INSIGHTS

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SECURITIES ENFORCEMENT

SEC Enforcement Midway Through 2015

While the number of SEC enforcement actions involving public company financial reporting continued to rise slowly in the first half of 2015, the most notable changes at the agency continued to be the sharpening of tools within the SEC's arsenal, including increased reliance on corporate whistleblowers and the use of streamlined administrative proceedings in litigated cases.

By Marc J. Fagel

Midway through the 2015 calendar year, the SEC enforcement program has often been finding itself garnering more public attention for the manner in which it sources, litigates, and resolves cases than for the cases themselves. The Division of Enforcement's increased reliance on administrative proceedings rather than federal court actions for contested enforcement actions, a topic of discussion throughout the current administration, became, if anything, even more contentious in recent months. Litigants filed a number of constitutional challenges to the SEC's administrative process, and while, as in the past, most were unsuccessful, one federal court stepped in and blocked an administrative proceeding in its tracks.

Similarly, the SEC's reliance on paid whistleblowers in the wake of Dodd-Frank has continued to pick up steam. Most notably, the SEC filed a high profile action penalizing a public company for the use of employee confidentiality agreements which, in the eyes of the SEC, could have deterred potential whistleblowers from coming forward.

In terms of the SEC's enforcement case mix, after switching gears in 2013 and pledging to bring more attention to public company reporting, the number of financial reporting cases remains relatively small, though a few significant cases were filed in recent months.

Significant Developments

Use of Administrative Proceedings Continues to Stoke Controversy

The controversy over the SEC's growing use of administrative proceedings (APs) as an alternative to federal court actions continued unabated

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in the first half of 2015.[1] Several respondents in SEC APs have filed civil injunctive actions seeking to block the proceedings, raising a number of constitutional and fairness challenges. Most of these efforts have proved unsuccessful; some courts have found they lacked jurisdiction to interfere in an ongoing SEC AP, requiring that any constitutional questions be addressed within the confines of the AP itself,[2] while other courts have rejected the constitutional claims on the merits.[3]

However, bucking this trend, an Atlanta court in June enjoined an ongoing SEC AP. In *Hill v. SEC*, an individual alleged by the SEC to have engaged in insider trading filed a lawsuit in the Northern District of Georgia challenging as unconstitutional the SEC's decision to bring its case against him in an AP. The court held that the individual had shown a likelihood of success on the merits and temporarily enjoined the AP because the SEC administrative law judge (ALJ) hearing his case was an "inferior officer" improperly appointed in violation of the Appointments Clause of the Constitution.[4] Although this decision constituted a defeat for the SEC, its long-term impact on the SEC's use of APs is questionable, as the court in *Hill* rejected a number of more fundamental constitutional challenges to the SEC's use of APs and acknowledged that its Appointments Clause holding "may seem unduly technical, as the ALJ's appointment could easily be cured by having the SEC Commissioners issue an appointment or preside over the matter themselves." The SEC has since filed a motion to stay the district court injunction pending an appeal.

Recent reports questioning the impartiality of SEC ALJs have further inflamed the controversy. A May 6 *Wall Street Journal* article discussing the SEC's high success rate in APs quoted a former SEC ALJ as saying that the SEC's Chief ALJ had "questioned my loyalty to the SEC" after finding too often in favor of defendants.[5] According to the former ALJ, the SEC ALJs were expected to put "the burden [] on the people who were accused to show that they didn't do what the agency said they did." The article noted that one current SEC ALJ had held defendants liable on at least some charges in every case that had come before him. Notably, an investment adviser who recently lost a litigated AP before that ALJ appealed his decision, arguing in part that the SEC's administrative forum lacked impartiality. While the SEC did not grant the respondent's request to depose the ALJ, the agency "invited" the ALJ to "submit an affidavit addressing whether he has had any communications or experienced any pressure similar to that" alleged by the former ALJ in the *Wall Street Journal* article.[6] On June 9, the ALJ responded in a single-sentence email, "I respectfully decline to submit the affidavit requested."[7]

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Perhaps in response to some of the public discussions surrounding the agency's use of APs, the Division of Enforcement released written guidance in May addressing the factors considered in determining whether an action will be brought in an AP or in federal court. The four factors that the SEC stated that it considers are: (1) the availability of the desired claims, legal theories, and forms of relief in each forum; (2) whether any charged party is a registered entity or an individual associated with a registered entity; (3) the cost-, resource-, and time-effectiveness of litigation in each forum; and (4) the fair, consistent, and effective resolution of securities law issues and matters.[8] While the guidance represents an important first step in introducing some degree of transparency into the forum selection process, it does not go very far in addressing many of the fairness and other key concerns associated with the SEC's growing use of APs, and is therefore unlikely to dampen the continued controversy surrounding this issue.

Whistleblowers

The SEC's whistleblower program continued to grow in prominence in the first half of the year. While no recent awards have approached the massive $30 million award to a single claimant announced in late 2014, there have been many "firsts" in the realm of whistleblower claims—the first award to an officer where compliance personnel learned of a fraud and failed to act; the first award to a whistleblower alleged to have been retaliated against for making a complaint; and the first enforcement action against a company for language in its confidentiality agreements that could impede the whistleblowing process.

On March 2, the SEC announced the first whistleblower award to a company officer.[9] Typically, officers and directors are ineligible to receive a whistleblower award where they obtain information about potential misconduct through the report of another employee. However, the whistleblower here was able to collect between $475,000 and $575,000 because of an exception to the rule that permits an officer who reports a wrongdoing to the SEC to recover where at least 120 days have passed since compliance personnel learned of the allegations and failed to take steps to address them.

The SEC announced its first award to a whistleblower who experienced retaliation.

The following month, a compliance officer received over $1.4 million in connection with whistleblowing that resulted in an enforcement action against the compliance officer's company.[10] The SEC announcement did not provide details on the nature of the enforcement action resulting from the tip. This is the second whistleblower award the SEC has made, since the 2011 launch of the whistleblower program, to an employee with either compliance or audit responsibilities.

Also in April, the SEC announced its first award to a whistleblower who experienced retaliation.[11] Upon learning that the whistleblower had reported potential misconduct to the SEC, the company was alleged to have retaliated against the whistleblower in various ways, such as removing the whistleblower from their position, changing the whistleblower's job function, and paring down the whistleblower's job responsibilities.

These recent awards bring the number of whistleblowers who have received awards to 17, with payouts exceeding $50 million.

One of the more noteworthy SEC actions so far this year was an enforcement action filed in April against a company for its use of restrictive language in its confidentiality agreements.[12] According to the SEC, in the midst of an internal investigation, the company required witnesses to sign agreements that they would not discuss the subject matter of their interview with anyone without prior authorization of the company's legal department. This "pre-notification requirement" was found by the Commission to be a violation of Rule 21F-17, promulgated under Dodd-Frank, which prohibits any actions to impede whistleblowers from communicating with the SEC about potential securities law violations. Notably, the SEC expressly noted that there were no instances in which the agreements had been invoked to prevent whistleblowers from coming forward; nonetheless, the company (which had already modified its agreements) agreed to settle the charges, without admitting or denying wrongdoing, by paying a $130,000 penalty.[13]

Public reports suggest that the SEC has since broadened its review of company confidentiality agreements, sending letters to numerous entities seeking copies of employment contracts, nondisclosure agreements, and similar documents. The initiative has led many public companies and financial institutions to review their own agreements, while precipitating some industry concern that the SEC's actions represent an overly broad interpretation of the Dodd-Frank whistleblower provisions and constitute regulation through enforcement.[14] While SEC Chair Mary Jo White has pushed back on such criticism by stating that the SEC's actions are not a wholesale attack on the use of confidentiality agreements,[15] significant concern remains about the scope of the SEC's ongoing review of such documents.

Corporate Waivers

The issue of waivers for large financial institutions which would otherwise be subject to regulatory disqualifications based on settlements with the government grew increasingly heated in the first half of 2015. Under various federal securities laws, companies charged by the SEC, the Department of Justice, or other regulators may be automatically precluded from availing themselves of certain exemptions from regulatory requirements. For example, under the "bad actor" rule, parties to SEC enforcement actions may be denied exemptions from registering private securities offerings; similarly, public companies could lose their "well-known seasoned issuer" (WKSI) designation, which permits them to bypass SEC approval for various capital-raising activities. Waivers of these regulatory bars, historically viewed as somewhat routine, have become tremendously divisive among the Commissioners.

In February, Commissioners Luis Aguilar and Kara Stein issued a joint statement expressing their disagreement with the SEC's decision to grant Oppenheimer & Co. a waiver from the bad actor rule following the firm's settlement of an SEC proceeding relating to improper sales of penny stocks.[16] In their dissent, Commissioners Aguilar and Stein noted that the firm had faced repeated regulatory action since 2005 and the grant of a waiver based on its promise to hire an independent compliance consultant, which the SEC's order did not require, was "a dangerous precedent."

A few months later, Commissioner Stein wrote a sharply worded dissent in response to the agency's grant of various regulatory waivers to multiple banks who settled with the Department of Justice in the wake of an investigation into the alleged manipulation of exchange rates in the global foreign currency spot market.[17] She highlighted the number of waivers the banks had been granted over the past nine years, stating: "This type of recidivism and repeated criminal misconduct should lead to revocations of prior waivers, not the granting of a whole new set of waivers."

Meanwhile, it has been reported that one financial institution withdrew its request for a waiver it had sought following a settlement relating to tax law violations after ostensibly being informed by the SEC staff that such a waiver would not be approved.[18]

Public Company Reporting and Accounting Actions

Financial Fraud and Internal Controls Cases

Two years after the Enforcement Division's public roll-out of its Financial Fraud Task Force, the number of public company accounting fraud cases remains relatively low, but does appear to be climbing.

On May 12, the SEC announced fraud charges against ITT Educational Services Inc., as well as its CEO and CFO, alleging that they concealed from investors and auditors the poor performance of ITT's student loan programs and resulting repayment obligations amounting to hundreds of millions of dollars.[19] The defendants are litigating the matter in federal court.

In June, the SEC settled charges against Computer Sciences Corp. for allegedly concealing the impact of losses on a multi-billion dollar contract by inappropriately adjusting its accounting models.[20] The SEC also alleged that the company had engaged in earnings management by using "cookie jar" reserves and failing to appropriately record expenses. Without admitting or denying the allegations, the company agreed to pay a $190 million penalty. Its former CEO agreed to a clawback of $3.7 million in compensation, and the former CFO agreed to a clawback of $369,100 in compensation and a $175,000 penalty. Six other individuals were charged as well, with three settling and three opting to litigate.

In April, the SEC brought charges against the former controller of the Japanese subsidiary of a Chicago electronics manufacturer, alleging that he engaged in unauthorized equity trading using the company's brokerage accounts that resulted in losses of over $110 million.[21] In a scheme that spanned almost two decades, the individual is alleged to have concealed massive trading losses by taking out unauthorized and undisclosed loans, while using the proceeds to replenish account balances. The trader entered into a settlement agreement with the SEC in which he admitted wrongdoing and was permanently barred from serving as an officer or director of a publicly traded company. The SEC also instituted settled administrative proceedings against the company for its inadequate internal controls.

The SEC also filed a number of smaller accounting and disclosure cases. On February 5, the SEC settled charges against Chicago-based Broadwind Energy, its former CEO, and its CFO for several improper revenue recognition practices and inadequate disclosures, including the delayed recording of a $58 million impairment resulting from reduced business from two key customers.[22] During the delay, the company conducted a public offering of stock; after the impairment was recorded, the company's stock price fell by 29 percent. The company agreed to pay a $1 million penalty, and the two executives paid a total of $700,000 in disgorgement and penalties.

In March, the SEC filed a settled proceeding against the former VP of Finance of a specialty food distributor, alleging that he had improperly adjusted accounting entries for inventory amounts in order to increase reported profit margins to be consistent with historical margins.[23] The same month, the SEC filed a litigated action against a Chinese construction company and two of its officers, alleging that they failed to disclose the resignation of the company's CFO, and forged his signature in various filings.[24] And on April 1, the SEC filed a settled action against the CEO of a North Carolina telecommunications company for fraudulently inflating the company's revenues and earnings to command a higher purchase price in an acquisition.[25] The executive agreed to be barred from serving as a public company officer or director for 10 years.

Executive Perks and Compensation

In the early months of 2015, the SEC addressed several instances of alleged misappropriation and fraudulent concealment by corporate officers. One of the more attention-grabbing cases was the SEC's March action against the former CEO of technology firm Polycom Inc., alleging that he used nearly $200,000 of corporate funds for undisclosed perks, including extensive travel, entertainment, meals and gifts.[26] In addition to the litigated case against the executive, the SEC brought a settled action against the company, alleging that it had failed to maintain sufficient internal controls over its expenses. Polycom agreed to pay $750,000 to settle the charges, without admitting or denying the SEC's findings.

In February, the SEC brought a settled action against a biotechnology company and its CEO, alleging that the CEO issued millions of shares of the company's stock to accounts he secretly controlled, netting over $600,000 for himself and his family, and falsely recorded the sales in the company's accounting records.[27]

Finally, on the remedies front, the SEC brought another of its periodic stand-alone clawback cases, demanding the return of compensation from corporate executives even in the absence of charges of wrongdoing by the individuals. In February, the SEC announced a settlement with two former CFOs of Saba Software, a company charged in 2014 with accounting fraud. In the follow-up action, the two financial officers agreed to return bonuses and stock sale profits even though neither had been personally accused of misconduct by the SEC.[28] In related news, the SEC inched forward in its rulemaking under Dodd-Frank requiring the agency to craft regulations regarding clawbacks of incentive-based compensation. Under the proposed rule, national securities exchanges and associations would be required to establish listing standards mandating companies adopt clawback policies.[29]

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Financial Crisis Cases

Some seven years after the 2008 mortgage crisis, the SEC has continued to roll out yet more actions against public companies for their reporting of crisis-related losses. In January, First National Community Bancorp Inc. and its former principal financial officer agreed to pay penalties totaling $195,000 to settle claims that the holding company materially understated losses for its investment securities portfolio for certain annual and quarterly reports filed in 2010.[30] In a settled proceeding instituted in April, the SEC required the former CEO and CFO of a now-defunct financial holding company, both CPAs, to pay a total of $60,000 in penalties for allegedly underreporting significant 2009 loan losses for three large loans.[31] And in May, a global bank settled the SEC's charges that, in 2008 and 2009, it overstated the value of a derivatives portfolio by understating the "gap risk" posed by certain leveraged trades. The SEC charged that this leverage left the bank exposed to a higher degree than it had disclosed.[32] As part of the settlement, the bank agreed to pay a penalty of $55 million.

Auditor and Accountant Cases

The SEC took a number of actions involving auditors in recent months. For example, in February, the SEC charged an audit firm and its owner with failing to adhere to professional standards in the audit of a broker-dealer's financial statements that overstated the firm's net capital by over 350 percent.[33] According to the SEC, the financial statements overstated the firm's assets by inflating the size of its positions in some securities and understated the firm's liabilities by omitting negative balances in its account with a clearing broker.

Also in February, the SEC finally settled its long-running case against China-based affiliates of the "Big Four" accounting firms, based on their refusal to produce workpapers related to various Chinese issuers under SEC investigation. Notwithstanding Chinese law limiting the ability of the firms to provide the documents, an SEC administrative law judge issued a blistering ruling against the auditors in 2014, among other things ordering the firms suspended from practicing before the Commission for six months.[34] Recognizing the agency's recent progress in obtaining the documents, the SEC settled with the firms, which each agreed to pay $500,000 and admit their refusal to turn over documents (without admitting or denying the SEC's findings).[35]

> ***The SEC initiated several proceedings to sanction accountants for violating prior disciplinary orders.***

Finally, also during the course of a busy February, the SEC initiated several proceedings to sanction accountants for violating prior disciplinary orders. The SEC filed applications in the U.S. District Court for the Eastern District of New York against David Rivard, alleging that Rivard violated a prior order suspending him from practicing before the SEC as an accountant and seeking to hold him in contempt of a related monetary judgment.[36] Rivard had been suspended for his role in the 2014 Computer Associates accounting fraud case. The Commission also instituted administrative proceedings against a CPA for violating the Sarbanes-Oxley Act by working for an issuer as a contract CFO after the PCAOB barred her from practicing as an accountant or financial manager. In addition, the Commission charged the issuer and its CEO for their association with the barred CPA.[37]

The Months Ahead

For officers and directors of public companies, as well as auditors and others with a stake in the industry, the SEC's renewed attention to accounting and disclosure cases presented a cause for alarm. As the financial crisis cases of the past half-decade continue to wind down, enforcement resources can be seen being redirected towards public company investigations. Nonetheless, it is still an open question whether this area will once again become one of the busiest components of the enforcement docket as it has been in the past. Common sense suggests that, after a lengthy lull since the Enron era, institutional memories would dim and some of the abuses of the past would resurface. Even in the absence of a clear trend towards significant new financial reporting cases, corporate gatekeepers would benefit from a proactive review of their practices rather than waiting for an invigorated enforcement staff (or an eager whistleblower) to do it for them.

Notes

1. For a prior assessment of this phenomenon, *see, e.g.,* Gibson Dunn, 2014 Year-End Securities Enforcement Update (Jan. 12, 2015), available at *www.gibsondunn.com/publications/Pages/2014-Year-End-Securities-Enforcement-Update.aspx.*
2. *See, e.g., Tilton v. SEC*, No. 15-CV-2472 (S.D.N.Y. June 30, 2015).
3. *See, e.g., Duka v. SEC*, No. 15-CV-357 (S.D.N.Y. Apr. 15, 2015).
4. *See Hill v. SEC*, No. 1:15-CV-1801-LMM (N.D. Ga. June 8, 2015).
5. Jean Eaglesham, SEC Wins With In-House Judges, Wall St. J. (May 6, 2015), available at *www.wsj.com/articles/sec-wins-with-in-house-judges-1430965803.*
6. *In re Timbervest*, Order Concerning Additional Submission, Admin. Proc. File No. 3-15519 (June 4, 2015), available at *www.sec.gov/litigation/opinions/2015/ia-4103.pdf.*
7. Jean Eaglesham, SEC Judge Declines to Submit Affidavit of No Bias, Wall St. J. (June 11, 2015), available at *blogs.wsj.com/moneybeat/2015/06/11/sec-judge-declines-to-submit-affidavit-of-no-bias/.*
8. Division of Enforcement Approach to Forum Selection in Contested Actions, available at *www.sec.gov/divisions/enforce/enforcement-approach-forum-selection-contested-actions.pdf*; *see also* Joel Cohen and Bennett Rawicki, Op-Ed: Welcome News from the SEC on Forum Selection, Nat'l Law Journal (June 1, 2015), available at *www.gibsondunn.com/publications/Pages/Op-Ed-Welcome-News-from-the-SEC-on-Forum-Selection.aspx.*
9. SEC Press Release, Former Company Officer Earns Half-Million Dollar Whistleblower Award for Reporting Fraud Case to SEC (March 2, 2015), available at *www.sec.gov/news/pressrelease/2015-45.html.*
10. SEC Press Release, SEC Announces Million-Dollar Whistleblower Award to Compliance Officer (April 22, 2015), available at *www.sec.gov/news/pressrelease/2015-73.html.*
11. SEC Press Release, SEC Announces Award to Whistleblower in First Retaliation Case (April 28, 2015), available at *www.sec.gov/news/pressrelease/2015-75.html.*
12. SEC Press Release, SEC: Companies Cannot Stifle Whistleblowers in Confidentiality Agreements (April 1, 2015), available at *www.sec.gov/news/pressrelease/2015-54.html.*
13. For a more in-depth analysis, *see* Gibson Dunn, SEC Brings First Enforcement Action Challenging Employee Confidentiality Agreement Alleged to Impede Whistleblowers (Apr. 2, 2015), available at *www.gibsondunn.com/publications/Pages/SEC--First-Enforcement-Action-Challenging-Employee-Confidentiality-Agreement-Alleged-to-Impede-Whistleblowers.aspx. See* also Landefeld, "Whistleblowers, NDAs and SEC Enforcement Action," INSIGHTS, August 2015.
14. *See* Letter from the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness (Apr. 9, 2015), available at *www.centerforcapitalmarkets.com/wp-content/uploads/2015/04/2015.-4.8-SEC-Whistleblower.pdf*. *See also* Eugene Scalia, Op Ed: Blowing the Whistle on the SEC's Latest Power Move, Wall St. J. (Apr. 5, 2015), available at *www.wsj.com/article_email/eugene-scalia-blowing-the-whistle-on-the-secs-latest-power-move-1428271250-lMyQjAxMTI1NTEzMjAxMzI0Wj.*
15. SEC Speech, Mary Jo White, The SEC as the Whistleblower's Advocate (Apr. 30, 2015), available at *www.sec.gov/news/speech/chair-white-remarks-at-garrett-institute.html.*

16. SEC Public Statement, Dissenting Statement in the Matter of Oppenheimer & Co., Inc. (Feb. 4, 2015), available at *www.sec.gov/news/statement/dissenting-statement-oppenheimer-inc.html*; *see also* Y. Peter Kang, SEC Commissioners Blast Decision Not To DQ Oppenheimer, Law360 (February 4, 2015).

17. SEC Public Statement, Dissenting Statement Regarding Certain Waivers Granted by the Commission (May 21, 2015), available at *www.sec.gov/news/statement/stein-waivers-granted-dissenting-statement.html.*

18. Sarah Lynch, *Exclusive: Credit Suisse dropped SEC waiver request amid opposition – sources* (May 4, 2015), available at *www.reuters.com/article/2015/05/04/us-sec-se-waiver-idUSKBN0NP26820150504*. (*Editor's note*: for further discussion of waivers, *see* Rosen, "Waivers from Securities Law Disqualifications, INSIGHTS, August 2015).

19. SEC Press Release, SEC Announces Fraud Charges Against ITT Educational Services (May 12, 2015), available at *www.sec.gov/news/pressrelease/2015-86.html.*

20. SEC Press Release, SEC Charges CSC and Former Executives With Accounting Fraud (June 5, 2015), available at *www.sec.gov/news/pressrelease/2015-111.html.*

21. SEC Press Release, SEC Announces Fraud Charges Against Former Accounting Executive at Japanese Subsidiary (Apr. 9, 2015), available at *www.sec.gov/news/pressrelease/2015-65.html*.

22. SEC Press Release, SEC Charges Chicago-Area Alternative Energy Company for Accounting and Disclosure Violations (Feb. 5, 2015), available at *www.sec.gov/news/pressrelease/2015-24.html.*

23. *In re Robert W. Elliot*, Admin. Proceeding File No. 3-16413 (Mar. 2, 2015), available at *www.sec.gov/litigation/admin/2015/34-74401.pdf.*

24. SEC Press Release, SEC Charges Chinese Issuer and Two Officers with Fraud (Mar. 4, 2015), available at *www.sec.gov/litigation/litreleases/2015/lr23214.htm.*

25. SEC Press Release, SEC Charges North Carolina Executive With Fraud (Apr. 1, 2015), available at *www.sec.gov/news/pressrelease/2015-55.html.*

26. SEC Press Release, SEC Charges Former Polycom CEO With Hiding Perks From Investors (Mar. 31, 2015), available at *www.sec.gov/news/pressrelease/2015-53.html*. For more on the case, *see* Marc Fagel and Shailey Jain, SEC Hits Hard on Executive Perks, NYSE Governance Services (Apr. 30, 2015), available at *www.gibsondunn.com/publications/Pages/SEC-Hits-Hard-on-Executive-Perks.aspx.*

27. SEC Press Release, SEC Charges New Jersey Biotechnology Company and Its Chief Executive Officer with Securities Fraud (Feb. 19, 2015), available at *www.sec.gov/litigation/litreleases/2015/lr23201.htm.*

28. SEC Press Release, SEC Announces Half-Million Dollar Clawback from CFOs of Silicon Valley Company That Committed Accounting Fraud (Feb. 10, 2015), available at *www.sec.gov/news/pressrelease/2015-28.html.*

29. SEC Press Release, SEC Proposes Rules Requiring Companies to Adopt Clawback Policies on Executive Compensation (July 1, 2015), available at *www.sec.gov/news/pressrelease/2015-136.html.*

30. *In re First National Community Bancorp Inc. and William Lance*, Admin Proceeding No. 3-16363 (Jan. 28, 2015), available at *www.sec.gov/litigation/admin/2015/33-9714.pdf.*

31. *In re Donald J. Torbert, CPA and Nicole S. Stokes, CPA*, Admin Proceeding No. 3-16513 (Apr. 27, 2015), available at *www.sec.gov/litigation/admin/2015/34-74816.pdf.*

32. SEC Press Release, SEC Charges Deutsche Bank With Misstating Financial Reports During Financial Crisis (May 26, 2015), available at *www.sec.gov/news/pressrelease/2015-99.html.*

33. *In re Halpern & Associates LLC and Barbara Halpern, CPA*, Admin. Proceeding No. 3-16399 (Feb. 23, 2015), available at *www.sec.gov/litigation/admin/2015/34-74350.pdf.*

34. *In re BDO China Dahua et al.*, Admin. Proc. Nos. 3-14872, 3-15116, Initial Decision (Jan. 22, 2014*)*, available at *www.sec.gov/alj/aljdec/2014/id553ce.pdf.*

35. SEC Press Release, SEC Imposes Sanctions Against China-Based Members of Big Four Accounting Networks for Refusing to Produce Documents (Feb. 6, 2015), available at *www.sec.gov/news/pressrelease/2015-25.html.*

36. SEC Litigation Release No. 23190, SEC Charges Accountant with Violating Commission Suspension Order (Feb. 6, 2015), available at *www.sec.gov/litigation/litreleases/2015/lr23190.htm.*

37. *In re Traci J. Anderson, CPA, Timothy W. Carnahan, and CYIOS Corporation*, Admin. Proceeding No. 3-16386 (Feb. 13, 2015), available at *www.sec.gov/litigation/admin/2015/33-9725.pdf.*