

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 58624 / September 23, 2008

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 2883 / September 23, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-13231

In the Matter of

NORMAN STUMACHER, CPA,

Respondent.

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

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Norman Stumacher, CPA (“Respondent” or “Stumacher”) pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(ii) and (iii) of the Commission’s Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the

¹ Rule 102(e)(1)(ii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have engaged in unethical or improper professional conduct.

Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found . . . to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds² that:

A. SUMMARY

Video Without Boundaries, Inc. ("Video"), a consumer electronics company based in Fort Lauderdale, Florida, recorded fictitious revenue and assets at the direction of its sole officer and director through a number of accounting schemes, including improper revenue recognition, in violation of generally accepted accounting principles ("GAAP"). Stumacher audited Video's 2002 and 2003 annual financial statements and issued audit reports containing unqualified audit opinions, representing that the financial statements were presented in conformity with GAAP and that he conducted his audits in accordance with generally accepted auditing standards ("GAAS"). These representations were false because Video's financial statements contained numerous departures from GAAP that materially overstated Video's revenues and understated its net losses. Moreover, contrary to Stumacher's audit reports, his audits were not conducted in accordance with GAAS because he utterly failed to comply with professional standards related to field work and general standards in the performance of his audits. Stumacher thereby violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder and engaged in improper professional conduct within the meaning of Rule 102(e).

B. RESPONDENT

Norman Stumacher, CPA, age 81, of Bellmore, New York, is a certified public accountant licensed in New York since 1965. Since 1990, Stumacher has done business as a sole proprietor. Stumacher served as Video's auditor from April 2001 to February 2005.

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

C. OTHER RELEVANT ENTITY

Video was incorporated in 1999 and operates in the consumer electronics market. Since 1999, Video's common stock has been registered with the Commission pursuant to Section 12(g) of the Exchange Act. Video changed its name to MediaREADY, Inc. in September 2006 and, in March 2008, again changed its name to China Logistics Group, Inc.

D. FACTS

1. Video's Fraudulent Accounting Practices

a. Video, at the direction of its sole officer and director, engaged in fraudulent accounting practices that included improper revenue recognition and recording false entries in its annual financial statements for 2002 and 2003.

b. In May 2002, Video signed a contract to provide services to an entertainment company, Cornerstone Entertainment Inc. ("Cornerstone"), in exchange for shares of Cornerstone stock. Although Video received the shares of Cornerstone stock, Video never provided any services to Cornerstone because, shortly thereafter, Cornerstone went out of business. Notwithstanding its representation in its financial statements that "[s]ervice revenue is recognized when services are performed," nearly all of the revenue Video reported in its Form 10-KSB for fiscal year 2002 – \$325,000 of approximately \$331,000 – was based on its improper recognition of services it never provided to Cornerstone.

c. Moreover, although Cornerstone went out of business, Video recorded the Cornerstone stock as an investment (which it valued at approximately \$211,000) in its annual financial statements for 2002. Video even reported a fictitious stock dividend of Cornerstone shares to Video shareholders (which it valued at approximately \$114,000) in its annual financial statements for 2002 and 2003.

d. Commencing in 2003, Video had an informal arrangement with one of its distributors under which Video could ship its products to the distributor's warehouse but the distributor was not obligated to pay for them until it sold them to third party customers. Video used this arrangement to inflate its revenue in 2003. Specifically, in its 2003 Form 10-KSB, nearly all of Video's reported revenue – \$189,000 of about \$191,000 – was based on Video's purported sales to the distributor. In fact, Video did not sell any merchandise to the distributor in 2003, and overstated revenue by fraudulently recognizing the products shipped as sold.

e. As a result of Video's fraudulent accounting practices, Video filed Forms 10-KSB for fiscal years 2002 and 2003 that materially overstated Video's revenues and understated net losses. Video restated its financial statements for the year ended December 31, 2002 in June 2005 and again in September 2005. Video restated its financial statements for the year ended December 31, 2003 in September 2005. Based on the restatements, Video's revenues, net losses, and total assets for fiscal year 2002 were misstated by over 5000%, 12%, and 276%,

respectively. Based on the restatements, Video's revenues, net losses, and total assets for fiscal year 2003 were misstated by over 10,000%, 33%, and 68%, respectively.

2. Stumacher's Failures in Connection With Video's 2002 and 2003 Audits

a. While conducting audits of Video's financial statements for fiscal years 2002 and 2003, Stumacher failed to comply with professional standards related to field work, including standards related to evidential matter, audit risk and materiality, consideration of fraud, analytical procedures and documentation, and general standards, including due professional care in the performance of the audits.

b. Under the professional standards related to field work, Stumacher failed to consider audit risk, fraud, and materiality when planning and performing the audits of Video's financial statements. Stumacher did not develop nor document any audit procedures to assess audit risk. He failed to consider adequately audit risk or identify significant business risks or unusual reporting issues.

c. Additionally, in performing his field work, Stumacher was required to obtain corroborating evidential matter to support the accounting information Video provided. However, Stumacher failed to review any corroborating evidential matter, other than the Cornerstone agreement provided to him by Video's management. He made no other efforts to obtain or review any corroborating evidential matter concerning that agreement, the value of the Cornerstone stock, or the 2003 recorded sales to the distributor.

d. Among other failures related to the auditing standards of field work, Stumacher failed to verify or perform any tests on any of the account balances in the general ledgers, failed to perform any procedures to identify related party transactions, and failed to perform any analytical procedures.

e. Stumacher also failed to prepare and maintain audit documentation to support his audit conclusions or to show a reasonable basis for his audit reports containing unqualified opinions on Video's 2002 and 2003 financial statements. Stumacher failed to create any audit programs, worksheets, schedules or analyses, planning or other memoranda, engagement or management representation letters, or documents reflecting that he observed auditing standards.

f. Contrary to Stumacher's audit reports containing unqualified audit opinions on Video's 2002 and 2003 annual financial statements, his audits were not conducted in accordance with GAAS and Video's financial statements were not presented in conformity with GAAP.

3. Violations

a. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit a person, in connection with the purchase or sale of a security, from making an untrue statement of a material fact or from omitting to state a material fact necessary to make statements made, in light

of the circumstances under which they were made, not misleading. An auditor violates Section 10(b) of the Exchange Act and Rule 10b-5 thereunder if he prepares and certifies publicly-filed financial statements that he knows, or is reckless in not knowing, are false. *Ponce v. SEC*, 345 F.3d 722, 729-30 (9th Cir. 2003); *Anixter v. Home-Stake Prod. Co.*, 77 F.3d 1215, 1225-27 (10th Cir. 1996). Auditors also violate these provisions by issuing a false audit report. *McGann v. Ernst & Young*, 102 F.3d 390, 397 (9th Cir. 1996); *Ponce*, 345 F.3d at 731 (auditors violated Section 10(b) and Rule 10b-5 by issuing a false audit report).

b. Stumacher willfully violated these antifraud provisions by issuing audit reports, in connection with Video's 2002 and 2003 annual financial statements, which falsely stated that Video's financial statements were presented in conformity with GAAP and that his audits were conducted in accordance with GAAS.

4. Findings

a. Based on the foregoing, the Commission finds that Stumacher engaged in improper professional conduct pursuant to Rule 102(e)(1)(ii) of the Commission's Rules of Practice.

b. Based on the foregoing, the Commission finds that Stumacher willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Stumacher's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Stumacher shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder;

B. Stumacher is denied the privilege of appearing or practicing before the Commission as an accountant.

By the Commission.

Florence E. Harmon
Acting Secretary