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Report on

2011 Inspection of Berman Hopkins Wright & LaHam CPA's and Associates, LLP

(Headquartered in Melbourne, Florida)

Issued by the

Public Company Accounting Oversight Board

April 2, 2012

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

PCAOB RELEASE NO. 104-2012-111A
(Includes portions of Parts II and IV of the full report that were not included in PCAOB Release No. 104-2012-111)

PCAOB
Public Company Accounting Oversight Board

Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.

2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.

3. Board inspections encompass, among other things, whether the firm has failed to identify departures from U.S. Generally Accepted Accounting Principles ("GAAP") or Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the related GAAP or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning an issuer's compliance with GAAP or Commission disclosure requirements, rests with the Commission. Any description, in this report, of perceived departures from GAAP or Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.

2011 INSPECTION OF
BERMAN HOPKINS WRIGHT & LAHAM CPA'S AND ASSOCIATES, LLP

In 2011, the Public Company Accounting Oversight Board ("PCAOB" or "the Board") conducted an inspection of the registered public accounting firm Berman Hopkins Wright & LaHam CPA's and Associates, LLP[1/] ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Board is making portions of the report publicly available. Specifically, the Board is releasing to the public Part I of the report and portions of Part IV of the report. Part IV of the report consists of the Firm's comments, if any, on a draft of the report.[2/]

The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions.[3/] A substantial portion of the Board's criticisms of a firm (specifically criticisms of the firm's quality control system), and the Board's dialogue with the firm about those criticisms, occurs out of public view, unless the firm fails to make progress to the Board's satisfaction in addressing those criticisms. In addition, the Board generally does not disclose otherwise nonpublic information, learned through inspections, about the firm or its clients. Accordingly, information in those categories generally does not appear in the publicly available portion of an inspection report.

[1/] The Firm has issued audit reports under the names of Berman Hopkins Wright & LaHam, CPAs and Associates, LLP and Berman Hopkins Wright & LaHam CPAs and Associates, LLP.

[2/] The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In addition, pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report at all. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

[3/] See Statement Concerning the Issuance of Inspection Reports, PCAOB Release No. 104-2004-001 (August 26, 2004).

PART I

INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted primary procedures for the inspection from June 6, 2011 to June 13, 2011. These procedures were tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	2 (Melbourne and Orlando, Florida)
Ownership structure	Partnership
Number of partners	8
Number of professional staff[4/]	33
Number of issuer audit clients[5/]	1

[4/] "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

[5/] The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements and internal control over financial reporting ("ICFR") of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.[6/] To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with GAAP.[7/] It is not the purpose of an inspection, however, to review all of a firm's audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audits, or its issuer clients' financial statements or reporting on internal control, are free of any deficiencies not specifically described in an inspection report.

In addition, inclusion of a deficiency in an inspection report does not mean that the deficiency remained unaddressed after the inspection team brought it to the firm's attention. Under PCAOB standards, when audit deficiencies are discovered after the date of the audit report, a firm must take appropriate action to assess the importance of the deficiencies to the firm's present ability to support its previously expressed audit opinions.[8/] Depending upon the circumstances, compliance with these standards may

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[6/] This focus on weaknesses and deficiencies necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

[7/] When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with GAAP, the Board's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

[8/] See AU 390, *Consideration of Omitted Procedures After the Report Date,* and AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* (both included among the PCAOB's interim auditing standards, pursuant to PCAOB Rule 3200T), and PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over* require the firm to perform additional audit procedures, or to inform a client of the need for changes to its financial statements or reporting on internal control, or to take steps to prevent reliance on previously expressed audit opinions. A Board inspection does not typically include review of a firm's actions to address deficiencies identified in that inspection, but the Board expects that firms are attempting to take appropriate action, and firms frequently represent that they have taken, are taking, or will take, action. If, through subsequent inspections or other processes, the Board determines that the firm failed to take appropriate action, that failure may be grounds for a Board disciplinary sanction.

A. Review of Audit Engagements

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of two issuers. The scope of this review was determined according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the scope.

The inspection team identified what it considered to be audit deficiencies. Those deficiencies included failures by the Firm to identify or appropriately address errors in the issuer's application of GAAP, including, in some cases, errors that appeared likely to be material to the issuer's financial statements. In addition, the deficiencies included failures by the Firm to perform, or to perform sufficiently, certain necessary audit procedures.

In some cases, an inspection team's observation that a firm failed to perform a procedure may be based on the absence of documentation and the absence of persuasive other evidence, even if a firm claims to have performed the procedure. PCAOB Auditing Standard No. 3, *Audit Documentation* ("AS No. 3"), provides that, in various circumstances including PCAOB inspections, a firm that has not adequately documented that it performed a procedure, obtained evidence, or reached an appropriate conclusion must demonstrate with persuasive other evidence that it did so, and that oral assertions and explanations alone do not constitute persuasive other evidence. See AS No. 3, paragraph 9 and Appendix A to AS No. 3, paragraph A28. For purposes of the inspection, an observation that the Firm did not perform a

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Financial Reporting That Is Integrated with An Audit of Financial Statements ("AS No. 5"), ¶ 98.

procedure, obtain evidence, or reach an appropriate conclusion may be based on the absence of such documentation and the absence of persuasive other evidence.

The deficiencies identified in one of the audits reviewed included deficiencies of such significance that it appeared to the inspection team that the Firm, at the time it issued its audit report, had not obtained sufficient competent evidential matter to support its opinion on the issuer's financial statements. Those deficiencies were –

(1) the Firm's failure to identify, or to address appropriately, a departure from GAAP that related to a potentially material omission from the audited financial statements concerning the disclosure of the conversion feature of a note payable;

(2) the failure to perform sufficient audit procedures to evaluate the accounting for a note payable; and

(3) the failure to perform sufficient audit procedures related to purchase consideration in a reverse acquisition transaction.

One of the deficiencies described above related to auditing an aspect of an issuer's financial statements to which the issuer added financial statement disclosure subsequent to the primary inspection procedures.[9/]

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on specific audits, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. Any defects in, or criticisms of, the Firm's quality control system are discussed in the nonpublic portion of this report and will remain nonpublic unless the Firm fails to address them to the Board's satisfaction within 12 months of the date of this report.

END OF PART I

[9/] The Board inspection process did not include review of any additional audit work related to the financial statement disclosure.

PORTIONS OF THE REST OF THIS REPORT ARE NONPUBLIC AND ARE OMITTED FROM THIS PUBLIC DOCUMENT

PART II

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B. Issues Related to Quality Controls

The inspection of the Firm included consideration of aspects of the Firm's system of quality control. Assessment of a firm's quality control system rests both on review of a firm's stated quality control policies and procedures and on inferences that can be drawn from respects in which a firm's system has failed to assure quality in the actual performance of engagements.[10/] On the basis of the information reported by the inspection team, the Board has the following concerns about aspects of the Firm's system of quality control.

Audit Performance

A firm's system of quality control should provide reasonable assurance that the work performed on an audit engagement will meet applicable professional standards and regulatory requirements. On the basis of the information reported by the inspection team, including the audit performance deficiencies described in Part II.A (and summarized in Part I.A) and any other deficiencies identified below, the Board has concerns that the Firm's system of quality control fails to provide such reasonable assurance in at least the following respects –

Testing Appropriate to the Audit

The Firm's system of quality control appears not to provide sufficient assurance that the Firm will conduct all testing appropriate to a particular audit, specifically with respect to the following issues:

[10/] A firm's failure to comply with the requirements of PCAOB standards when performing an audit may be an indication of a potentially significant defect in a firm's quality control system even if that failure did not result in an insufficiently supported audit opinion.

(i) Convertible Notes Payable

As discussed above, in one of the audits reviewed, the inspection team identified a significant deficiency related to the Firm's failure to identify, or to address appropriately, a departure from GAAP that related to a potentially material misstatement in the audited financial statements concerning disclosure of the conversion feature of a note payable. In addition, as discussed above, in one of the audits reviewed, the inspection team identified a significant deficiency related to the Firm's auditing of the accounting for a convertible note payable. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing convertible notes payable. [Issuer A]

(ii) Purchase Consideration in a Reverse Acquisition Transaction

As discussed above, in one of the audits reviewed, the inspection team identified a significant deficiency related to the Firm's auditing of the value assigned to common stock in a reverse acquisition transaction. This information provides cause for concern regarding the Firm's quality control policies and procedures related to auditing values assigned to stock in business combinations. [Issuer A]

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PART IV

RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Firm provided a written response to a draft of this report. Pursuant to section 104(f) of the Act and PCAOB Rule 4007(b), the Firm's response, minus any portion granted confidential treatment, is attached hereto and made part of this final inspection report.[11/]

[11/] In any version of an inspection report that the Board makes publicly available, any portions of a firm's response that address nonpublic portions of the report are omitted. In some cases, the result may be that none of a firm's response is made publicly available.

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February 7, 2012

Helen A. Munter
Director
Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006

Re: Berman, Hopkins, Wright & LaHam, CPAs and Associates, LLP
Response to Draft Report on 2011 Inspection

Dear Ms. Munter:

We are pleased to provide our response on the Public Company Accounting Oversight Board's (PCAOB or the "Board") Draft Report of the 2011 Inspection.

We are supportive of the inspection process and believe the Board's comments assist in the achievement of our shared objective of improving audit quality. We continually monitor the systems and processes for our audit practice, including quality control, and make changes to methodologies, policies and procedures when we identify improvements that could enhance audit quality. Therefore, we have thoroughly considered the Board's comments addressed in the Draft Report, and have to respectfully disagree with some of those findings. We are addressing those issues here, delineated between sections.

I) <u>Responses to Part IA- Inspection Procedures and Certain Observations and IIA - Detailed Discussion of Inspection Results</u>

(1) In response to the Firm's "failure to identify or to address appropriately , a departure from GAAP that related to a potentially material omission....concerning the disclosure of a convertible note payable."

and

(2) "the failure to perform sufficient audit procedures related to a note payable" (related to (1) above) are addressed together herein.

Our Firm's work-papers, section 500, clearly reflect the Debt itself as a significant audit area in relation to our planning materiality established of $29,000 and was further identified as a low Risk of Material Misstatement ("RMM") at section 562. ASC 470-20 states that a beneficial conversion feature shall be measured using the commitment date stock price, but shall not be recognized into earnings until the contingency is resolved. The debt instrument (article 3, section 3.2(k)), which was part of our work-papers clearly states that "in no event shall the Holder be entitled to convert...into that number of shares, which when added to the sum of the number of shares of Common Stock beneficially owned by the Holder, would not exceed 4.99% of the number of shares of Common Stock outstanding on the conversion date..."

The debt Holder owned much more than 4.99% of the company at the commitment date alone. Therefore, there was no way the contingency could not be resolved from the outset of the debt agreement. The support for this was evidenced in the equity and debt sections of the audit work-papers.

As to the materiality of the conversion feature, the work-papers documented the following:

1) The Company is a going concern as noted in the audit opinion and financial statements,
2) The conversion contingency could not be met, as noted above, and
3) The closest stock price value to the commitment date was documented in the audit work-papers as $.0077 and the document stated a conversion price of no less than $.01, which would mean the conversion feature was underwater. ASC 470-20-30-3 and -6 state that the conversion feature be initially measured at its intrinsic value, defined as the difference between the most favorable conversion price, $.01 and the fair value of common stock at commitment date, $.0077.

Hence, the value of the conversion feature is $0 as documented in the work-papers and therefore not material for financial statement purposes or disclosure purposes.

(2) In response to "the failure to perform sufficient audit procedures related to purchase considerations in a reverse acquisition transaction."

The Firm's spends a considerable amount of time documenting planning and risk determinations to perform its audits. The Firm documented its determination in section 500 of the engagements work-papers. It is the Company's responsibility to decide on the methodology to determine the fair value of the transaction and the Firm's to evaluate the reasonableness of that methodology. The Firm's work-papers reflect evaluation of differing transactions at differing values including the $.0077 used by the Company and is reflected in the audit documentation. The fair value to be use per GAAP should be that of the "Old Company" and not the "New Company".

The Company therefore used $.0077 as the closest value attributable to the "Old Company" as noted in the audit documentation. The other values used in other transactions all related to the "New Company" and were therefore not used.

As to the comment in the draft report about "One of the deficiencies described above related to auditing an aspect of an issuers financial statements to which the issuer added financial statement disclosure subsequent to the primary inspection procedures", is the first time this has been brought to our attention and was not presented to us during or subsequent to the inspection period as an issue. There is not enough evidence or details stated here for us to respond to. We respectfully object to it being included here without sufficient notification that it is an issue nor time to appropriately respond to.

II) Responses to IIB - Issues Related to Quality Control Standards

As noted in our responses to Section IA and IIA, the Firm continues to support its position that the Firm's Quality Control Procedures assure adequate documentation of audit evidence. As documented in our risk assessments in our planning sections of the engagement, review processes indicated by comments and applicable signatures and sign-offs that clearly document planning and monitoring of engagements and that the documentation clearly demonstrates a relation to audit risk, materiality and the procedures reflected in the engagement documentation, specifically with regards to the convertible notes (i) and purchase consideration in a reverse acquisition transaction (ii).

Based upon the work documented in the audit work-papers, as noted above, the potential effects of these issues in no way materially effect the issuers financial statements or the Firm's audit report.

We appreciate the opportunity to provide our responses to the Draft Report and look forward to continuing to work with the PCAOB in support of efforts to improve audit quality. We are available to the Board and its staff to discuss our response in further detail.

Sincerely,

Steven Wm. Bierbrunner, CPA, MST
Partner