,876)	(123,876)
Total Stockholders' Equity	(99,322)	(41,091)	126,409	366,909
Total Capitalization	(99,322)	(41,091)	126,409	366,909
Number of shares outstanding	5,000,000	5,150,000	5,500,000	6,000,000

The Company has only one class of stock outstanding. The common stock sold in this offering will be fully paid and non assessable, having voting rights of one vote per share, have no preemptive or conversion rights, and liquidation rights as is common to a sole class of common stock. The company has no sinking fund or redemption provisions on any of the currently outstanding stock and will have none on the stock sold in this offering.

TRANSFER AGENT

We will serve as our own transfer agent and registrar for the common stock until such time as this registration is effective and we sell the minimum offering, then we intend to retain Signature Stock Transfer, Inc., 2301 Ohio Drive, Suite 100, Plano, Texas 75093.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Kingdom Concrete, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheet of Kingdom Concrete, Inc. as of December 31, 2006 and the related consolidated statements of operations, cash flows and members' equity for the years ended December 31, 2006 and 2005. 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 audit.

We conducted our audit of these financial statements 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. 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. 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 financial position of Kingdom Concrete, Inc. as of December 31, 2006, and the results of its operations and its cash flows for the years then ended 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs

 The Hall Group, CPAs
 Dallas, Texas

January 31, 2007

F-1

KINGDOM KONCRETE, INC.
 CONSOLIDATED BALANCE SHEET
 DECEMBER 31, 2006

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 5,891

Total Current Assets	5,891
Fixed Assets	
Equipment	141,406
Leasehold Improvements	7,245
Office Equipment	675
Less: Accumulated Depreciation and Amortization	(78,992)

Total Fixed Assets	70,334

TOTAL ASSETS	\$ 76,225
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 19,415
Amounts Due to Shareholder	113,256
Current Portion of Long Term Debt	11,953

Total Current Liabilities	144,624
Long Term Liabilities	
Notes Payable	35,554
Less: Current Portion	(11,953)

Total Long Term Liabilities	23,601

Total Liabilities	168,225

Exhibit A-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Kingdom Concrete, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheet of Kingdom Concrete, Inc. as of December 31, 2007 and the related consolidated statements of operations, cash flows and stockholders' equity for the years ended December 31, 2007 and 2006. 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 audit.

We conducted our audit of these financial statements 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. 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. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Kingdom Concrete, Inc.'s internal control over financial reporting as of December 31, 2007, and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kingdom Concrete, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs

The Hall Group, CPAs
Dallas, Texas

March 21, 2008

KINGDOM KONCRETE, INC.

Exhibit A-8

**CURRENT REPORT FOR ISSUERS SUBJECT TO THE
1934 ACT REPORTING REQUIREMENTS**

FORM 10-K

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act

For the Fiscal Year Ended December 31, 2008

KINGDOM KONCRETE, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

333-138194
(Commission File Number)

[REDACTED]
(IRS Employer Identification No.)

4232 E. Interstate 30, Rockwall, Texas 75087
(Address of principal executive offices (zip code))

972-771-4205
(Registrant's telephone number, including area code)

(Former address)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: Common Stock

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 Act of 1934 during the past 12 months and (2) has been subject to such filing requirement for the past 90 days 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 a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes No .

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2008: \$ -0-

Shares of common stock outstanding at December 31, 2008: 5,441,900

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Kingdom Koncrete, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Kingdom Koncrete, Inc. as of December 31, 2008 and 2007 and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Kingdom Koncrete, Inc.'s internal control over financial reporting as of December 31, 2008 and 2007 and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kingdom Koncrete, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

March 21, 2008

Exhibit A-9

**CURRENT REPORT FOR ISSUERS SUBJECT TO THE
1934 ACT REPORTING REQUIREMENTS**

FORM 10-K

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act

For the Fiscal Year Ended December 31, 2009

KINGDOM KONCRETE, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

333-138194
(Commission File Number)

[REDACTED]
(IRS Employer Identification No.)

4232 E. Interstate 30, Rockwall, Texas 75087
(Address of principal executive offices (zip code))

972-771-4205
(Registrant's telephone number, including area code)

(Former address)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: Common Stock

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 Act of 1934 during the past 12 months and (2) has been subject to such filing requirement for the past 90 days: 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 a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes No .

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2009: \$830,119

Shares of common stock outstanding at March 3, 2010: 5,471,900

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Kingdom Concrete, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Kingdom Concrete, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Kingdom Concrete, Inc.'s internal control over financial reporting as of December 31, 2009 and 2008 and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kingdom Concrete, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

February 24, 2009

Exhibit A-10

**CURRENT REPORT FOR ISSUERS SUBJECT TO THE
1934 ACT REPORTING REQUIREMENTS**

FORM 10-K

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act

For the Fiscal Year Ended December 31, 2010

KINGDOM KONCRETE, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

333-138194
(Commission File Number)

[REDACTED]
(IRS Employer Identification No.)

4232 E. Interstate 30, Rockwall, Texas 75087
(Address of principal executive offices (zip code))

972-771-4205
(Registrant's telephone number, including area code)

(Former address)

Securities registered pursuant to Section 12(b) of the Act: **NONE**
Securities registered pursuant to Section 12(g) of the Act: **Common Stock**

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 Act of 1934 during the past 12 months and (2) has been subject to such filing requirement for the past 90 days: 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 a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes No .

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2010: **\$534,235**

Shares of common stock outstanding at February 1, 2011: **5,471,900**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Kingdom Koncrete, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Kingdom Koncrete, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Kingdom Koncrete, Inc.'s internal control over financial reporting as of December 31, 2010 and 2009 and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kingdom Koncrete, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

January 21, 2011

Exhibit A-11

PCA-IR-4: Supervision, Review, and Approval Form—Interim Review

Company: Kingdom Concrete

Balance Sheet Date: 6/30/13

Instructions: This form should be completed prior to dating and issuance of the signed accountant's review report. Any item answered "No" should be explained in the "Comments" column or in an attached memorandum.

	Yes	No	N/A	Comments
Detailed Review ^a				
To be performed by the staff in charge of fieldwork.				
1. I have reviewed all workpapers prepared by the personnel in my charge on this engagement. All workpapers are complete, properly headed, indexed, and cross-referenced. All workpapers indicate the individuals who performed the work, when the work was completed, the person who reviewed the work, and the date of the review. Based on my review, I am satisfied that the workpapers provide a clear understanding of the work performed, the evidence obtained and its source, and the conclusions reached.	✓			
2. I have compared the work performed as evidenced by our workpapers with the procedures called for by the interim review program and am satisfied that the objectives of the program have been achieved and our review complies with the requirements of the program and supports the basis for our review report.	✓			
3. I have determined that the interim financial information has been agreed or reconciled to supporting accounting records.	✓			
4. I have reviewed the completed interim review program and am satisfied that our review, as evidenced by the workpapers reviewed by me, is sufficient and appropriate to support the interim review report, if applicable, and was conducted in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), applicable legal and regulatory requirements, and the firm's quality control policies and procedures.	✓			
5. I have determined that all required checklists and programs have been completed. All questions, exceptions, or notes, if any, posed during the review have been followed up and resolved, and review notes and "to do" lists have been handled in accordance with firm policy.	✓			
6. I have reviewed the management representation letter for consideration of all important matters.				
7. I have reviewed the summary of unadjusted likely misstatements and considered quantitative and qualitative factors and am satisfied that the likely misstatements, individually and in the aggregate, do not materially affect the interim financial information such that a modification of the review report is required.	✓			
8. I have prepared or reviewed the engagement completion document and am satisfied that it adequately addresses significant findings and issues identified during the review.	✓			

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	Yes	No	N/A	Comments
9. I have determined that all matters required to be documented by Auditing Std. No. 3 have been satisfactorily documented in the workpapers.	✓	—	—	
10. I have reviewed the interim financial information and am not aware of any material modifications that should be made for them to meet the accepted standards of presentation and disclosure to be prepared in conformity with generally accepted accounting principles for interim financial information consistently applied. An interim review financial statement disclosure checklist has been completed.	✓	—	—	
11. I have read the other information in the SEC filing document in which the interim financial information is included and am satisfied that the other information is not materially inconsistent with the interim financial information.	✓	—	—	
12. I have maintained my independence throughout the performance of the review.	✓	—	—	
13. I have reviewed the interim review report, if applicable, and am satisfied it is appropriate in the circumstances and presented in accordance with PCAOB standards.	✓	—	—	

Completed by: []

Paul Bull

Date: []

7/31/13

	Yes	No	N/A	Comments
Engagement Partner Review^b				
1. I have reviewed all workpapers prepared by the personnel in my charge on this engagement that were not reviewed as a part of the detailed review.	—	—	—	
2. I have also reviewed sufficient additional workpapers to be satisfied with the adequacy of our interim review. I am satisfied that the work was performed and documented, the objectives of the procedures were achieved, and the results of the work support the conclusions reached.	—	—	—	
3. I have reviewed the completed review program and am satisfied that our review, as evidenced by the workpapers reviewed by me, is sufficient and appropriate to support the interim review report, if applicable, and was conducted in accordance with standards of the Public Company Accounting Oversight Board (PCAOB), applicable legal and regulatory requirements, and the firm's quality control policies and procedures.	—	—	—	
4. I have reviewed the management representation letter for consideration of all important matters.	—	—	—	
5. I have reviewed the summary of unadjusted likely misstatements and considered quantitative and qualitative factors and am satisfied that the likely misstatements, individually and in the aggregate, do not materially affect the interim financial information such that a modification of the review report is required.	—	—	—	

	Yes	No	N/A	Comments
6. I have reviewed the engagement completion document and am satisfied that it adequately addresses any significant findings and issues identified during the review. I am satisfied that consultation has occurred in all areas required by firm policy and any other areas deemed necessary, the nature and scope of consultations have been documented, and the resulting conclusions have been documented and implemented. In addition, I am satisfied that any differences of opinion were properly resolved and documented, that the documentation addresses the considerations involved in the resolution, and that the final resolution was implemented.	---	---	---	
7. The review documentation provides evidence of the elements of the work I reviewed and when my review occurred.	---	---	---	
8. I have reviewed the interim financial information and am not aware of any material modifications that should be made for them to meet the accepted standards of presentation and disclosure to be prepared in conformity with generally accepted accounting principles for interim financial information consistently applied.	---	---	---	
9. I have read the other information in the SEC filing document in which the interim financial information is included and am satisfied that the other information is not materially inconsistent with the interim financial information.	---	---	---	
10. I have maintained my independence throughout the performance of the review (including not receiving or earning compensation for procuring engagements to provide other services to the audit client).	---	---	---	
11. I have reviewed all services provided to this client to ensure that all services have been approved by the audit committee and that there are no independence issues.	---	---	---	
12. I have reviewed the interim review report, if applicable, and am satisfied it is appropriate in the circumstances and presented in accordance with PCAOB standards.	---	---	---	
13. I have identified all required audit committee communication matters and have appropriately communicated them on a timely basis. I have ensured that such communications and the method of communication have been sufficiently documented in the workpapers.	---	---	---	
14. I acknowledge my responsibility for the engagement and its performance, and I have fulfilled my responsibility.	---	---	---	

Engagement Partner's Signature: []

Date: []

	Yes	No	N/A	Comments
Engagement Quality Review^c				
1. The preceding sections of this form have been completed to my satisfaction.	---	---	---	
2. I possess the competence, independence, integrity, and objectivity to perform the engagement quality review (EQR).	---	---	---	
3. I have complied with the partner rotation requirements of SEC Release No. 33-8183.	---	---	---	

PCA-IR-4
(Continued)

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	Yes	No	N/A	Comments
4. I have discussed the significant judgments made by the engagement team, and the related conclusions, reached with the engagement partner and other members of the engagement team and have reviewed related documentation.	---	---	---	
5. I have evaluated the significant judgments that relate to engagement planning, including consideration of—	---	---	---	
a. The firm's recent engagement experience with the company and risks identified in the client acceptance and retention process,	---	---	---	
b. The company's business, recent significant activities, and related financial reporting issues and risks,	---	---	---	
c. The nature of identified risks of material misstatement (including fraud risks).	---	---	---	
6. I have evaluated the significant judgments made about materiality and the disposition of corrected and uncorrected likely misstatements, and any material modifications that should be made to the disclosures about changes in internal control over financial reporting.	---	---	---	
7. I have reviewed the engagement team's evaluation of the firm's independence in relation to the engagement.	---	---	---	
8. I have reviewed the engagement completion document.	---	---	---	
9. I have confirmed with the engagement partner that there are no significant unresolved matters, including unresolved matters related to significant unusual transactions.	---	---	---	
10. I have reviewed the interim financial information for all periods presented and for the immediately preceding interim period; management's disclosure for the period under review, if any, about changes in internal control over financial reporting; and the related engagement report, if a report is to be issued.	---	---	---	
11. I have read other information in documents containing interim financial information to be filed with the SEC and evaluated whether the engagement team has taken appropriate action with respect to any material inconsistencies with the interim financial information or material misstatements of fact of which I am aware.	---	---	---	
12. I have evaluated whether appropriate consultations have taken place on difficult or contentious matters, or significant unusual transactions, and reviewed the documentation, including conclusions, of any such consultations.	---	---	---	
13. I have evaluated whether appropriate matters have been communicated on a timely basis, or identified for communication, to the audit committee, management, and other parties, such as regulatory bodies.	---	---	---	
14. I have reviewed and evaluated the engagement documentation and have concluded that it supports the conclusions reached by the engagement team with respect to the matters reviewed.	---	---	---	
15. The documentation of my engagement quality review meets the requirements of Auditing Std. No. 3, <i>Audit Documentation</i> ; and identifies the documents I reviewed. The documentation of the engagement quality review—	---	---	---	
a. Contains sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures I performed.	---	---	---	

PCA-IR-4
(Continued)

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	Yes	No	N/A	Comments
b. Identifies the engagement quality reviewer.	—	—	—	
c. Identifies the documents I reviewed, which include the following: []	—	—	—	
d. Identifies the date I provided concurring approval of issuance or, if no concurring approval of issuance was provided, the reasons for not providing the approval.	—	—	—	
e. Meets the requirements related to retention and subsequent changes to documentation in PCAOB Auditing Std. No. 3, <i>Audit Documentation</i> .	—	—	—	
16. Based on my review, I am not aware of a significant engagement deficiency. ^a	—	—	—	
17. I approve issuance of the report for this engagement, if applicable.	—	—	—	

Engagement Quality Reviewer's Signature: []

Date: []

	Yes	No	N/A	Comments
Partner Signing Review Report(s)				
1. The preceding review sections of this Supervision, Review, and Approval Form have been completed.	—	—	—	
2. I have signed the review report(s) on the financial information.	—	—	—	
Date of Review Report: []	—	—	—	

Completed by: []

Date: []

Other Reports and Communications

1. I have reviewed all other reports or written communications, if any, required in conjunction with this engagement (for example, communication of significant deficiencies and material weaknesses or other matters to the audit committee) and am satisfied that they meet PCAOB standards.

Detailed Reviewer's Signature: []

Date: []

Engagement Partner's Signature: []

Date: []

Engagement Quality Reviewer Signature: []

Date: []

Notes

^a The PCAOB has noted through its inspections that supervision processes within firms are not appropriately robust and that supervisory responsibilities are not as clearly assignable as they should be. The PCAOB is considering rulemaking or standard-setting that would require firms to "make and document clear assignments of relevant supervision responsibilities throughout the firm." The rules and standards considered would not create any new supervisory responsibilities; instead they would only focus on the clarity of assigning supervisory responsibilities that are already required in practice. PCAOB Release No. 2010-005, *Application of the "Failure to Supervise" Provision of the Sarbanes-Oxley Act of 2002 and Solicitation of Comment on Rulemaking Concepts*, can be accessed at www.pcaobus.org/Rules/Rulemaking/Docket031/Release_2010-005_Failure_to_Supervise.pdf. The PCAOB's 2012 standard-setting agenda anticipates that proposed amendments on the assignment and documentation of firm supervisory responsibilities will be issued in the near future.

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^b The PCAOB has noted through its inspections that supervision processes within firms are not appropriately robust and that supervisory responsibilities are not as clearly assignable as they should be. The PCAOB is considering rulemaking or standard-setting that would require firms to "make and document clear assignments of relevant supervision responsibilities throughout the firm." The rules and standards considered would not create any new supervisory responsibilities; instead they would only focus on the clarity of assigning supervisory responsibilities that are already required in practice. PCAOB Release No. 2010-005, *Application of the "Failure to Supervise" Provision of the Sarbanes-Oxley Act of 2002 and Solicitation of Comment on Rulemaking Concepts*, can be accessed at www.pcaobus.org/Rules/Rulemaking/Docket031/Release_2010-005_Failure_to_Supervise.pdf. The PCAOB's 2012 standard-setting agenda anticipates that proposed amendments on the assignment and documentation of firm supervisory responsibilities will be issued in the near future.

^c Auditing Std. No. 7, *Engagement Quality Review*, requires an engagement quality review for audits and reviews of interim financial information. Section 1001 discusses the standard in more detail. On February 19, 2010, the PCAOB issued a Staff Question and Answer, *Auditing Std. No. 7, Engagement Quality Review*, addressing an example provided in the adopting release for Auditing Std. No. 7. Specifically, the Q&A poses the question of whether the example in the adopting release suggests that the documentation requirements of Auditing Std. No. 7 mandates that all interactions between the engagement quality reviewer and the engagement team be documented, including those interactions before a matter is determined to be a significant deficiency. The Q&A concludes that all interactions are not required to be documented. It notes that the example in the adopting release illustrated documentation requirements of Auditing Std. No. 7 once the reviewer has concluded that a significant engagement deficiency exists. The staff question and answer can be found on the PCAOB's website at www.pcaobus.org/Standards/QandA/2010-02-19_EQR_QA%20_2.pdf.

^d A *significant engagement deficiency* in an review of interim financial information exists when: (1) the engagement team failed to perform interim review procedures necessary in the circumstances of the engagement, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of the client.

Exhibit A-12

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 Website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 (ss. 229.405 of this chapter) 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.

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 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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. **The market value of the registrant's voting \$0.001 par value common stock held by non-affiliates of the registrant was approximately \$0**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **The number of shares outstanding of the registrant's only class of common stock, as of April 16, 2013 was 36,481,551 shares of its \$0.001 par value common stock.**

Report of Independent Registered Public Accounting Firm

To the Board of Directors
Medient Studios, Inc.
Los Angeles, California

We have audited the accompanying balance sheet of Medient Studios, Inc. (the "Company") as of December 31, 2012, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with the auditing 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. 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. 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 Medient Studios, Inc. and subsidiaries as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, 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 1, the Company will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We were not engaged to examine management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, included in the Form 10-K and, accordingly, we do not express an opinion thereon.

The Hall Group, CPAs
Dallas, Texas
April 15, 2013

Exhibit A-13

PCA-CX-14.1: Supervision, Review, and Approval Form

Company: ~~[Client Name]~~ *Mediant*

Balance Sheet Date: ~~[Engagement Date]~~ *12/31/12*

Instructions: This form lists review procedures that are generally performed prior to the dating and issuance of reports and other communications. ^a It is intended to assist in performing and documenting the review. The auditor's report on the financial statements should not be dated earlier than the date on which sufficient audit evidence has been obtained to support the auditor's opinion. Sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed. See section 810 for a discussion.

The authors believe that the first three sections of this form (the "Detailed Review," "Engagement Partner Review," and the "Engagement Quality Control Review") should typically be completed on or before the date of the auditor's report. The remaining sections should be completed prior to the issuance of the related report or communication. The workpapers should indicate who reviewed specific audit documentation and the date of the review. Where necessary, use the "Comments/Date" column or a memorandum to further specify the workpapers reviewed. Any item answered "No" should be explained in the "Comments/Date" column or in an attached memorandum. File this form in the General File.

	Yes	No	N/A	Comments/ Date
Detailed Review				
To be performed by the staff in charge of fieldwork.				
1. I have reviewed all workpapers prepared by the personnel in my charge on this engagement. All workpapers are complete, properly headed, indexed, and cross-referenced. All workpapers indicate the individuals who performed the work, when the work was completed, the person who reviewed the work, and the date of the review. Based on my review, I am satisfied that the workpapers provide a clear understanding of the work performed, the audit evidence obtained and its source, and the conclusions reached.	✓	—	—	
2. I have reviewed the permanent file and general file, and all relevant information has been incorporated or cross-referenced.	✓	—	—	
3. I have reviewed our documented risk assessment procedures and am satisfied that we have adequately identified risks of material misstatement at the financial statement and assertion levels and appropriately developed and linked responses to such risks through our audit plan and programs.	✓	—	—	
4. I have compared the work performed, as evidenced by our workpapers, with the procedures called for by the audit programs and am satisfied that the objectives of the programs have been achieved and that our audit(s) of the financial statements and internal control (if applicable) comply with the requirements of the programs and support the basis for our conclusions concerning every relevant assertion of every significant account and disclosure.	✓	—	—	
5. I have determined that the workpapers have been compared with supporting accounting records, and find that satisfactory audit recognition has been given to all asset, liability, equity, income, and expense accounts.	✓	—	—	

	Yes	No	N/A	Comments/ Date
6. I have reviewed the completed audit programs and am satisfied that our audit(s) of the financial statements and internal control (if applicable), as evidenced by the workpapers reviewed by me, are sufficient and appropriate to support the auditor's report(s) and were conducted in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), applicable legal and regulatory requirements, and the firm's quality control policies and procedures.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. I have determined that all required checklists and audit programs have been completed. All questions, exceptions, or notes, if any, posed during the audit have been followed up and resolved, and review notes and "to do" lists have been handled in accordance with firm policy.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8. I have determined that the underlying accounting records have been agreed or reconciled to the financial statements, including disclosures.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. I have obtained a review of the tax accrual and provision by the tax department and included their approval in the workpapers, if applicable.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. I have reviewed the legal representation and management representation letters for consideration of all important matters.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11. I have reviewed the summary of accumulated misstatements and considered quantitative and qualitative factors and am satisfied that uncorrected misstatements, individually and in the aggregate, do not cause the financial statements taken as a whole to be materially misstated.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12. When applicable, I have obtained and reviewed the documentation required by Auditing Std. No. 3 relating to work performed by other auditors and have considered matters impacting the audit of the consolidated financial statements and resolved all issues to my satisfaction.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. I have prepared or reviewed the engagement completion document and am satisfied that it adequately addresses significant findings and issues identified during the audit.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. I have determined that all matters required to be documented by Auditing Std. No. 3 have been satisfactorily documented in the workpapers.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
15. I have reviewed the financial statements and am satisfied that they meet accepted standards of presentation and disclosure and are clear and understandable. A financial statement disclosure checklist has been completed.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
16. I have reviewed our report(s) on the audit(s) of the financial statements and internal control (if applicable) and am satisfied that they are appropriate in the circumstances and properly express our opinion(s) in accordance with PCAOB standards.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
17. I have read the other information in the SEC filing document in which the financial statements and audit reports are to be included and am satisfied that the other information is not materially inconsistent with information in the financial statements.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18. I have maintained my independence throughout the performance of the audit.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Completed by:

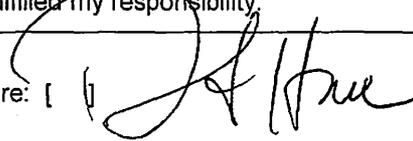


Date: [- 14/15/13

	Yes	No	N/A	Comments/ Date
Engagement Partner Review				
1. I have reviewed the planning documents and am satisfied with the conclusions reached related to the risk assessment and scope-setting process and that the audit programs have been appropriately tailored to respond to the risk assessment.	✓			
2. I have reviewed all workpapers prepared by the personnel in my charge on this engagement that were not reviewed as a part of the detailed review.	✓			
3. I have also reviewed sufficient additional workpapers to be satisfied with the adequacy of our audit(s) of the financial statements and internal control (if applicable) and with the detailed review. I am satisfied that the work was performed and documented; the objectives of the procedures were achieved; and the results of the work support the conclusions reached.	✓			
4. I have reviewed the completed audit programs and am satisfied that the audit evidence obtained, as evidenced by the workpapers reviewed by me, is sufficient and appropriate to support our audit(s) of the financial statements and internal control (if applicable) and auditor's report(s) and were conducted in accordance with PCAOB standards, applicable legal and regulatory requirements, and the firm's quality control policies and procedures.	✓			
5. I have reviewed the legal representation and management representation letters for consideration of all important matters.	✓			
6. I have reviewed the summary of accumulated misstatements and considered quantitative and qualitative factors and am satisfied that uncorrected misstatements, individually and in the aggregate, do not cause the financial statements taken as a whole to be materially misstated.	✓			
7. When applicable, I have considered and reviewed, where appropriate, the documentation required by Auditing Std. No. 3 relating to work performed by other auditors, including an engagement completion document, and have satisfied myself that matters impacting the audit of the consolidated financial statements have been appropriately considered and resolved.	✓			
8. I have reviewed the engagement completion document, which adequately addresses any significant findings and issues identified during the audit. I am satisfied that consultation has occurred in all areas required by firm policy and any other areas deemed necessary, the nature and scope of consultations have been documented, and the resulting conclusions have been documented and implemented. In addition, I am satisfied that any differences of opinion were properly resolved and documented, that the documentation addresses the considerations involved in the resolution, and that the final resolution was implemented.	✓			
9. The audit documentation provides evidence of the elements of the audit work I have reviewed and when my review occurred.	✓			

	Yes	No	N/A	Comments/ Date
10. I have communicated to the engagement team the importance of exercising professional skepticism. I have ascertained that there has been appropriate communication among the engagement team throughout the audit(s) of the financial statements and internal control (if applicable) regarding significant matters affecting risks of material misstatement.	✓	—	—	
11. I have reviewed the financial statements and am satisfied that they meet accepted standards of presentation and disclosure, have been prepared in conformity with generally accepted accounting principles consistently applied, and are clear and understandable.	✓	—	—	
12. I have read the other financial information in the SEC filing document in which the financial statements and audit reports are to be included and have not noted material inconsistencies with information in the financial statements.	✓	—	—	
13. I have maintained my independence throughout the performance of the audit (including not receiving or earning compensation for procuring engagements to provide other services to the audit client).	✓	—	—	
14. I have reviewed all services provided to this client to ensure that all services have been approved by the audit committee and that there are no independence issues.	✓	—	—	
15. I have complied with the partner rotation requirements of SEC Release No. 33-8183.	✓	—	—	
16. I have reviewed our report(s) on the audit(s) of the financial statements and internal control (if applicable) and am satisfied it (they) is (are) appropriate in the circumstances and properly express(es) our opinion(s) in accordance with PCAOB standards and I approve the issuance of our report(s).	✓	—	—	
17. I have identified all required audit committee communications and have communicated appropriate matters on a timely basis. I have ensured that such communications and the method of communication have been sufficiently documented in the workpapers. ^b	✓	—	—	
18. I acknowledge my responsibility for the engagement and its performance, and I have fulfilled my responsibility.	✓	—	—	

Engagement Partner's Signature: []



Date: []

4/15/13

	Yes	No	N/A	Comments/ Date
Engagement Quality Review ^c				
1. The preceding sections of this form have been completed to my satisfaction.	X	—	—	
2. I possess the competence, independence, integrity, and objectivity to perform the engagement quality review (EQR).	X	—	—	
3. I have complied with the partner rotation requirements of SEC Release No. 33-8183.	X	—	—	

	Yes	No	N/A	Comments/ Date
4. I have discussed the significant judgments made by the engagement team, and the related conclusions reached, with the engagement partner and other members of the engagement team and have reviewed related documentation.	X	—	—	
5. I have evaluated the significant judgments related to—	X	—	—	
a. The firm's recent engagement experience with the company and risks identified in the client acceptance and retention process.	X	—	—	
b. The company's business, recent significant activities, and related financial reporting issues and risks.	X	—	—	
c. The judgments made about materiality and the effect of those judgments on the engagement strategy.	X	—	—	
6. I have evaluated the engagement team's assessment of, and audit responses to, significant risks identified by the engagement team, including fraud risks and other significant risks identified by my engagement quality review.	X	—	—	
7. I have evaluated the significant judgments made about the materiality and disposition of corrected and uncorrected identified misstatements, and the severity and disposition of identified control deficiencies.	X	—	—	
8. I have reviewed the engagement team's evaluation of the firm's independence in relation to the engagement.	X	—	—	
9. I have reviewed the engagement completion document.	X	—	—	
10. I have confirmed with the engagement partner that there are no significant unresolved matters, including unresolved matters relating to significant unusual transactions.	X	—	—	
11. I have reviewed the financial statements, management's report on internal control, and the related engagement report.	X	—	—	
12. I have read other information in documents containing the financial statements and evaluated whether the engagement team has taken appropriate action with respect to any material inconsistencies with the financial statements or material misstatements of fact of which I am aware.	X	—	—	
13. I have evaluated whether appropriate consultations have taken place on difficult or contentious matters or significant unusual transactions, and reviewed the documentation, including conclusions, of any such consultations.	X	—	—	
14. I have evaluated whether appropriate matters have been communicated on a timely basis (or identified for communication) prior to the issuance of our audit report to the audit committee, management, and other parties such as regulatory bodies.	X	—	—	
15. I have evaluated whether, and concluded that, the engagement documentation have I reviewed indicates that the engagement team responded appropriately to significant risks and supports the conclusions reached by the engagement team with respect to the matters reviewed.	X	—	—	
16. The documentation of my engagement quality review meets the requirements of Auditing Std. No. 3, <i>Audit Documentation</i> , and identifies the documents I reviewed. The documentation of the engagement quality review—	X	—	—	

	Yes	No	N/A	Comments/ Date
a. Contains sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures I performed.	X	—	—	
b. Identifies me as the engagement quality reviewer and others who assisted me.	X	—	—	
c. Identifies the documents I reviewed, which include the following: [] See Above	X	—	—	
d. Identifies the date I provided concurring approval of issuance or, if no concurring approval of issuance was provided, the reasons for not providing the approval.	X	—	—	
e. Meets the requirements related to retention and subsequent changes to documentation in PCAOB Auditing Std. No. 3, <i>Audit Documentation</i> .	X	—	—	
17. Based on my review, I am not aware of a significant engagement deficiency. ^d	X	—	—	
18. I approve issuance of the report for this engagement. ^e	X	—	—	

Engagement Quality Reviewer's Signature: []  Date: [] 4-15-13

	Yes	No	N/A	Comments/ Date
Partner Signing Auditor's Report(s)				
1. The preceding review sections of this Supervision, Review, and Approval Form have been completed.	X	—	—	
2. I have signed the auditor's report(s) on the financial statements. Date of the Auditor's Report [] 4/15/13	X	—	—	

Report Distribution:

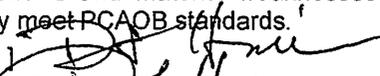
Report Title	No. of Copies	Sent to	Date Sent
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]

Completed by: []

Date: []

Other Reports and Communications

1. I have reviewed all other reports or communications required in conjunction with this audit(s) (for example, communication of significant deficiencies and material weaknesses or audit-related matters to the audit committee) and am satisfied that they meet PCAOB standards.

Detailed Reviewer's Signature: []  Date: [] 4/15/13
 Engagement Partner's Signature: []  Date: [] 4/15/13
 Engagement Quality Reviewer Signature: []  Date: [] 4/15/13

2. The preceding step has been completed, and I have signed the following report(s):

Report Title	No. of Copies	Sent to	Date Sent
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]
[]	[]	[]	[]

Signature of Partner Signing the Report:

Date: []

4/15/13

Notes

^a The PCAOB has noted through its inspections that supervision processes within firms are not appropriately robust and that supervisory responsibilities are not as clearly assignable as they should be. The PCAOB is considering rulemaking or standard-setting that would require firms to "make and document clear assignments of relevant supervision responsibilities throughout the firm." The rules and standards considered would not create any new supervisory responsibilities; instead, they would only focus on the clarity of assigning supervisory responsibilities that are already required in practice. PCAOB Release No. 2010-005, *Application of the "Failure to Supervise" Provision of the Sarbanes-Oxley Act of 2002 and Solicitation of Comment on Rulemaking Concepts*, can be accessed at www.pcaobus.org/Rules/Rulemaking/Docket031/Release_2010-005_Failure_to_Supervise.pdf. The PCAOB's 2012 standard-setting agenda anticipates that proposed amendments on the assignment and documentation of firm supervisory responsibilities will be issued in the near future.

^b Auditing Std. No. 16, *Communications with Audit Committees*, requires the auditor to communicate certain matters with the audit committee. All required audit committee communications specified by the standard should be made in a timely manner and prior to the issuance of the auditor's report. The timing of a particular communication depends on factors such as the significance of the matter and corrective or follow-up action needed, unless other timing requirements are specified by PCAOB rules or securities laws. Communications, whether written or oral, must be documented in the workpapers, along with the manner of communication. Auditing Std. No. 16 is effective for audits of fiscal years beginning on or after December 15, 2012. The standard is discussed in further detail in section 812 .

^c Auditing Std. No. 7, *Engagement Quality Review*, requires an engagement quality review for audits and reviews of interim financial information. Section 810 discusses Auditing Std. No. 7 in more detail. On February 19, 2010, the PCAOB issued a Staff Question and Answer, *Auditing Standard No. 7, Engagement Quality Review*, addressing an example provided in the adopting release for Auditing Std. No. 7. Specifically, the Q&A poses the question of whether the example in the adopting release suggests that the documentation requirements of Auditing Std. No. 7 mandates that all interactions between the engagement quality reviewer and the engagement team be documented, including those interactions before a matter is determined to be a significant engagement deficiency. The Q&A concludes that all interactions are not required to be documented. It notes that the example in the adopting release illustrated documentation requirements of Auditing Std. No. 7 once the reviewer has concluded that a significant engagement deficiency exists. The staff question and answer can be found on the PCAOB's website at www.pcaobus.org/Standards/QandA/2010-02-19_EQR_QA%20_2.pdf.

^d A *significant engagement deficiency* in an audit exists when (1) the engagement team failed to obtain sufficient appropriate evidence in accordance with PCAOB standards, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of the client.

^e If concurring approval of issuance is not provided, the reasons for not providing the approval should be documented.

the common stock on December 31, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$43,067,018. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

Number of common shares outstanding as of October 15, 2013 was 219,276,228.

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents incorporated herein by reference and the part of this Report into which each such document is incorporated:

None

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Seven Arts Entertainment, Inc. (formerly Seven Arts Pictures, Plc.)

We have audited the accompanying consolidated balance sheets of Seven Arts Entertainment, Inc. (formerly Seven Arts Pictures, Plc.) as of June 30, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Seven Arts Entertainment, Inc.'s internal control over financial reporting as of June 30, 2013 and 2012 and, accordingly, we do not express an opinion thereon.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seven Arts Entertainment, Inc. (formerly Seven Arts Pictures, Plc.) as of June 30, 2013 and 2012, and the results of its operations, comprehensive income and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas
October 15, 2013

Exhibit A-15

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

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2013**

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: **001-34250**



SEVEN ARTS ENTERTAINMENT INC.
(Formerly Seven Arts Pictures, PLC)
(Exact name of Registrant as specified in its charter)

Nevada

(State of Incorporation)

45-3138068

(I.R.S. Employer Identification No.)

8439 Sunset Blvd., Suite 402
Los Angeles, California

(Address of principal executive offices)

90069

(Zip Code)

Registrant's telephone number: Phone: (323) 372-3080; Fax: (323) 389-0664

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock: \$0.01 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 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 Website, 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 (§ 229.405 of this chapter) 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.

Indicate by a check mark whether the Registrant is a large filer, an accredited filer, non-accredited filer, or a smaller reporting company. See the definitions of "large accredited filer", "accredited filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accredited filer

Accredited filer

Non-accredited filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock, par value \$0.01 per share, held by non-affiliates of the registrant, based on the average bid and asked prices of the common stock on December 31, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$43,067,018. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

Number of common shares outstanding as of October 15, 2013 was 219,276,228.

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents incorporated herein by reference and the part of this Report into which each such document is incorporated:

None

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Seven Arts Entertainment, Inc. (formerly Seven Arts Pictures, Plc.)

We have audited the accompanying consolidated balance sheets of Seven Arts Entertainment, Inc. (formerly Seven Arts Pictures, Plc.) as of June 30, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Seven Arts Entertainment, Inc.'s internal control over financial reporting as of June 30, 2013 and 2012 and, accordingly, we do not express an opinion thereon.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seven Arts Entertainment, Inc. (formerly Seven Arts Pictures, Plc.) as of June 30, 2013 and 2012, and the results of its operations, comprehensive income and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas
October 15, 2013

Exhibit A-16

Sum Arts
Supervisor / Review / Approval
6-30-13

David Hall CPA is the Partner on this job. Michelle Heltborn resigned in August, 2013. Therefore, Mr. Hall took a DIRECT & DETAILED role in the Audit process. Because of this, the Supervisor & Review Form are not considered necessary to complete. All items in the Form were covered.

Mr. Paul Babb is the In Charge Accountant. He has many years of Public Accounting and has been exposed to most all types of auditing & accountancy issues.

Mr. Hall & Mr. Babb reviewed each other's assignments and conclusions.

The Hall Group did not have access to our long-range quality reviewer for this audit. Therefore, Mr. Hall acted as long-range quality reviewer.

Due to strong familiarity in this Client and that Mr. Paul Babb has been inspected by PCAOB along with Auditors 40+ years combined experience, we believe that all pertinent audit procedures have been performed.

Exhibit A-17

Sum Att
Signin / Review / Approval
9-30-13

DM
12/15/14

Dr Hall, Patric was completely in charge
of the 1 & 2 Review Process.

Paul Baldo assisted.

The Hall Group did not have access
to a Partner level Engaged Review.

Was stuck by on work.

Exhibit A-18

As filed with the Securities and Exchange Commission on September 17, 2008

File No. 333-145831

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

Form S-1/A
Amendment No. 4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SURFACE COATINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or jurisdiction of incorporation or organization)

5039
(Primary Industrial Classification Code No.)

[REDACTED]
(I.R.S. Employer Identification No.)

2010 Industrial Blvd, Suite 605, Rockwall, Texas 75087 (972) 722-7351
(Address, including the ZIP code & telephone number, including area code of Registrant's principal executive office)

2010 Industrial Blvd, Suite 605, Rockwall, Texas 75087 (972) 722-7351
(Address of principal place of business or intended principal place of business)

Richard Pietrykowski
2010 Industrial Blvd, Suite 605, Rockwall, Texas 75087 (972) 722-7351
(Name, address, including zip code, and telephone number, including area code of agent for service)

Copies to: J Hamilton McMenamy
Law Offices of J. Hamilton
McMenamy, P.C.
8222 Douglas, Suite 850
Dallas, Texas 75225
(214) 706-0938 Tel
(214) 550-8179 Fax

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the securities Act registration 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 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 number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Offering Price Per Share(1)	Minimum/Maximum Proposed Aggregate Offering(1)	Amount of Registration Fee
Common stock, \$0.001 par value				
Minimum	150,000	\$0.50	\$ 75,000	\$ 10
Maximum	1,000,000	\$0.50	\$500,000	\$ 64
Total maximum	1,000,000	\$0.50	\$500,000	\$ 64

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the registration statement shall hereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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.

(1) Estimated solely for the purpose of calculating the registration fee.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Surface Coatings, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Surface Coatings, Inc. as of December 31, 2007 and 2006 and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Surface Coatings, Inc. as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 9, the consolidated financial statements, the Company corrected an error and restated previously issued financial statements.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

February 8, 2008

Exhibit A-19

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2008

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____.

Commission File Number 333-145831

SURFACE COATINGS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

2010 Industrial Blvd., Suite 605, Rockwall, Texas 75087
(Address of principal executive offices)

(972) 722-7351
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (s229.405 of this chapter) 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.

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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 a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes No .

As of March 1, 2009, there were 5,102,100 shares of Common Stock of the issuer outstanding.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Surface Coatings, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Surface Coatings, Inc. as of December 31, 2008 and 2007 and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Surface Coatings, Inc.'s internal control over financial reporting as of December 31, 2008 and 2007 and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Surface Coatings, Inc. as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended 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 11 to the consolidated financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

February 10, 2008

Exhibit A-20

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2009

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____.

Commission File Number 333-145831

SURFACE COATINGS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

2007 Industrial Blvd., Suite B, Rockwall, Texas 75087
(Address of principal executive offices)

(972) 722-7351
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)
2010 Industrial Blvd., Suite 605, Rockwall, Texas 75087

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (s229.405 of this chapter) 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.

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [X] 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 [X].

Indicate by a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes [] No [X].

As of March 1, 2010, there were 5,429,000 shares of Common Stock of the issuer outstanding.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Surface Coatings, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Surface Coatings, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Surface Coatings, Inc.'s internal control over financial reporting as of December 31, 2009 and 2008 and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Surface Coatings, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended 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 8 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

March 29, 2009

Exhibit A-21

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2010

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____.

Commission File Number 333-145831

SURFACE COATINGS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

2007 Industrial Blvd., Suite B, Rockwall, Texas 75087
(Address of principal executive offices)

(972) 722-7351
(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (s229.405 of this chapter) 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.

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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 a check mark whether the company is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes No .

As of February 24, 2011, there were 5,429,000 shares of Common Stock of the issuer outstanding.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Management of
Surface Coatings, Inc.
Rockwall, Texas

We have audited the accompanying consolidated balance sheets of Surface Coatings, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. 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 of these financial statements 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. 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. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to examine management's assertion about the effectiveness of Kingdom Concrete, Inc.'s internal control over financial reporting as of December 31, 2010 and 2009 and, accordingly, we do not express an opinion thereon.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Surface Coatings, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended 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 9 to the financial statements, the Company has suffered significant losses and will require additional capital to develop its business until the Company either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ The Hall Group, CPAs
The Hall Group, CPAs
Dallas, Texas

March 2, 2011

Exhibit A-22

PCA-IR-4: Supervision, Review, and Approval Form—Interim Review

Company: Surface Coatings

Balance Sheet Date: 06/31/2013

Instructions: This form should be completed prior to dating and issuance of the signed accountant's review report. Any item answered "No" should be explained in the "Comments" column or in an attached memorandum.

	Yes	No	N/A	Comments
Detailed Review *				
To be performed by the staff in charge of fieldwork.				
1. I have reviewed all workpapers prepared by the personnel in my charge on this engagement. All workpapers are complete, properly headed, indexed, and cross-referenced. All workpapers indicate the individuals who performed the work, when the work was completed, the person who reviewed the work, and the date of the review. Based on my review, I am satisfied that the workpapers provide a clear understanding of the work performed, the evidence obtained and its source, and the conclusions reached.	—	—	—	
2. I have compared the work performed as evidenced by our workpapers with the procedures called for by the interim review program and am satisfied that the objectives of the program have been achieved and our review complies with the requirements of the program and supports the basis for our review report.	—	—	—	
3. I have determined that the interim financial information has been agreed or reconciled to supporting accounting records.	—	—	—	
4. I have reviewed the completed interim review program and am satisfied that our review, as evidenced by the workpapers reviewed by me, is sufficient and appropriate to support the interim review report, if applicable, and was conducted in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), applicable legal and regulatory requirements, and the firm's quality control policies and procedures.	—	—	—	
5. I have determined that all required checklists and programs have been completed. All questions, exceptions, or notes, if any, posed during the review have been followed up and resolved, and review notes and "to do" lists have been handled in accordance with firm policy.	—	—	—	
6. I have reviewed the management representation letter for consideration of all important matters.	—	—	—	
7. I have reviewed the summary of unadjusted likely misstatements and considered quantitative and qualitative factors and am satisfied that the likely misstatements, individually and in the aggregate, do not materially affect the interim financial information such that a modification of the review report is required.	—	—	—	
8. I have prepared or reviewed the engagement completion document and am satisfied that it adequately addresses significant findings and issues identified during the review.	—	—	—	

PCA-IR-4

SVD
/s/

	Yes	No	N/A	Comments
9. I have determined that all matters required to be documented by Auditing Std. No. 3 have been satisfactorily documented in the workpapers.	—	—	—	
10. I have reviewed the interim financial information and am not aware of any material modifications that should be made for them to meet the accepted standards of presentation and disclosure to be prepared in conformity with generally accepted accounting principles for interim financial information consistently applied. An interim review financial statement disclosure checklist has been completed.	—	—	—	
11. I have read the other information in the SEC filing document in which the interim financial information is included and am satisfied that the other information is not materially inconsistent with the interim financial information.	—	—	—	
12. I have maintained my independence throughout the performance of the review.	—	—	—	
13. I have reviewed the interim review report, if applicable, and am satisfied it is appropriate in the circumstances and presented in accordance with PCAOB standards.	—	—	—	

Completed by: []

Date: []

	Yes	No	N/A	Comments
Engagement Partner Review^b				
1. I have reviewed all workpapers prepared by the personnel in my charge on this engagement that were not reviewed as a part of the detailed review.	—	—	—	
2. I have also reviewed sufficient additional workpapers to be satisfied with the adequacy of our interim review. I am satisfied that the work was performed and documented, the objectives of the procedures were achieved, and the results of the work support the conclusions reached.	—	—	—	
3. I have reviewed the completed review program and am satisfied that our review, as evidenced by the workpapers reviewed by me, is sufficient and appropriate to support the interim review report, if applicable, and was conducted in accordance with standards of the Public Company Accounting Oversight Board (PCAOB), applicable legal and regulatory requirements, and the firm's quality control policies and procedures.	—	—	—	
4. I have reviewed the management representation letter for consideration of all important matters.	—	—	—	
5. I have reviewed the summary of unadjusted likely misstatements and considered quantitative and qualitative factors and am satisfied that the likely misstatements, individually and in the aggregate, do not materially affect the interim financial information such that a modification of the review report is required.	—	—	—	

	Yes	No	N/A	Comments
6. I have reviewed the engagement completion document and am satisfied that it adequately addresses any significant findings and issues identified during the review. I am satisfied that consultation has occurred in all areas required by firm policy and any other areas deemed necessary; the nature and scope of consultations have been documented, and the resulting conclusions have been documented and implemented. In addition, I am satisfied that any differences of opinion were properly resolved and documented; that the documentation addresses the considerations involved in the resolution; and that the final resolution was implemented.	—	—	—	
7. The review documentation provides evidence of the elements of the work I reviewed and when my review occurred.	—	—	—	
8. I have reviewed the interim financial information and am not aware of any material modifications that should be made for them to meet the accepted standards of presentation and disclosure to be prepared in conformity with generally accepted accounting principles for interim financial information consistently applied.	—	—	—	
9. I have read the other information in the SEC filing document in which the interim financial information is included and am satisfied that the other information is not materially inconsistent with the interim financial information.	—	—	—	
10. I have maintained my independence throughout the performance of the review (including not receiving or earning compensation for procuring engagements to provide other services to the audit client).	—	—	—	
11. I have reviewed all services provided to this client to ensure that all services have been approved by the audit committee and that there are no independence issues.	—	—	—	
12. I have reviewed the interim review report, if applicable, and am satisfied it is appropriate in the circumstances and presented in accordance with PCAOB standards.	—	—	—	
13. I have identified all required audit committee communication matters and have appropriately communicated them on a timely basis. I have ensured that such communications and the method of communication have been sufficiently documented in the workpapers.	—	—	—	
14. I acknowledge my responsibility for the engagement and its performance, and I have fulfilled my responsibility.	—	—	—	

Engagement Partner's Signature: []

Date: []

	Yes	No	N/A	Comments
Engagement Quality Review^c				
1. The preceding sections of this form have been completed to my satisfaction.	—	—	—	
2. I possess the competence, independence, integrity, and objectivity to perform the engagement quality review (EQR).	—	—	—	
3. I have complied with the partner rotation requirements of SEC Release No. 33-8183.	—	—	—	

PCA-IR-4
(Continued)

	Yes	No	N/A	Comments
4. I have discussed the significant judgments made by the engagement team, and the related conclusions, reached with the engagement partner and other members of the engagement team and have reviewed related documentation.	—	—	—	
5. I have evaluated the significant judgments that relate to engagement planning, including consideration of—	—	—	—	
a. The firm's recent engagement experience with the company and risks identified in the client acceptance and retention process.	—	—	—	
b. The company's business, recent significant activities, and related financial reporting issues and risks.	—	—	—	
c. The nature of identified risks of material misstatement (including fraud risks).	—	—	—	
6. I have evaluated the significant judgments made about materiality and the disposition of corrected and uncorrected likely misstatements, and any material modifications that should be made to the disclosures about changes in internal control over financial reporting.	—	—	—	
7. I have reviewed the engagement team's evaluation of the firm's independence in relation to the engagement.	—	—	—	
8. I have reviewed the engagement completion document.	—	—	—	
9. I have confirmed with the engagement partner that there are no significant unresolved matters, including unresolved matters related to significant unusual transactions.	—	—	—	
10. I have reviewed the interim financial information for all periods presented and for the immediately preceding interim period; management's disclosure for the period under review, if any, about changes in internal control over financial reporting; and the related engagement report, if a report is to be issued.	—	—	—	
11. I have read other information in documents containing interim financial information to be filed with the SEC and evaluated whether the engagement team has taken appropriate action with respect to any material inconsistencies with the interim financial information or material misstatements of fact of which I am aware.	—	—	—	
12. I have evaluated whether appropriate consultations have taken place on difficult or contentious matters, or significant unusual transactions, and reviewed the documentation, including conclusions, of any such consultations.	—	—	—	
13. I have evaluated whether appropriate matters have been communicated on a timely basis, or identified for communication, to the audit committee, management, and other parties, such as regulatory bodies.	—	—	—	
14. I have reviewed and evaluated the engagement documentation and have concluded that it supports the conclusions reached by the engagement team with respect to the matters reviewed.	—	—	—	
15. The documentation of my engagement quality review meets the requirements of Auditing Std. No. 3, <i>Audit Documentation</i> , and identifies the documents I reviewed. The documentation of the engagement quality review—	—	—	—	
a. Contains sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures I performed.	—	—	—	

PCA-JR-4
(Continued)

	Yes	No	N/A	Comments
b. Identifies the engagement quality reviewer.	—	—	—	
c. Identifies the documents I reviewed, which include the following: []	—	—	—	
d. Identifies the date I provided concurring approval of issuance or, if no concurring approval of issuance was provided, the reasons for not providing the approval.	—	—	—	
e. Meets the requirements related to retention and subsequent changes to documentation in PCAOB Auditing Std. No. 3, <i>Audit Documentation</i> .	—	—	—	
16. Based on my review, I am not aware of a significant engagement deficiency. ^a	—	—	—	
17. I approve issuance of the report for this engagement, if applicable.	—	—	—	

Engagement Quality Reviewer's Signature: []

Date: []

	Yes	No	N/A	Comments
Partner Signing Review Report(s)				
1. The preceding review sections of this Supervision, Review, and Approval Form have been completed.	—	—	—	
2. I have signed the review report(s) on the financial information.	—	—	—	
Date of Review Report: []	—	—	—	

Completed by: []

Date: []

Other Reports and Communications

1. I have reviewed all other reports or written communications, if any, required in conjunction with this engagement (for example, communication of significant deficiencies and material weaknesses or other matters to the audit committee) and am satisfied that they meet PCAOB standards.

Detailed Reviewer's Signature: []
 Engagement Partner's Signature: []
 Engagement Quality Reviewer Signature: []

Date: []
 Date: []
 Date: []

Notes

^a The PCAOB has noted through its inspections that supervision processes within firms are not appropriately robust and that supervisory responsibilities are not as clearly assignable as they should be. The PCAOB is considering rulemaking or standard-setting that would require firms to "make and document clear assignments of relevant supervision responsibilities throughout the firm." The rules and standards considered would not create any new supervisory responsibilities; instead they would only focus on the clarity of assigning supervisory responsibilities that are already required in practice. PCAOB Release No. 2010-005, *Application of the "Failure to Supervise" Provision of the Sarbanes-Oxley Act of 2002 and Solicitation of Comment on Rulemaking Concepts*, can be accessed at www.pcaobus.org/Rules/Rulemaking/Docket031/Release_2010-005_Failure_to_Supervise.pdf. The PCAOB's 2012 standard-setting agenda anticipates that proposed amendments on the assignment and documentation of firm supervisory responsibilities will be issued in the near future.

PCA-IR-4
(Continued)

^f Auditing Std. No. 16, *Communications with Audit Committees*, requires the auditor to communicate certain matters with the audit committee. All required audit committee communications specified by the standard should be made in a timely manner and prior to the issuance of the auditor's report. The timing of a particular communication depends on factors such as the significance of the matter and corrective or follow-up action needed, unless other timing requirements are specified by PCAOB rules or securities laws. Communications, whether written or oral, must be documented in the workpapers, along with the manner of communication. Auditing Std. No. 16 is effective for audits of fiscal years beginning on or after December 15, 2012. The standard is discussed in further detail in section 812 .

^g Auditing Std. No. 7, *Engagement Quality Review*, requires an engagement quality review for audits and reviews of interim financial information. Section 810 discusses Auditing Std. No. 7 in more detail. On February 19, 2010, the PCAOB issued a Staff Question and Answer, *Auditing Standard No. 7, Engagement Quality Review*, addressing an example provided in the adopting release for Auditing Std. No. 7. Specifically, the Q&A poses the question of whether the example in the adopting release suggests that the documentation requirements of Auditing Std. No. 7 mandates that all interactions between the engagement quality reviewer and the engagement team be documented, including those interactions before a matter is determined to be a significant engagement deficiency. The Q&A concludes that all interactions are not required to be documented. It notes that the example in the adopting release illustrated documentation requirements of Auditing Std. No. 7 once the reviewer has concluded that a significant engagement deficiency exists. The staff question and answer can be found on the PCAOB's website at www.pcaobus.org/Standards/QandA/2010-02-19_EQR_QA%20_2.pdf.

Exhibit A-14

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

FORM 10-K

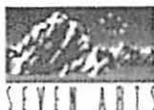
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2013**

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: **001-34250**



SEVEN ARTS ENTERTAINMENT INC.

(Formerly Seven Arts Pictures, PLC)

(Exact name of Registrant as specified in its charter)

Nevada

(State of Incorporation)

8439 Sunset Blvd., Suite 402
Los Angeles, California

(Address of principal executive offices)

[REDACTED]

(I.R.S. Employer Identification No.)

90069

(Zip Code)

Registrant's telephone number: Phone: (323) 372-3080; Fax: (323) 389-0664

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock; \$0.01 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 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 Website, 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 (§ 229.405 of this chapter) 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.

Indicate by a check mark whether the Registrant is a large filer, an accredited filer, non-accredited filer, or a smaller reporting company. See the definitions of "large accredited filer", "accredited filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accredited filer Accredited filer

Non-accredited filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock, par value \$0.01 per share, held by non-affiliates of the registrant, based on the average bid and asked prices of

^b The PCAOB has noted through its inspections that supervision processes within firms are not appropriately robust and that supervisory responsibilities are not as clearly assignable as they should be. The PCAOB is considering rulemaking or standard-setting that would require firms to "make and document clear assignments of relevant supervision responsibilities throughout the firm." The rules and standards considered would not create any new supervisory responsibilities; instead they would only focus on the clarity of assigning supervisory responsibilities that are already required in practice. PCAOB Release No. 2010-005, *Application of the "Failure to Supervise" Provision of the Sarbanes-Oxley Act of 2002 and Solicitation of Comment on Rulemaking Concepts*, can be accessed at www.pcaobus.org/Rules/Rulemaking/Docket031/Release_2010-005_Failure_to_Supervise.pdf. The PCAOB's 2012 standard-setting agenda anticipates that proposed amendments on the assignment and documentation of firm supervisory responsibilities will be issued in the near future.

^c Auditing Std. No. 7, *Engagement Quality Review*, requires an engagement quality review for audits and reviews of interim financial information. Section 1001 discusses the standard in more detail. On February 19, 2010, the PCAOB issued a Staff Question and Answer, *Auditing Std. No. 7, Engagement Quality Review*, addressing an example provided in the adopting release for Auditing Std. No. 7. Specifically, the Q&A poses the question of whether the example in the adopting release suggests that the documentation requirements of Auditing Std. No. 7 mandates that all interactions between the engagement quality reviewer and the engagement team be documented, including those interactions before a matter is determined to be a significant deficiency. The Q&A concludes that all interactions are not required to be documented. It notes that the example in the adopting release illustrated documentation requirements of Auditing Std. No. 7 once the reviewer has concluded that a significant engagement deficiency exists. The staff question and answer can be found on the PCAOB's website at www.pcaobus.org/Standards/QandA/2010-02-19_EQR_QA%20_2.pdf.

^d A significant engagement deficiency in a review of interim financial information exists when (1) the engagement team failed to perform interim review procedures necessary in the circumstances of the engagement, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of the client.

PCA-CX-14.3: Engagement Completion Document

Company: Surface Coatings
 Completed by: SCisneros

Balance Sheet Date: 06/30/2013
 Date: []

Instructions: In connection with each engagement, Auditing Std. No. 3 requires the auditor to identify all significant findings or issues, actions taken to address them, and the basis for the conclusions reached in an engagement completion document. Significant findings or issues are substantive matters that are important to the procedures performed, evidence obtained, or conclusions reached, and include, but are not limited to, the matters listed in this form. The engagement completion document prepared in connection with the annual audit should also include documentation of significant findings or issues identified during the review of interim financial information.

This optional form allows you a place to document these findings or issues and comply with the requirements of the standard. This form may also be used to document differences of opinion among engagement team members concerning accounting and auditing issues. For differences of opinion, use this form if, after appropriate consultation has occurred, an engagement team member disagrees with the final conclusion of the matter. You may either include all information necessary to understand the significant findings or issues, or cross-references, as appropriate, to other available supporting audit documentation. Finally, this form may be used to document significant issues, consultations, conclusions, and the basis for conclusions related to decisions to withdraw from an engagement or from both the engagement and the client relationship.

The AICPA Auditing Standards Board issued Statement on Quality Control Standard (SQCS) No. 8 (QC 10), *A Firm's System of Quality Control*. Because SQCS No. 8 was issued after the adoption of the interim standards by the PCAOB, it does not apply to PCAOB engagements. However, because it imposes quality control requirements that are more comprehensive in certain areas, the authors believe auditors may consider the guidance for audits of issuers. This checklist reflects certain requirements of SQCS No. 8.

	WP Ref.
1. Significant issue(s) involving selection, application, and consistency of accounting principles (including disclosures): []	[]
a. Facts giving rise to the issue(s): []	[]
b. Actions taken and evidence obtained to address the issue(s) (including relevant professional literature and consultations). If applicable, document discussions of the significant issue or finding with engagement team members, management, those consulted, and others, including when and with whom the discussions occurred, and responses (see also question 9): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance and how such matters were addressed): []	[]
d. Final resolution and basis for conclusion: []	[]
2. Results of procedures indicating a need for significant modification of planned procedures; material misstatements (including omissions in the financial statements); significant deficiencies or material weaknesses in internal control: []	[]
a. Facts giving rise to the matters: []	[]
b. Actions taken and evidence obtained to address the matters (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]

	WP Ref.
3. Accumulated misstatements and evaluation of uncorrected misstatements, including relevant quantitative and qualitative factors: []	[]
a. Facts giving rise to the misstatement(s), including relevant quantitative and qualitative factors: []	[]
b. Actions taken and evidence obtained to address the misstatements (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
4. Circumstances that caused significant difficulty in applying auditing procedures: []	[]
a. Facts giving rise to the circumstances: []	[]
b. Actions taken and evidence obtained to address the circumstances (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
5. Significant changes in the auditor's risk assessments, including risks that were not previously identified, and modifications or additions to audit procedures due to such changes: []	[]
a. Facts giving rise to the changes: []	[]
b. Actions taken and evidence obtained to address the changes (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
6. Risks of material misstatement determined to be significant risks and the results of auditing procedures in response to such risks: []	[]
a. Facts giving rise to the significant risks: []	[]
b. Actions taken and evidence obtained to address the significant risks (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
7. Other significant findings or issues, including any significant unusual transactions: []	[]
a. Facts giving rise to the findings/issues/significant unusual transactions: []	[]
b. Actions taken and evidence obtained to address the findings/issues/significant unusual transactions (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
8. Other matters that could result in modification of the audit report: []	[]
a. Facts giving rise to the matters: []	[]
b. Actions taken and evidence obtained to address the matters (including relevant professional literature and consultations): []	[]

	WP Ref.
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
9. Other issues resulting in consultations: []	[]
a. Facts giving rise to the consultation: []	[]
b. Nature and the scope of the consultation: []	[]
c. Actions taken and evidence obtained to address the issue resulting in the consultation: []	[]
d. Reasoning process used to formulate the conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
e. Final resolution, basis for conclusion, and how the conclusions were implemented: []	[]
10. Significant findings or issues identified during the review of interim financial information: []	[]
a. Facts giving rise to the interim findings/issues: []	[]
b. Actions taken and evidence obtained to address the interim findings/issues (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]
11. Disagreements among members of the engagement team or with others consulted about final conclusions reached on significant accounting or auditing matters, including the basis for the final resolution: []	[]
a. Facts giving rise to the disagreements, along with identification of engagement team members with opposing views: []	[]
b. Actions taken and evidence obtained to address the disagreements (including relevant professional literature and consultations): []	[]
c. Reasoning process used to formulate a conclusion (including consideration of inconsistent or contradicting evidence or guidance): []	[]
d. Final resolution and basis for conclusion: []	[]

In accordance with firm policy, final resolution of all significant findings agreed to/approved by the following team members:

Engagement Senior	[]
Susan Cisneros	Date
Engagement Manager	[]
Paul Babb	Date
Engagement Partner	[]
David Hall	Date
Concurring Partner/Engagement Quality Reviewer	[]
	Date

For Differences of Opinion Among Engagement Team Members:

The following engagement team members disagree with the final conclusion reached on the significant finding(s) or issue(s) documented in 11:

Name	Date
No issues	[]
	[]

Exhibit A-23



The Hall Group
Certified Public Accountants

FWAC ✓

November 20, 2012

VIA EMAIL

Ms. Helen A. Munter
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006

Dear Ms. Munter:

We appreciate the opportunity to respond to Part III of the Public Company Oversight Board's ("PCAOB") final inspection report dated December 5, 2011.

1. Design of Quality Control System – Audit Policies, Procedures and Methodologies, Including Training

We respectfully disagree that the firm does not have a system in place to ensure that individuals have the technical training and proficiency required to perform audits of issuer clients. As presented in our September 19, 2011 response letter, we agree that the interpretation of the sufficiency of audit procedures and their documentation is a matter of professional judgment, and in these instances, we have significant differences of professional opinion with the inspection team on the sufficiency of the system in place to ensure proper audits of issuer clients.

Each year, the firm holds a three day training retreat in which training is held on specific topics deemed to be relevant, including a 4 hour session on Quality Control in January 2012 and an 8 hour session of the Audit Process in January 2011, which includes discussions of PCAOB Auditing Standard #3 -- Audit Documentation and PCAOB Auditing Standard #15 – Audit Evidence to ensure all team members uphold

the high standards of our firm. (EXHIBIT A) In addition, prior to beginning an engagement, each staff reads the relevant literature on the industry and discusses in a planning meeting with the engagement partner all technical and audit procedural matters (for example, ASC 932 and relevant pages in our GAAP reference materials for Oil and Gas clients or ASC 928 and the relevant pages in the GAAP reference materials on the record and music industry). Through this process, we ensure all relevant technical and audit procedural matters are appropriately addressed.

Additionally, the Firm's senior manager (now partner) and partner at the firm attend the PCAOB's "Auditing in the Small Business Environment" on November 2, 2010 and November 3, 2011, and the Firm's senior manager (now partner) attended the Center for Professional Education's 16 hour "2011 SEC Conference: An Accounting & Reporting Update for Public Companies" on June 6-7, 2011, which included sessions on oil & gas accounting. The Firm's senior manager (now partner) and manager attended RR Donnelley's 8 hour "SEC Hot Topics Institute" on November 28, 2012.

2. Audit Performance – (a) Testing Appropriate to Audit - (i) – Accounting for and Disclosure of Oil and Gas Properties

As we discussed in our September 19, 2011 response, the issuer is an oil and gas technology company, with oil and gas removal as a by-product of their testing. The Issuer is in the development stage and revenue from the disposal of the by-product is insignificant to their current activities. Because of these points, the Issuer and the Firm believe that to present the Issuer as an oil and gas company would be misleading to their investors and to the public. The Issuer's two previous registered public accountants had reached the same conclusion. We have added a memo to the workpapers to document that the issuer is not required to provide disclosures in accordance with ASC 932. (EXHIBIT B) We disagree this constitutes a significant deficiency in the Firm's ability to identify departures from GAAP concerning oil and gas properties.

Audit Performance (a) (ii) – Valuation of Oil and Gas Properties

As noted in our September 19, 2011 response, the facts in the draft report are not correct and we respectfully disagree with the comment and conclusion. The issuer wrote down the properties to salvage value in the year prior to the year being inspected. We corroborated with the Clint that indeed the prospects of the wells indicated that the wells are to be used in research and development. We have updated our workpapers to document that as there is no change in the prospects of the

wells, and that they are continued to be used for research and development, that no change from salvage value, as determined, would be necessary and concluded that salvage value continued to be appropriate. (EXHIBIT C) We disagree this constitutes a significant deficiency in the Firm's ability to identify departures from GAAP concerning testing the valuation of oil and gas properties.

Audit Performance (a) (iii) – Revenue Recognition

As noted in our September 19, 2011 response, we respectfully disagree with this comment and conclusion. On Issuer A, the payment against a receivable had not been properly applied, and therefore was showing as a debit and offsetting credit in the same accounts receivable detail. We reviewed the documentation the client provided, noted that the misapplication was isolated, deemed it was correct to offset, and no additional procedures were deemed necessary. Because the amount was collected, we noted persuasive evidence of an arrangement, price was fixed and collectability was reasonably assured. We also reviewed the sale invoices noting the pickup of the oil and gas from the holding tanks, evidence of the services rendered. We maintain that revenues and the related receivable balance were fairly stated and in accordance with GAAP and that revenue recognition was appropriately tested.

On Issuer B, we had noted this revenue during our quarterly reviews and had discussed the arrangements and specifics regarding revenue recognition with the Issuer's CEO and CFO, including the existence of an agreement between the parties, that the services had been performed, the price for the work had been determined and was invoiced and collectability was reasonably assured. We have updated our workpapers to reflect the discussions and the applicable revenue recognition discussion. (EXHIBIT D) We disagree this constitutes a significant deficiency in the Firm's testing of revenue recognition.

We will hold specific firm training in December 2012 regarding revenue recognition documentation.

Audit Performance (a) (iv) – Asset Retirement Obligation

As noted in our September 19, 2011 response, we respectfully disagree with this comment and conclusion. The Issuer purchases oil and gas interests, performs the testing, then sells the interests, generally within a short period of time. The workpaper ARO calculation did not mention two wells in which there was no Asset Retirement Obligation, however, we had reviewed the leases that stated no Asset retirement

~~obligation and therefore they were appropriately not included on the schedule that calculated the ARO.~~ We disagree that this constitutes a significant deficiency in the Firm's testing of asset retirement obligations.

Audit Performance (a) (v) – Use of the Work of a Specialist

As noted in our September 19, 2011 response, we respectfully disagree with this comment and the conclusion. On multiple occasions, the Firm had met with the independent specialist of Issuer B that was utilized in the preparation of the reserve reports that were prepared on the mineral deposits in the concessions held by the issuer. We have added a memorandum regarding the use of the specialist in the workpapers, so ~~someone without the history and background that we have with the Issuer would have the same level of comfort with the use of the specialist and his extensive credentials (EXHIBIT E).~~ Additionally, we discussed the use of the specialist, and ~~documenting their credentials in the planning meetings for the December 31, 2010 and 2011 audits.~~ We disagree this constitutes a significant deficiency related to the Firm's use of the work of a specialist.

Audit Performance (a) (vi) – Related Party Transactions

No
marks
of
prohibited
transactions

As noted in our September 19, 2011 response, we respectfully disagree with this comment and the conclusion. This receivable was verbally confirmed, and included a discussion of its collectability, during our procedures with both the chairman and chief financial officer during our quarterly reviews and during the audit and the management representation letter, which was signed by both the chairman and CFO indicated that all related party transactions and related receivables and sales were properly recorded and disclosed in the financial statements. ~~Our workpaper documentation has been updated to reflect this discussion and confirmation.~~ We disagree this constitutes a significant deficiency related to the Firm's testing of related party transactions.

2b. Auditor Communications–

The Firm has updated the wording used in the PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence* communication. Now, as policy, the Firm ensures the letter is not updated from prior years, but rather we generate a new letter from the latest, updated guidance from PPC.

3. Independence –

The Firm did perform a quarterly review for an Issuer that the lead engagement partner was the lead engagement partner for five consecutive balance sheets and for the first quarter of the sixth year. The Issuer was in the process of being sold and it was the last quarter the firm was engaged by the Issuer. The Issuer was a shell reporting company with no material changes since the last audit, which had been signed off on 47 days prior. As of the end of the first quarter, there less than \$390.00 in assets, no revenue and the only operating expenses were to pay for the audit. Subsequently, the firm has added another partner in order to address partner rotation after the fifth year and has developed a log (EXHIBIT F) to ensure that appropriate partner rotation occurs.

4. Monitoring and Addressing Identified Weaknesses

We believe our firm has sufficiently responded meaningfully to our internal inspection reports dated September 30, 2009 and December 29, 2008 through additional continuing education and on-the-job training.

The comment related to revenue in our internal inspection reports was with regard to rcvenue cut-off testing, not documentation of revenue recognition. There were no comments in your inspection with regard to revenue cut-off testing, which we believe has been adequately addressed through the internal inspection process. ✓

As previously mentioned above, we are not in agreement that the Issuer should have been reporting under ASC 932 and we do not believe that disclosures were omitted to be in accordance with GAAP. In our internal inspection, the comment with regard to omitted disclosures was related solely to entities that were not-for-profit entities, i.e. non-Issuers. ✓

- C. Independence – The Firm did perform a quarterly review for an Issuer that the lead engagement partner was the lead engagement partner for five consecutive balance sheets and for the first quarter of the sixth year. The Issuer was in the process of bcing sold and it was the last quarter the firm was engaged by the Issuer. The Issuer was a shell reporting company with no material changes since the last audit, which had been signed off on 47 days prior. As of the end of the first quarter, there less than \$390.00 in assets, no revenue and the only operating expenses were to pay for the audit. Subsequently, the firm has added another

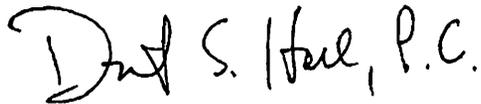
partner in order to address partner rotation after the fifth year and has developed logs to ensure that appropriate partner rotation occurs.

As mentioned in our September 19, 2011 letter, this process has not changed our original audit conclusions or affect our reports on any issuers' financial statements.

We are committed to the highest standards of audit quality and continually monitor our systems and processes, including quality control, and make changes to methodologies, policies and procedures when we identify opportunities for improvement.

We appreciate the opportunity to provide our response to the report and we look forward to continuing to work with the PCAOB on matters of interest to our public company audit practice.

Sincerely,

A handwritten signature in black ink that reads "David S. Hall, P.C." The signature is written in a cursive style with a large, stylized initial "D".

David S. Hall, P.C.

Exhibit A-24

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 15, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>Not Applicable</u>
Issuer:	<u>Not Applicable</u>	Control Number:	<u>QC-01</u> ✓

PCAOB Comment – Facts:

For two of the issuers inspected, Freestone Resources, Inc.¹ and Seven Arts Entertainment, Inc., Susan Cisneros performed the engagement quality reviews and signed the PPC Form PCA-CX-14.1: *Supervision, Review, and Approval Form* as the Engagement Quality Reviewer for the audits of the issuers' fiscal year ended June 30, 2012.

For the third issuer inspected, DynaResource, Inc., Susan Cisneros performed the quarterly engagement quality reviews and signed the PPC Form PCA-IR-4: *Supervision, Review, and Approval Form- Interim Review* as the Engagement Quality Reviewer for the issuer's first, second and third quarter reviews for the year ended December 31, 2012.

The Firm's staff title descriptions, included in an appendix to its quality control document, were as follows:

“Principal/Partner- Owner or part owner of firm, licensed CPA in Texas; signs reports; responsible for overall management of firm (includes quality control); manages managers or is no managers, seniors; manages administration; responsible for practice development and decisions on new clients.

Non-Equity Partner- Partner for audit jobs; licensed CPA in Texas; signs reports; responsible for managing all staff on their jobs; some practice development responsibilities. Experience 7+ years public.

Manager (Auditor) - Manages audit jobs; licensed CPA in Texas; reports to Principal/Partner or Non-Equity Partner; manages Seniors and Staff; Also responsible for areas as delegated by Principal/Partner. Experience 5+ years public.

Senior (Auditor) - In charge of audit jobs; degreed Accountant (licensed CPA in Texas desirable); CPA candidate; manages staff; report to Manager, or if no Manager, Principal/Partner or Non-Equity Partner; also responsible for areas as delegated by Manager and/or Principal/Partner. Experience 3+ years public”

¹ On the Exhibit B – *Issuer Information Form* received from the Firm, the Firm erroneously noted Paul Babb, employee of the Firm, as the Engagement Quality Reviewer for Freestone Resources, Inc.

The Firm also provided the inspection team with a biography of Susan Cisneros, which contained the following information:

"Susan Cisneros began her audit career with the Fisk and Robinson Audit Firm in 1990. This firm specialized in financial audits. She learned all aspects of the audit and financial reporting process and specialty areas included oil and gas and banking.

In 1997, Susan began working at Coca-Cola Company as a Senior Financial Analyst. This position included review of all financial statements and entries for her division for monthly close, as well as preparation and final review of the yearly budget and management of staff.

Susan Cisneros was employed by The Hall Group, CPAs for over 7 years. Her title was Audit Senior and she ran SEC issuer as well as non-profit audits, including DynaResource, Inc. As an Audit Senior, Susan was responsible for the detailed review of all audit and 10Q workpapers and reports prior to manager and partner review. She has extensive hands on experience with SEC rules and regulations. She also tutored under David Hall, Managing Partner in developing her expertise audit theory, financial reporting and SEC filings. Susan has a broad background in financial reporting, audit and SEC reporting, with specialized experience in oil and gas, service, and entertainment industries.

She has continued to work with the Hall Group, CPAs on a contract basis as an Engagement Quality Reviewer since January 2012.

She has a MS in Accountancy from University of North Texas."

During fieldwork, David Hall, the Firm's managing partner, stated that Susan Cisneros was not a Certified Public Accountant.

In addition, on the Firm's Exhibit B – *Issuer Information Form* provided to the inspection team, for those issuers where Susan Cisneros is listed as the Engagement Quality Reviewer, the Firm responded "N/A" to the following question; "If engagement quality review is performed by a CPA outside of the Firm, provide the firm name."

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative:

DAVID HALL, PRESIDENT
Printed Name and Title

Signature and Date

David Hall

8/15/13

PCAOB Comment – Issue:

The Firm failed to comply with Auditing Standard No. 7, *Engagement Quality Review*, ("AS 7"). AS 7, paragraph 3 states, "...An engagement quality reviewer from the firm that issues the engagement report (or communicates an engagement conclusion, if no report is issued) must be a partner or another individual in an equivalent position..."

2.0
CPE
8/15/13

Specifically, the Firm failed to ensure that the engagement quality reviewer used by the Firm had sufficient qualifications to perform the function of engagement quality reviewer for the audits of three SEC issuer clients. The biographical information provided for Susan Cisneros and the managing partner's representation that she was not a Certified Public Accountant demonstrate that Susan Cisneros did not meet the Firm's requirements for a "Principal/Partner- Owner or part owner of firm, licensed CPA in Texas; signs reports; responsible for overall management of firm (includes quality control);.....". As such, Susan Cisneros did not meet the requirement as a "partner or another individual in an equivalent position" as set forth in AS 7 to serve as engagement quality reviewer.

PCAOB Reviewer:

Kisha LeBlanc
Printed Name

/s/ Kisha LeBlanc
7/1/2013

Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson
Printed Name

/s/ Robbyn M.
Johnson 7/1/2013

Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL

Printed Name and Title

D. Hall

Signature and Date

We agree with the issue noted above and ~~have~~ are in process for negotiating an agreement with an outside CPA firm (PCAOB registered) and will not issue any more reports until this is in place and have that firm perform the appropriate
 Revised process.

(initials)

4.0
CPE
9/25/13
20
CPE
9/25/13

We have also had internal CPE related
to the engagement review process since
the PCAOB was here in June, 2013.

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 23, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Seven Arts Entertainment, Inc.</u>	Control Number:	<u>SAE-01</u>

PCAOB Comment – Facts:

The issuer (the "Company" or "SAE Inc.") is engaged in the development, acquisition, financing, production, and licensing of theatrical motion pictures for exhibition in domestic and foreign theatrical markets and for subsequent release in other forms of media. In the quarter ended March 31, 2012, the issuer formed a new subsidiary, and acquired music assets to create a new line of business for the issuer.

The issuer reported total assets of approximately \$32.9 million for the fiscal year ended June 30, 2012. Revenues for the fiscal year ended June 30, 2012, were approximately \$8.4 million, including approximately \$7.5 million (net of \$1.9 million discount) in fee related revenue - related party ("fee revenue"). The issuer had a fee income receivable from related party's balance of approximately \$7.5 million as of June 30, 2012. Net loss for the fiscal year ended June 30, 2012 was approximately \$8.3 million.

The Firm established planning materiality and tolerable misstatement of \$250,000 and \$180,000, respectively. The Firm assessed the inherent risk, control risk, and risk of material misstatement related to revenue and receivables at high, for all relevant assertions. The Firm also identified revenue and accounts receivable as a fraud risk.

The issuer recorded net fee revenue of approximately \$7.5 million for the fiscal year ended June 30, 2012 along with a related receivable for the same amount, related to transferrable tax credits generated by a related party, Seven Arts Pictures Louisiana LLC ("SAPLA"), which is owned by the wife of the issuer's president, CEO, and Chairman of the Board of Directors, who owns 69 percent of the issuer's outstanding common stock. The tax credits were transferred to the issuer under the terms of a related party agreement between the issuer and SAPLA, and represent Louisiana and Federal historic rehabilitation and film infrastructure tax credits for the restoration and the establishment of a post-production facility owned by SAPLA.

According to disclosures in the issuer's financial statements, the transferred tax credits from SAPLA to the issuer may be used by the issuer to offset state or federal tax liabilities, sold back to the state of Louisiana by the issuer for cash at a discount, or sold or brokered by the issuer to interested third party buyers.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

HALL, DAVID 00024

Firm Representative:

DAVID HALL PRESIDENT
Printed Name and Title

D. Hall 8/8/13
Signature and Date

PCAOB Comment – Issue:

The Firm failed to evaluate whether the issuer had met the revenue recognition criteria of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 605 – Revenue Recognition. FASB ASC 605-10-25-1 states the following;

2.0
OK
8/31/13

25-1 The recognition of revenue and gains of an entity during a period involves consideration of the following two factors, with sometimes one and sometimes the other being the more important consideration:

a. Being realized or realizable. Revenue and gains generally are not recognized until realized or realizable. Paragraph 83(a) of FASB Concepts Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises, states that revenue and gains are realized when products (goods or services), merchandise, or other assets are exchanged for cash or claims to cash. That paragraph states that revenue and gains are realizable when related assets received or held are readily convertible to known amounts of cash or claims to cash.

Specifically, the Firm failed to properly evaluate how the tax credits transferred by SAPLA to the issuer could be recorded as the issuer's revenue since no goods or services were provided by the issuer to any third party for cash or claims to cash. In addition, the Firm failed to evaluate whether the related party receivable was valid.

PCAOB Reviewer:

Sean D. Kelley /s/ Sean D. Kelley
Printed Name July 23, 2013
Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson /s/Robbyn M. Johnson
Printed Name July 23, 2013
Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL PRESIDENT

D. Hall 8/11/11

Printed Name and Title

Signature and Date

We believe that we did evaluate the revenue recognition criteria by establishing "realizable" status in that the Company could transfer credits back to the government agencies for cash less a 15% discount. We believe that it is a "claim to cash".

The "goods and services" provided by the issuer were made by "assumption of debt" as well as signing as a guarantor on all of the debt related to this construction.

We believe that we evaluated the related party via management representation.

Notwithstanding, we welcome your feedback as to this count. CPE has also been set

WALL, DAVID 00026

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 15, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Seven Arts Entertainment, Inc.</u>	Control Number:	<u>SAE-02</u> ✓

PCAOB Comment – Facts:

The issuer is engaged in the development, acquisition, financing, production, and licensing of theatrical motion pictures for exhibition in domestic and foreign theatrical markets and for subsequent release in other forms of media. In the quarter ended March 31, 2012, the issuer formed a new subsidiary, and acquired music assets to create a new line of business for the issuer.

The issuer reported total assets and music assets of approximately \$32.9 million and \$2.9 million, respectively, as of June 30, 2012. Revenues and net loss for the fiscal year ended June 30, 2012, were approximately \$8.4 million and \$8.3 million, respectively.

The Firm established planning materiality and tolerable misstatement of \$250,000 and \$180,000, respectively. The Firm assessed the inherent risk, control risk, and risk of material misstatement related to the music assets at medium, high, and medium, respectively, for all relevant assertions. The Firm also identified the valuation of the music assets as a fraud risk.

In connection with two music asset acquisitions in February 2012, the issuer issued shares of preferred stock and acquired approximately \$1.6 million in music assets. The music assets acquired related to completed sound recordings, the right to additional recordings, and certain advertising credits. The issuer determined the fair value of the acquired music assets was not reliably measurable because the artist in the acquired sound recordings had not released an album in many years. The issuer made the determination that the fair value of its preferred stock issued in connection with the music assets acquired was appropriate to value the acquired music assets. The Firm agreed with the issuer's determination.

To value its preferred stock shares, which were not publicly traded, the issuer divided the number of its preferred stock shares issued in the acquisitions by 1.10, the preferred stock redemption value to common stock shares, and multiplied by the weighted average of the closing bid prices of the issuer's common stock based on the ten trading days leading up to September 30, 2012.

To test the issuer's valuation of the preferred stock issued as consideration for the music assets acquired, the Firm agreed the number of preferred stock shares given by the issuer and the conversion rate calculated by the issuer to the purchase agreements

and board of directors' minutes approving the authorization of the preferred shares. The Firm also recalculated the weighted average of the closing bid prices used by the issuer.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative:

DAVID HALL, PRESIDENT
Printed Name and Title

D. Hall 8/6/13
Signature and Date

PCAOB Comment – Issue:

4.0
CPK
8/31/13
The Firm failed to perform sufficient procedures to test the valuation of the consideration given in the asset acquisitions in accordance with AU 328, *Auditing Fair Value Measurements and Disclosures*. Specifically, the Firm failed to evaluate the appropriateness of the valuation methods, and the appropriateness and/or reasonableness of the significant assumptions, including the use of a common stock conversion factor, use of a weighted average price of its common stock for 10 trading days, and the use of stock prices in September 30, 2012 for the issuer's valuation of the acquired music assets, when the asset acquisitions were completed in February 2012.

PCAOB Reviewer:

Sean D. Kelley
Printed Name

/s/ Sean D. Kelley
July 1, 2013
Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson
Printed Name

/s/Robbyn M. Johnson
July 3, 2013
Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL, PRESIDENT
Printed Name and Title

D. Hall 8/6/13
Signature and Date

We disagree with the following comments:

"The firm failed to perform specific procedures to test the valuation of the cons, as then given". "Specifically, the firm failed to evaluate the appropriateness of the valuation methods"

As the value of the Asset received was "unpredictable" due to lack of music sales, we agree with client's assertion that asset given up (preferred stock) was a better indication of value.

We "agreed" the conversion rate of preferred stock to common stock to the contracts and to the preferred share definition (this effectively audits the value of preferred stock and although it does not have a public market, the common shares do. We believe we "evaluated" the appropriateness of the valuation methods.

Regarding the use of September 2012 stock pricing, this transaction was a work in process from Feb, 2012 to September 21

Company were in continual negotiations as for the appropriate valuation of stock price. Because of this and the volatility of the stock price, both sides indicated a need to wait until September 2012 to determine the exact # of Pfd shares to be issued and therefore this "deal" was not effective until Sept, 2012.

We agree that we did not document testing of the use of a weighted average price of the common stock conversion factor.

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>August 27, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Seven Arts Entertainment, Inc.</u>	Control Number:	<u>SAE-03</u>

PCAOB Comment – Facts:

The issuer (the "Company" or "SAE Inc.") is engaged in the development, acquisition, financing, production, and licensing of theatrical motion pictures for exhibition in domestic and foreign theatrical markets and for subsequent release in other forms of media.

The issuer reported total assets of approximately \$32.9 million as of June 30, 2012. Revenues and net loss for the fiscal year ended June 30, 2012, were approximately \$8.4 million and \$8.3 million, respectively.

The Firm established planning materiality and tolerable misstatement of \$250,000 and \$180,000, respectively. The Firm identified related party transactions as a significant risk and as a fraud risk.

In 2007, Seven Arts Pictures Louisiana LLC ("SAPLA"), an entity controlled by the wife of the issuer's CEO, acquired real property. SAPLA was formed to acquire the property, which was to be used by Seven Arts Pictures PLC ("PLC"), a foreign private issuer and the issuer's predecessor, as a production and post-production facility for motion pictures (the "Facility"). SAPLA entered into a credit agreement dated October 11, 2007, to fund the acquisition and improvement of the Facility. This credit agreement was guaranteed by PLC.

In January 2010, Seven Arts Filmed Entertainment LLC ("SAFELA") entered into a 30 year agreement to sub-lease the Facility from an unrelated third-party that was leasing from SAPLA.

On June 11, 2010, SAE was formed and became a wholly-owned subsidiary of PLC. Also on June 11, 2010, SAE and PLC entered into an asset transfer agreement, as amended January 27, 2011 and again on August 31, 2011, to transfer all of the assets from PLC to SAE. The purpose of the transfer was to eliminate PLC's status as a foreign private issuer and to assume compliance with all obligations of a domestic issuer.

On June 30, 2012, the issuer acquired 60 percent of Seven Arts Filmed Entertainment LLC ("SAFELA"), and through this acquisition the issuer capitalized the leasehold improvements in 807 Esplande and assumed the related debt of the Facility from

SAFELA. The Facility actually commenced operations August 14, 2012 based on disclosures in Note 16 – *Subsequent Events* in the issuer's consolidated financial statements included in the Form 10-K filing. The issuer, through a related party agreement with SAPLA, also obtained the rights to receive the transferrable tax credits related to these leasehold improvements, which qualify for rehabilitation tax credits under federal and state incentives.

The following was disclosed in the issuer's notes to its consolidated financial statements included in the Form 10-K filing for the fiscal year ended June 30, 2012 related to the operations of SAPLA and SAFELA;

Significant Accounting Policies

Basis of Presentation:

The accompanying consolidated financial statements include the accounts of Seven Arts Entertainment, Inc. ("SAE"), and its subsidiaries:

- *Seven Arts Filmed Entertainment, Limited ("SAFE, Ltd.") (100% owned)*
- *Seven Arts Music, Inc. ("SAM") (100% owned) and*
- *Big Jake Music, Inc. ("BJM") (100% owned)*
- *Seven Arts Filmed Entertainment Louisiana LLC ("SAFELA") (As of June 30, 2012) (60% owned by SAE, 40% owned by Palm Finance)*

The Company consolidates its subsidiaries in accordance with Accounting Standards Codification ("ASC") 810, "Business Combinations", and specifically ASC 810-10-15-8 which states, "The usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule, ownership by one reporting entity, directly or indirectly, or over 50% of the outstanding voting shares of another entity is a condition pointing toward consolidation." The Company does not have any variable interest or special purpose entities. Going forward, the Company will present Palm Finance's 40% share of SAFELA's profit or loss as a noncontrolling interest.

SAPLA REVENUE SHARING FEES

Revenue in the form of fee income is due to the Company from related party, SAPLA (owned by the wife of Peter Hoffman, the Company's CEO) in the amount of the net proceeds from the disposition of the tax credits by SAPLA. In accordance with an intercompany agreement between SAE and SAPLA, all revenues earned by SAPLA are due to SAE.

Fee Income Receivable from Related Party -- Current and Long Term Receivable

Income due from SAPLA under the terms of an intercompany agreement with SAE whereby any revenue earned by SAPLA is due to SAE Inc. Any fees due later than twelve months are classified as Long Term Receivable.

Leasehold Improvements

On June 30, 2012, the Company acquired SAFELA, which was previously a related party company. SAFELA owns, in its capacity, a 30 year lease on 807 Esplanade, New Orleans, Louisiana, which was constructed as a production and post-production facility for the Company's use. Additionally, SAFELA owns the capitalized leasehold improvements in 807 Esplanade and the related debt which financed the construction. Through this acquisition, the Company has capitalized the leasehold improvements and assumed the debt related. As the leasehold

improvements and the debt are booked at the same amounts, no net assets were transferred into the Company and no additional consideration has been paid.

The post production facility commenced operations on July 1, 2012. The leasehold improvements will be amortized over the useful life of the lease.

Note 3 – Related Party Due To/Due From

807 Esplanade Guarantee:

Seven Arts Pictures Louisiana LLC, ("SAPLA") a related party of the Company, entered into a Credit Agreement with Advantage Capital Community Development Fund LLC dated October 11, 2007, for the acquisition and improvement of the production and post-production facility located at 807 Esplanade Avenue in New Orleans, Louisiana for aggregate principal advances of up to \$3,700,000. This agreement was guaranteed by the Company's predecessor. Approximately \$3,700,000 plus interest has been drawn under the terms of this Credit Agreement, as of June 30, 2012. The Company has now assumed the liability for \$1,000,000 of this amount plus a contingent sum of \$750,000 due to Advantage Capital (contingent on receipt of tax credit revenues) due to an agreement with the now mortgagor Palm Finance.

A construction loan of \$1,850,000 previously guaranteed by the Company has now been assumed by the Company for 807 Esplanade.

807 Esplanade Advances:

On February 28, 2012, the Company took out a convertible loan of \$200,000 from Rowett Capital Ltd. These have been loaned to 807 Esplanade to cover outstanding interest payments due on the construction loan on 807 Esplanade previously guaranteed by the Company (see below). Three additional convertible loans were taken out totalling \$600,000 and then loaned onto SAPLA to pay down the construction loan on the property 807 Esplanade, as to not further delay the construction and opening of the facility, for which the Company will have a 30 year lease.

Note 7 – Leasehold Improvements

On June 30, 2012, the Company acquired SAFELA, which was previously a related party company. SAFELA owns, in its capacity, a 30 year lease on 807 Esplanade, New Orleans, Louisiana, which was constructed as a production and post-production facility for the Company's use. Additionally, SAFELA owns the capitalized leasehold improvements in 807 Esplanade and the related debt which financed the construction. Through this acquisition, the Company has capitalized the leasehold improvements and assumed the debt related. As the leasehold improvements and the debt are booked at the same amounts, no net assets were transferred into the Company and no additional consideration has been paid.

The post production facility commenced operations on July 1, 2012. The leasehold improvements will be amortized over the useful life of the lease.

Note 13 – Commitments and Contingencies

807 Esplanade Guarantee

Seven Arts Pictures Louisiana LLC, a related party and/or an affiliate of the Company, entered into a Credit Agreement with Advantage Capital Community Development Fund LLC dated October 11, 2007, for the acquisition and improvement of the production and post-production facility located at 807 Esplanade Avenue in New Orleans, Louisiana ("807 Esplanade") for aggregate principal advances of up to \$3,700,000. This agreement was guaranteed by the Company's predecessor. Approximately \$3,700,000 plus interest has been drawn under the terms of this Credit Agreement, as of June 30, 2012. The Company has now assumed the liability for \$1,000,000 of this amount plus a contingent sum of \$750,000 due to Advantage Capital (contingent on receipt of the tax credit revenues) due to an agreement with the now mortgagor Palm Finance. A construction loan of \$1,850,000 previously guaranteed by the Company has now been

assumed by the Company. The Company has a 30 year lease on the property to operate a production and post-production facility.

The issuer recorded approximately \$7.5 million in fee income receivable from related parties from SAPLA and approximately \$7.5 million in fee related revenue – related party, net of discounts from SAPLA as of and for the fiscal year ended June 30, 2012. See comment form SAE-01 issued related to revenue recognition of these fees.

To test the issuer's determination that SAPLA was not to be consolidated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 810; *Consolidation*, the Firm obtained the issuer's Variable Interest Entity ("VIE") analysis for its work papers. The issuer's analysis noted the following;

- The issuer does not have any equity interest in or any voting rights with respect to SAPLA;
- The issuer has no power to control SAPLA through any contract ;
- The transferrable tax credits to be received from SAPLA relate to the rehabilitation of the Facility, and represent the amounts to be utilized or received by SAPLA. The expenditures for the rehabilitation to which the transferrable tax credits relate have already been spent, and therefore the amounts may be reasonably estimated.

The Firm agreed with the issuer's analysis and determined the issuer had no obligations to absorb expected losses or rights to receive residual returns, nor does it have any interest or equity investment in SAPLA. In addition, the Firm determined that the issuer had no control over SAPLA either directly or indirectly as defined under FASB ASC Topic 810.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative:

DAVID HALL, PRESIDENT
Printed Name and Title

David Hall 9/9/13
Signature and Date

PCAOB Comment – Issue:

The Firm failed to perform sufficient procedures to evaluate the relationship between SAPLA and the issuer in accordance with PCAOB Auditing Standard ("AS") 14 *Evaluating Audit Results*.

Specifically, the Firm failed to obtain sufficient appropriate evidence to determine whether SAPLA was a VIE under FASB ASC, Topic 810. The Firm failed to evaluate whether: (1) substantially all of the activities of SAPLA are conducted on behalf of the issuer, (2) which interests are variable interests in SAPLA, and (3) which party is the primary beneficiary. In addition, given that SAPLA is owned by the wife of the CEO of

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the issuer, the Firm failed to evaluate whether the issuer had control over SAPLA, even if indirectly.

PCAOB Reviewer:

Sean D. Kelley
Printed Name

/s/ Sean D. Kelley
August 23, 2013
Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson
Printed Name

/s/Robbyn M. Johnson
August 26, 2013
Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL, PRESIDENT DH/Hall 9/9/13
Printed Name and Title Signature and Date

We believe that more analysis (and thus evidence and evaluation) was indeed performed. However, we agree that the documentation set forth in the work papers was lacking.

We have schedule CPE related to this topic and will implement for this and other clients immediately.

HALL, DAVID 00035

D. S. Hall

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 15, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Freestone Resources, Inc.</u>	Control Number:	<u>FRI-01 ✓</u>

PCAOB Comment – Facts:

The issuer describes its business activities as an oil and gas technology development-stage company as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 915, *Development Stage Entities* according to its Form 10-K for the fiscal year ended June 30, 2012. As of July 1, 2010 the issuer reentered the development stage to devote substantially all of its efforts to raising capital to construct a prototype and to develop a wholly-owned oil separation technology as its primary business operations; no sales have been derived to date from its principal operations.

As of June 30, 2012, oil and gas properties used for research and development represented approximately \$23,000 or 11 percent of total assets. For the fiscal year ended June 30, 2012 and 2011, the issuer's revenues from oil and gas sales were approximately \$5,700 and \$41,000, respectively, or 100 percent of revenue for each fiscal year.

The Firm's planning materiality for the audit was \$6,400. The Firm assessed inherent risk as low and control risk as high and the risk of material misstatement as low for all the assertions related to oil and gas properties.

The issuer disclosed the following in *Item 1. Description of Business* of its Form 10-K for the fiscal year ended June 30, 2012:

Freestone Resources, Inc. (the "Company" or "Freestone") is an oil and gas technology development company that is actively developing and marketing technologies and solvents designed to benefit various sectors in the oil and gas industry. The Company's flagship technology, the Oil Recovery Unit ("ORU"), was developed for the extraction of hydrocarbons of value from ground soils, oil sands, vessels and other hydrocarbon-containing materials. The ORU's primary use is for the cleanup of hydrocarbon contamination, and the extraction of hydrocarbons of value from oil sands and oil shale.

Freestone is also actively researching complimentary technologies that will be utilized with the ORU system in order to provide complete production and remediation solutions to oil and gas operators, drillers, and producers. The technologies currently under evaluation include systems designed to recycle frac water and produced water.

Freestone's current well assets and leases were purchased for the purpose of testing various solvents and technologies designed to increase oil and gas production. These leases contain wells that have paraffin and asphaltine problems, and the tests are allowing the Company to perfect a treatment method that can be marketed to potential customers.

The Firm's work papers included a memorandum prepared by the issuer and dated June 30, 2012 that contained, in part, the following:

The oil and gas properties owned by Freestone Resources, Inc. ("the Company") were purchased as test properties for the various solvent technologies the Company has developed and/or analyzes for potential development. The aforesaid oil and gas properties were not purchased by the Company with the intent of creating assets for the company or for further development, but rather for testing and research on wells that have varying conditions. In order to get the most accurate data of the solvent's abilities the Company as required to purchase and own the wells so that the data could be verified as accurate by the Company without the fear of third-party variables... Due to the Company's business of oil and gas technology development and environmental cleanup, and that these properties were only purchased to test these technologies, it was decided that ASC 932 requirements did not apply to the Company as the Company does not develop these properties, does not plan to develop these properties, and does not produce oil and gas in significant quantities from these properties.

The Firm's work papers also included a memorandum prepared by the Firm and dated June 30, 2012 that contained, in part, the following:

FASB ASC Topic 932, Extractive Activities – Oil and Gas ("ASC 932") indicates that companies with revenue from oil and gas production activities provide additional supplemental information in the notes to the financial statements.

Freestone is an oil and gas technologies company that has oil and gas revenues as a byproduct of their research and development of their technologies to improve conditions of underperforming wells... As a part of their research, the technologies are applied to the wells and the oil is pumped and tested. As a result, oil is captured and must be disposed of in an approved, environmental manner. Therefore, oil is captured in holding tanks, and purchased by companies in the business of collecting and refining the oil. Revenues from the purchase of oil and gas are minimal (approximately \$5,700 for the year ended June 30, 2012)...

Management believes, and the Firm concurs, that to present the Company as an oil and gas company would be misleading to their investors and to the public and therefore, does not present disclosures regarding oil and gas properties that are discussed in ASC 932.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative:

DAVID HALL, PRESIDENT



DAVID HALL
Printed Name and Title

D. Hall 5/5/13
Signature and Date

PCAOB Comment – Issue:

FASB ASC Topic 932, *Extractive Activities – Oil and Gas* ("FASB ASC 932"), establishes standards of financial accounting and reporting for the oil and gas producing activities of a business enterprise. Those activities involve the acquisition of mineral interests in properties, exploration (including prospecting), development, and production of crude oil, including condensate and natural gas liquids, and natural gas (hereinafter collectively referred to as oil and gas producing activities).

ASC 932 states the following:

"All entities engaged in oil and gas producing activities shall disclose in their financial statements the method of accounting for costs incurred in those activities and the manner of disposing of capitalized costs relating to those activities."

"Publicly traded companies that have significant oil and gas producing activities shall disclose with complete sets of annual financial statements the information required by the remainder of this Section. Those disclosures relate to the following and are considered to be supplementary information:

- a. *Proved oil and gas reserve quantities*
- b. *Capitalized costs relating to oil- and gas-producing activities*
- c. *Continued capitalization of exploratory well cost*
- d. *Costs incurred for property acquisition, exploration and development activities*
- e. *Results of operations for oil- and gas-producing activities*
- f. *A standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities*
- g. *Changes in the standardized measure of discounted future net cash flows"*

ASC 932-235-50-2 also defines "significant oil and gas producing activities" as follows:

"An entity is regarded as having significant oil and gas producing activities if it satisfies any of the following criteria. The criteria shall be applied separately for each year for which a complete set of annual financial statements is presented.

- a. *Revenues from oil and gas producing activities, as defined in paragraph 932-235-50-24 (including both sales to unaffiliated customers and sales or transfers to the entity's other operations), are 10 percent or more of the combined revenues (sales to unaffiliated customers and sales or transfers to the entity's other operations) of all of the entity's industry segments. An industry segment is a component of an entity engaged in providing a product or service or a group of related products or services primarily to external customers (that is, customers outside the entity) for a profit.*
- b. *Results of operations for oil and gas producing activities, excluding the effect of income taxes, are 10 percent or more of the greater of:*

1. *The combined operating profit (including equity earnings) of all industry segments that did not incur an operating loss*
 2. *The combined operating loss (including equity losses) of all industry segments that did incur an operating loss.*
- c. *The identifiable assets of oil- and gas-producing activities (tangible and intangible entity assets that are used by oil- and gas-producing activities, including an allocated portion of assets used jointly with other operations and the investment balance in the oil- and gas-producing activities of equity method investees) are 10 percent or more of the assets of the entity, excluding assets used exclusively for general corporate purposes.*

The Firm's audit work papers reflected that the Firm considered the applicability of FASB ASC 932 to the issuer, but it appears the Firm failed to reach an appropriate conclusion on this matter in accordance with PCAOB Auditing Standard No. 14, *Evaluating Audit Results* ("AS 14"), which requires that all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements, should be taken into account.

Specifically, the Firm inappropriately accepted the issuer's accounting and disclosure for the oil and gas properties and should have identified and addressed this departure from GAAP in the issuer's financial statements given that the issuer met two of the criteria to be regarded as an entity with significant oil and gas producing activities.

PCAOB Reviewer:

Ed Kim
Printed Name

/s/ Ed Kim
July 10, 2013
Signature and Date

**PCAOB Inspection
Leader:**

Robbyn M. Johnson
Printed Name

/s/Robbyn M. Johnson
July 11, 2013
Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL, President

DA Hall

8/5/1

We Assented in 2012 that it would be "misleading to investors" to disclose this issuer as an "oil and gas" company. However, in April, 2013, we realized that ASC 932 disclosure was indeed required and we issued the client's 3/31/13 Q with the appropriate disclosures (ASC 932).

We also had CPE training on ASC 932 in May, 2013 prior to the PCAOB visiting in ~~the~~^{July} 2013.

We believe this concern has been appropriately addressed.

Investment
**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 15, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Freestone Resources, Inc.</u>	Control Number:	<u>FRI-02</u> ✓

PCAOB Comment – Facts:

The issuer presented the line item "Equity Investment in Freestone Water Solutions" in the amount of \$11,978 as a current liability on its balance sheet as of June 30, 2012 which represented approximately 22 percent and 12.5 percent of the issuer's current liabilities and total liabilities at June 30, 2012, respectively.

The Firm's planning materiality for the audit was \$6,400. The Firm assessed inherent risk as low and control risk as high and risk of material misstatement as low for all assertions related to accounts receivable and sales (the issuer classified the Equity Investment in Freestone Water Solutions as "AR – Related Parties" at the time of the risk assessment).

The issuer (alternately referred to as "Freestone" or the "Company" in its Form 10-K) disclosed the following in its Form 10-K for the fiscal year ended June 30, 2012:

- i. *Note 1 – Nature of Activities and Significant Accounting Policies: "The Company owns 48% of Freestone Water Solutions, LLC and has recorded the investment in accordance with the equity method."*
- ii. *Note 3 – Related Party Transactions: "The Company has a related party receivable of \$15,000 from Freestone Water Solutions ("FWS") a joint venture between MEA Solutions, LLC and Freestone Resources, Inc. which was created in September of 2011. Freestone does not have a controlling equity position in FWS nor does Freestone control the board or management of FWS... MEA and Freestone have advanced FWS certain short-term, start-up cash, which FWS intends to repay to Freestone and MEA upon funding and/or when profits are made. Profits and losses from FWS will be accounted for under the equity method and reflected as an investment in Freestone Water Solutions on the balance sheet. As discussed in Note 14, on September 4, 2012, FWS was dissolved. The receivable has been written off to bad debt expense, as it is deemed uncollectible."*
- iii. *Note 14 – Subsequent Events: "On September 4, 2012 the Board of Directors of Managers of Freestone Water Solutions, LLC ("FWS"), a Nevada limited liability company, voted to accept the resignation of Gerald 'OJ' Armstrong as President of FWS and voted to dissolve FWS... As a result, the \$15,000 receivable from FWS has been written off as of June 30, 2012. On August*

13, 2012, the Company advanced \$12,000 to FWS to pay for expenses incurred related to test equipment. This amount will be expensed at that time."

The Firm's work papers included the following notations:

- i. "Any profits or losses of FWS will be disclosed as 'income or loss from equity investment' in the consolidated statement of operations."
- ii. "As of June 30, 2012, FWS had a net loss of \$24,954, of which the Company's share is \$11,978. We propose the following AJE to record the investment:

Loss on Equity Method Investment - (4802)	\$11,978	
Equity Investment in Freestone Water Systems		\$11,978
Bad Debt Expense	\$15,000	
AR- Related Party		\$15,000

As discussed in the excerpt from Note 3 above, prior to the recording of the above entries, the issuer had a \$15,000 "AR- Related Party" balance.

The Firm's work papers also included an email from the CEO of the issuer to the Firm that read as follows:

"The \$12,000 was an advance made by our side and matched by MEA in August to cover costs related to a smaller test unit we rented in late July. We did not know that we were going to dissolve FWS at the time the advance was made."

Inspection Team Note: The \$12,000 discussed in the paragraph above refers to a \$12,000 advance made by the issuer in August 2012, subsequent to the fiscal year ended June 30, 2012 audit being inspected and is not to be confused with the \$11,978 recorded by the issuer as its share of FWS' loss for its fiscal year ended June 30, 2012.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative: DAVID HALL, PRESIDENT David Hall 8/5/17
Printed Name and Title Signature and Date

PCAOB Comment – Issue:

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 323, *Investments – Equity Method and Joint Ventures* ("FASB ASC 323") establishes standards of financial accounting and reporting for equity method investments and joint ventures.

FASB ASC 323 states the following:

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"An investor shall adjust the carrying amount of an investment for its share of the earnings or losses of the investee after the date of investment and shall report the recognized earnings or losses in income."

"An investor's share of losses of an investee may equal or exceed the carrying amount of an investment accounted for by the equity method plus advances made by the investor. An equity method investor shall continue to report losses up to the investor's investment carrying amount, including any additional financial support made or committed to by the investor. Additional financial support made or committed to by the investor may take the form of any of the following:

- a. Capital contributions to the investee*
- b. Investment in additional common stock of the investee*
- c. Investments in preferred stock of the investee*
- d. Loans to the investee*
- e. Investments in debt securities (including mandatorily redeemable preferred stock) of the investee*
- f. Advances to the investee"*

"The investor ordinarily shall discontinue applying the equity method if the investment (and net advances) is reduced to zero and shall not provide for additional losses unless the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee."

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FASB ASC Topic 855, *Subsequent Events* establishes the standards for financial accounting and reporting of events or transactions that occur after the balance sheet date.

FASB ASC 855 contains the following guidance:

"An entity shall not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet date but arose after the balance sheet date but before financial statements are issued or are available to be issued."

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The Firm failed to perform sufficient procedures in accordance with Auditing Standard No. 15, *Audit Evidence* ("AS No 15"), to appropriately identify the issuer's misapplication of FASB ASC 323 and FASB ASC 855. Specifically, the Firm failed to recognize that:

(1) the issuer's \$11,978 share of FWS' loss should have been applied to the issuer's "AR - Related Party" account, which appears to be the original investment by the issuer for its investment in FWS, thereby reducing the asset in accordance with FASB ASC 323, and,

(2) the dissolution of FWS was a non-recognizable subsequent event to the issuer per FASB ASC 855 and therefore should not have been reflected in the financial statements of the issuer for the fiscal year ended June 30, 2012.

The impact of the issuer's misapplication of FASB ASC 323 and FASB ASC 855 as of June 30, 2012 on its financial statements was:

- Investment in FWS understated by \$3,022 (1.5 percent of total assets)
- Liabilities overstated by \$11,978 (12.5 percent of total liabilities)
- Stockholders' equity understated by \$15,000 (14 percent of total stockholders' equity)
- Net loss overstated by \$15,000 (3 percent of net loss)

PCAOB Reviewer:

Ed Kim
Printed Name

/s/ Ed Kim
July 10, 2013
Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson
Printed Name

/s/Robbyn M. Johnson
July 11, 2013
Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL, PRESIDENT David Hall 8/5/13
Printed Name and Title Signature and Date

We agree that the accounts were in error. However, we strongly disagree that we "failed to perform sufficient procedures in accordance with ~~the~~ AS # 15". We believe we performed "sufficient procedures" relating to FASB ASC 323. However, we made an error and had a st. credit to a liability.

HALL, DAVID 00044
to 2/10/13/13.

We agree that we should not have
"written off" the balance due to FASS
ASC 855.

We have scheduled CPE relating to
this comment. We understand what happened
and will continue ~~on~~ our efforts to perform
properly and to not make errors.

ARO cap vs unimp

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 15, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Freestone Resources, Inc.</u>	Control Number:	<u>FRI-03</u> ✓

PCAOB Comment – Facts:

The issuer describes its business activities as an oil and gas technology development-stage company as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 915, *Development Stage Entities* according to its Form 10-K for the fiscal year ended June 30, 2012. As of July 1, 2010 the issuer reentered the development stage to devote substantially all of its efforts to raising capital to construct a prototype and to develop a wholly-owned oil separation technology as its primary business operations; no sales have been derived to date from its principal operations.

The issuer's Asset Retirement Obligation ("ARO") liability for the plug and abandonment of oil and gas properties was approximately \$41,000 or 43 percent of total liabilities and 178 percent of oil and gas properties as of June 30, 2012. This was an increase to the liability of \$22,263, and a corresponding "Revision to ARO estimate" expense was recorded for the fiscal year ended June 30, 2012.

The Firm's planning materiality for the audit was \$6,400. The Firm assessed inherent risk as low and control risk as high and risk of material misstatement as low for all assertions related to property, which included oil and gas properties and the asset retirement obligations related to them.

Disclosed in Note 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES of the issuer's financial statements included in the Form 10-K for the fiscal year ended June 30, 2012 was the following related to the issuer's ARO liability policy:

The Company records the fair value of a liability for asset retirement obligations ("ARO") in the period in which an obligation is incurred and records a corresponding increase in the carrying amount of the related long-lived asset. For Freestone Resources, asset retirement obligations primarily relate to the abandonment of oil and gas properties. The present value of the estimated asset retirement cost is capitalized as part of the carrying amount of oil and gas properties. The settlement date fair value is discounted at Freestone Resource's credit adjusted risk-free rate in determining the abandonment liability. The abandonment liability is accreted with the passage of time to its expected settlement fair value. Revisions to such estimates are recorded as adjustments to the ARO and capitalized asset retirement costs and are charged to operations in the period in which they become known. At the time the abandonment cost is incurred, Freestone Resources is required to recognize a gain

or loss if the actual costs do not equal the estimated costs included in the ARO. During 2012 and 2011, the Company recognized no accretion expense, as the properties were written down to salvage value as of June 30, 2009.

The amounts recognized for the ARO are based upon numerous estimates and assumptions, including future abandonment costs, future recoverable quantities of oil and gas, future inflation rates, and the credit adjusted risk free interest rate.

Included in the Firm's audit work papers was a spreadsheet prepared by the issuer titled "ARO Schedule 6.30.12 Freestone" that calculated the issuer's asset retirement obligation for its wells. The issuer-prepared spreadsheet included the assumptions used by the issuer and detailed the calculation process. The Firm's work papers included documentation of the Firm's evaluation of the issuer's assumptions used in the calculation. Included among the issuer's assumptions was an "Assumed cost per 7,500 feet drilled" of \$22,500 to plug and abandon the issuer's wells. The Firm's evaluation of this assumption by the issuer included the following:

C. There have been no significant changes in the cost to plug and abandon a well and an average cost is \$22,500 per 7,500 feet drilled. When the Company does their own work, they are able to come in at less of a cost, however, when certain outside operating companies do the P&A work, it comes in slightly higher. Therefore, this is an average of the two.

Also included on this issuer-prepared spreadsheet was the following notation by the Firm:

AA. Per Clayton Carter, CEO, the Company took on the liability of plugging the Seguin wells in 2012. We have therefore established the liability consistent w/ the other P+A assumptions, as discussed herein.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative:

DAVID HALL, PRESIDENT

Printed Name and Title

DH Hall 8/6/11

Signature and Date

PCAOB Comment – Issue:

FASB ASC Topic 410, *Asset Retirement and Environmental Obligations* ("FASB ASC 410"), establishes standards of financial accounting and reporting for asset retirement obligations. FASB ASC 410 includes the following:

Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows shall be recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

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The Firm inappropriately accepted the issuer's accounting and disclosure for its asset retirement obligation and should have identified and addressed this departure from GAAP in the issuer's financial statements given that the issuer recognized an increase in its asset retirement obligation liability and did not capitalize the additional asset retirement cost to the related oil and gas properties.

In addition, the Firm failed to perform sufficient procedures to determine whether the ARO liability was appropriately stated as of June 30, 2012 in accordance with AU 342, *Auditing Accounting Estimates*. Specifically, the Firm failed to test management's estimate of costs to plug and abandon the issuer's oil and gas properties.

PCAOB Reviewer:

Ed Kim
Printed Name

/s/ Ed Kim
July 10, 2013
Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson
Printed Name

/s/Robbyn M. Johnson
July 15, 2013
Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL, PRESIDENT
Printed Name and Title

David Hall 8/6/13
Signature and Date

We agree that we should have capitalized the change in estimate of ARO.

We believe that we did test the estimate of costs to plug and abandon, but our document was not strong.

3 (over)

HALL, DAVID 00048

We have scheduled CPE radiating to
these two points in the next 60
days.

Salvage Value Impairment

**PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD
INSPECTION COMMENT FORM**

Firm:	<u>David S. Hall, P.C. (a/k/a The Hall Group, CPAs)</u>	Date:	<u>July 15, 2013</u>
Office:	<u>Lewisville, TX</u>	Issuer's FYE:	<u>June 30, 2012</u>
Issuer:	<u>Freestone Resources, Inc.</u>	Control Number:	<u>FRI-04</u> ✓

PCAOB Comment – Facts:

The issuer describes its business activities as an oil and gas technology development-stage company as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 915, *Development Stage Entities* according to its Form 10-K for the fiscal year ended June 30, 2012. As of July 1, 2010 the issuer reentered the development stage to devote substantially all of its efforts to raising capital to construct a prototype and to develop a wholly-owned oil separation technology as its primary business operations; no sales have been derived to date from its principal operations.

As of June 30, 2012, oil and gas properties used for research and development represented approximately \$23,000 or 11 percent of total assets.

The Firm's planning materiality for the audit was \$6,400. The Firm assessed inherent risk as low and control risk as high and the risk of material misstatement as low for all assertions related to oil and gas properties, which included oil and gas properties used for research and development.

The issuer disclosed the following in Note 2 – *FIXED ASSETS* to their financial statements included in its Form 10-K for the fiscal year ended June 30, 2012:

The Company's oil and gas properties used for research and development were written down to salvage value during the year ended June 30, 2009.

The Firm's work papers included a memorandum prepared by the Firm dated June 30, 2012 that included, in part, the following with respect to the valuation of the issuer's wells as of June 30, 2012:

In 2009, it was determined by the Company's management, and agreed to by their prior auditors, that the estimated fair value of the properties needed to be reduced.

During the June 30, 2012 audit, the Firm discussed the prospects of the well with Clayton Carter, CEO. He had determined, through discussion with their consultants and board, that there was no change in the prospects of the wells, and that the Company did not believe that investing more money in the equipment was a prudent decision at that time. The Company is in the development stage, and their strategy is to do the necessary testing on the well, then sell the lease and acquire other wells

with different attributes with the proceeds. He indicated there has been no change in the equipment at the leases and that salvage value, which was estimated at 10% of the original cost, remains appropriate. Estimate appears reasonable. We reviewed the client's calculation of the 10% (of the original cost) salvage value and based upon analysis, appears to remain as valid salvage value with no additional impairment necessary at June 30, 2012.

The Firm also furnished a memorandum to the inspection team during inspection field work prepared by the issuer's Oil and Gas Operations Manager, who provided his evaluation of the salvage values for the issuer's oil and gas properties. This documentation was not part of the original archived audit work papers for the issuer's audit provided by the Firm at the start of inspection field work.

I have read the facts as presented above and agree or disagree . (If disagree, provide reasons below.)

Firm Representative:

DAVID HALL, President

Printed Name and Title

[Handwritten Signature] 8/6/13

Signature and Date

PCAOB Comment – Issue:

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 360, *Property, Plant and Equipment* includes the following:

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A long-lived asset (asset group) shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances:

- a. *A significant decrease in the market price of a long-lived asset (asset group)*
- b. *A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition*
- c. *A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator*
- d. *An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)*
- e. *A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)*
- f. *A current period expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term "more likely than not" refers to a level of likelihood that is more than 50 percent.*

The Firm failed to perform sufficient procedures to test the issuer's properties for impairment. Specifically, the Firm failed to perform procedures to consider the issuer's history of net operating losses and the going concern opinions that it issued for the three years ended June 30, 2012 as indicators of impairment, and therefore, also failed to test the recoverability of the asset by comparing the carrying value to the undiscounted cash flows in accordance with ASC Topic 360.

PCAOB Reviewer:

Ed Kim
Printed Name

/s/ Ed Kim
July 10, 2013

Signature and Date

PCAOB Inspection
Leader:

Robbyn M. Johnson
Printed Name

/s/Robbyn M. Johnson
July 11, 2013

Signature and Date

Firm's Response (Indicate agreement or disagreement with the issue(s) noted above and specific reasons to support your response. If your response includes procedures performed by the engagement team, indicate if procedures were performed and documented during the audit; if procedures were performed but not documented during the audit; or if procedures were performed and/or documented subsequent to the audit.):

Firm's Remedial Action(s) (if applicable, consider the requirements of AU 390 and/or AU 561):

Firm Representative Responsible for the Firm's Response and/or Remedial Action(s):

Firm Representative:

DAVID HALL, PRESIDENT
Printed Name and Title

D. Hall 8/6/13
Signature and Date

We agree that we should have considered the issuer's history of NOL's and going concern. However, we stand by our assertion that carrying value is reasonable.
~~We have scheduled CPE relating to this count in next 60 days~~

HALL, DAVID 00052

We believe that we did test salvage
value, however, we did not strongly document
this testing.

We have scheduled CPE to address
these points in the next 30 days.