

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 62666 / August 9, 2010

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3171 / August 9, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-13997

In the Matter of

**DOHAN + COMPANY CPAs,
STEVEN H. DOHAN, CPA,
NANCY L. BROWN, CPA, and
EREZ BAHAR, CA,**

Respondents.

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

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative proceedings be, and hereby are, instituted against Dohan + Company CPAs (“Dohan + Co.”), Steven H. Dohan, CPA (“Dohan”), Nancy L. Brown, CPA (“Brown”), and Erez Bahar, CA (“Bahar”) (collectively, “Respondents”) pursuant to Section 4C¹ of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(ii) of the Commission’s Rules of Practice to determine whether Respondents engaged in improper professional conduct.²

¹ Section 4C provides, in relevant part, that: “The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others . . . (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations thereunder.”

² 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.”

II.

After an investigation, the Division of Enforcement and the Office of the Chief Accountant allege that:

A. SUMMARY

1. These proceedings arise out of Respondents' improper professional conduct during their audit of International Commercial Television, Inc.'s ("ICTV") 2007 financial statements. During fiscal year 2007, ICTV improperly recognized revenue and incorrectly recorded product returns, resulting in a material overstatement of revenue and net income. Respondents' audit of ICTV's 2007 financial statements recklessly failed to comply with numerous Public Company Accounting Oversight Board ("PCAOB") auditing standards. These included failing to demonstrate the required level of proficiency, failing to exercise due care and professional skepticism, failing to obtain sufficient evidential matter, and failing to plan and supervise the audit staff. As a result, Respondents Dohan, Brown, and Bahar caused Respondent Dohan + Co. to issue an unqualified audit report for ICTV's 2007 Form 10-K/SB that falsely stated that the audit had been conducted in accordance with the PCAOB's auditing standards and that ICTV's financial statements were fairly reported in conformity with Generally Accepted Accounting Principles ("GAAP"). Respondents' conduct, as further described below, constituted improper professional conduct within the meaning of Rule 102(e)(1)(ii) and (iv) and Section 4C of the Exchange Act.

B. RESPONDENTS

2. **Dohan + Company CPAs** is an accounting and auditing firm based in Miami, Florida. The firm provides services to public companies registered with the Commission and has been registered with the PCAOB since October 2003. The firm conducted audits of ICTV's financial statements for the years ended 2004, 2005, 2006, and 2007. As auditor, Dohan + Co. opined that ICTV's financial statements were prepared in conformity with GAAP and that Dohan + Co. had conducted audits in accordance with the PCAOB's standards.

3. **Steven H. Dohan**, CPA, age 62, is a resident of Miami, Florida. Dohan is the founder and managing director of Dohan + Co. and was the concurring partner on the ICTV audits and quarterly reviews during the relevant period. Dohan is a Certified Public Accountant licensed in Florida.

4. **Nancy L. Brown**, CPA, age 58, is a resident of Miami, Florida. Until recently, Brown was a director at Dohan + Co. and was the engagement partner on the ICTV audits and quarterly reviews during the relevant period. Brown is a Certified Public Accountant licensed in Florida.

5. **Erez Bahar**, CA, age 32, is a resident of Vancouver, Canada. Bahar is a principal at Davidson & Company, LLP ("Davidson") and was the manager on the field work performed by Davidson on the ICTV audits and quarterly reviews during the relevant period. Bahar holds an active Chartered Accountant designation issued in 2004 in British Columbia, Canada.

C. RELATED PARTIES

6. **International Commercial Television, Inc.** is a Nevada corporation headquartered in Bainbridge Island, Washington. Founded in 2001, the Company sells health and beauty products internationally via infomercials and through various televised shopping networks. ICTV's common stock is registered under Section 12(g) of the Exchange Act and is quoted on the Pink Sheets under the symbol "ICTL."

7. **Davidson & Company, LLP** is an accounting and auditing firm based in Vancouver, Canada. Davidson performed the field work for Dohan + Co. on the ICTV audits and quarterly reviews during the relevant period. The firm has been registered with the PCAOB since December 2003.

D. FACTS

ICTV's Improper Revenue Recognition

8. ICTV is a marketer of consumer retail goods, specializing in "fountain of youth" health and beauty products it owns or holds the right to sell. ICTV's best-selling product is the Derma Wand, a skin care appliance that purportedly "reduces fine lines and wrinkles and improves overall skin appearance."

9. ICTV sells product through two main channels: (1) direct sales to end users via infomercials produced by ICTV ("direct sales"), and (2) distribution through third-party distributors for sell-through to end users. ICTV's distributors include televised shopping networks such as the Home Shopping Network ("HSN").

10. Over a six-quarter period from early 2007 and continuing into 2008, ICTV improperly recognized revenue on sales through HSN. In addition, ICTV failed to properly record revenue, and estimate and account for returns, for product sold through its direct sales channels.

11. ICTV began selling product through HSN in 2007, predominantly through a "drop-ship" contract entered into between ICTV and HSN in or about May 2007. Under the drop-ship contract, HSN did not purchase the product itself, but instead facilitated sales to HSN's customers (*i.e.*, the end users). Generally, HSN sent ICTV written requests to pre-order product that would be sold during future HSN television broadcasts. ICTV retained title to the product until HSN sold the product on-air to its customers and the product was shipped to the end users. HSN did not guarantee the purchase of any product, and any unsold product remained under the ownership of ICTV. The contract also allowed HSN to return any product from its customers up to 60 days after delivery to the customer.³

³ ICTV also sold product directly to HSN under the terms of a separate, "traditional" contract, in which HSN issued a purchase order, retrieved the product, sold the product to end users, and paid ICTV after the sell-through. However, only the first HSN sale was made per the terms of the traditional contract. All other sales were made per the drop-ship arrangement.

12. Despite these contractual provisions governing sell-through and right of return, ICTV recognized revenue in most cases upon HSN's order of the product, before HSN sold through to its customers and before the right of return expired. In some instances, ICTV also recognized revenue without a corresponding written request from HSN. In those cases, ICTV booked HSN sales upon alleged confirmation from its third-party fulfillment warehouse that product had been physically segregated for HSN's use.

13. ICTV failed to ensure that HSN sold through the units booked by the end of the quarter, resulting in a mounting accounts receivable balance with each successive HSN order. This accounting treatment violated multiple revenue recognition criteria under Generally Accepted Accounting Principles ("GAAP").

14. In addition to prematurely recognizing revenue on sales through HSN, ICTV also booked revenue in 2007 on a product that failed an HSN quality control inspection and was never sold through HSN. The purported sale remained on ICTV's books through the 2007 audit and was not reversed until ICTV issued a restated Form 10-K/SB in March 2009.

15. In total, ICTV booked seven HSN sales in 2007 totaling \$2.8 million. This figure was reported in ICTV's trial balance and ultimately reported by ICTV in its 2007 Form 10-K. Respondents' working papers allege that the auditors tested the HSN sales and traced certain of the sales to ICTV's sales journal, which in turn showed the amount that ICTV booked as revenue. A list of each HSN sale recognized for 2007 is attached hereto as Appendix A.

16. Each HSN sale set forth in Appendix A was improperly recognized, resulting in a material overstatement of revenue for ICTV's fiscal 2007.

17. ICTV also failed to properly record revenue on its direct sales. ICTV provided its direct sales customers a 30-day free trial period whereby the customer could try the ordered product prior to purchase, and billed customers upon expiration of the 30-day period. Despite this provision, ICTV recognized revenue upon shipment of the product, and before expiration of the trial period, in violation of GAAP. ICTV also failed to properly estimate and record product returns on direct sales.

18. Over the course of the six-quarter period, ICTV filed periodic reports with the Commission on Forms 10-Q and 10-K. As a result of the improper accounting discussed above, ICTV reported materially inflated revenue and net income to investors and to the Commission. Investors determining whether to buy or sell ICTV stock were thus basing their decisions on false information about ICTV's financial performance.

ICTV's Restatement

19. In October 2008, ICTV announced that it intended to restate its financial statements for the fiscal year ended 2007 and the first two quarters of 2008 as a result of improper revenue recognition. ICTV filed its restated Form 10-K/A for fiscal year 2007 on March 31, 2009. The restatement resulted in a \$1.4 million reduction in 2007 revenue related to the HSN errors, and an \$840,000 reduction in 2007 revenue related to the failure to properly record direct sales returns.

20. In March 2010, ICTV’s new outside auditors uncovered additional revenue recognition errors and ICTV reported that it intended to restate its previously-restated financial statements for the fiscal year ended 2007 and the first two quarters of 2008. In April 2010, ICTV again restated its financial statements for the fiscal year ended 2007. The restatement included an additional \$550,000 revenue reduction related to the premature recognition of direct sales revenue prior to expiration of a free trial period.

21. The chart below shows that the errors were material to ICTV’s financial statements:

Period	Previously Reported Net Income	Restated Net Income (Loss)	Reduction to Reported Net Income
FY 2007	\$1,475,775	(\$1,081,988)	(\$2,557,763)
1Q 2008	\$109,980	(\$164,773)	(\$274,753)
2Q 2008	\$260,298	(\$862,399)	(\$1,122,697)

Applicable Revenue Recognition Principles and Guidance

22. The basic principles of revenue recognition under GAAP provide that revenue must be realized or realizable and earned before it can be recognized. SEC Staff Accounting Bulletin (“SAB”) No. 101, *Revenue Recognition in Financial Statements* (as superseded in part by SAB No. 104, *Revenue Recognition*), reflects these basic principles of revenue recognition and provides guidance in the application of GAAP with respect to recognizing revenue. SAB 101 sets forth four criteria that must be considered when determining whether revenue has been realized or realizable and earned. Specifically, revenue generally may be recognized when persuasive evidence of an arrangement exists, delivery has occurred, the seller’s price is fixed or determinable, and collectibility is reasonably assured.

23. GAAP also provides that, when a right of return exists, revenue can be recognized at the time of sale only if all of the following conditions are met: (1) the seller’s price is substantially fixed or determinable at the date of sale; (2) the buyer has paid, or the buyer is obligated to pay and the obligation is not contingent on resale of the product; (3) the buyer’s obligation would not be changed in the event of theft, physical destruction, or damage of the product; (4) the buyer acquiring the product for resale has economic substance apart from that provided by the seller; (5) the seller does not have significant obligations for future performance to directly bring about resale of the product by the buyer; and (6) the amount of future returns can be reasonably estimated. Statement of Financial Accounting Standards No. 48, *Revenue Recognition When Right of Return Exists*.

Respondents’ Deficient 2007 Audit

Background

24. Dohan + Co. issued the audit report filed with ICTV’s 2007 financial statements and reviewed ICTV’s quarterly statements during 2007 through the second quarter of 2008.

25. Dohan + Co. contracted with Davidson to provide an audit manager and senior accountant to perform the field work at ICTV. Dohan + Co. and Davidson had worked together in a similar arrangement on several other engagements. Under PCAOB auditing standards, the staff sharing arrangement between Dohan + Co. and Davidson was subject to the supervision rules and responsibilities set forth in AICPA Codification of Statements on Auditing Standards (as adopted and amended by the PCAOB) (“AU”) § 311, *Planning and Supervision*.

26. Dohan + Co. reviewed the Davidson working papers and satisfied itself with both the quality and the amount of work performed by Davidson. The firm also made the decision to adopt the Davidson working papers, with little modification, and performed few additional substantive procedures.

27. The audit team for the 2007 ICTV audit primarily consisted of Brown, the engagement partner; Dohan, the concurring partner; Bahar, the audit manager; and a senior accountant who conducted all substantive audit procedures and field work (the “Senior Accountant”). The Senior Accountant conducted the onsite work for the audit over a two-to-three day period in March 2008. Bahar’s responsibilities included planning the audit, supervising the onsite work and reviewing any work performed by the Senior Accountant. Brown’s responsibilities included the overall planning and supervision of the audit. Dohan’s responsibilities included providing an objective review of the audit and the financial statements that were the subject of the report.

The Auditors’ Working Papers

28. On their face, the year-end 2007 audit working papers reveal that Respondents knew of an agreement between ICTV and HSN that claimed to contribute to a 280% increase in revenue over fiscal year-end 2006. The revenue lead sheet stated:

The Company is also now using the Home Shopping Network for sales in the US market. HSN buys product from the Company (DermaWand and CellRX so far) and features the product on various shows. The Company records the sales once HSN has placed the order and the order has been shipped. HSN does not pay until they have sold the products. This process sometimes takes a few months as HSN will pre-order for future shows.

29. A similar notation appeared on the accounts receivable lead sheet:

HSN buys a certain amount of product from the Company prior to showing the infomercials. The Company records the sale at this time. HSN pays the Company once the product has actually been sold.

30. The year-end 2007 audit working papers also documented that the HSN relationship was a new and material development in ICTV’s business. An analytical review worksheet highlighted a 280% increase in ICTV’s annual sales revenue, from \$3 million in 2006 to \$11.3 million in 2007 due to “an agreement with the Home Shopping Network during the year to sell the Company’s product.” The worksheet also reported a 414% increase to accounts receivable, from \$555,000 in 2006 to \$2.9 million in 2007, as a result of increased sales. The material increase in ICTV’s revenue, ICTV’s new relationship with HSN, the contingent payment terms associated

with that relationship, and Respondents' knowledge of ICTV's deficient internal controls, among other factors, required Respondents to apply heightened scrutiny to the ICTV audit.

Audit Failures by Bahar, Brown, Dohan, and Dohan + Co.

31. Bahar and Brown both reviewed and signed off on the working papers. Dohan, before signing off on the audit, reviewed the majority of the working papers, including the revenue, accounts receivable, and analytical review working papers. Thus, Bahar, Brown, Dohan, and Dohan + Co. each knew of certain terms of ICTV's arrangement with HSN, including that HSN did not pay ICTV until it sold the product to end users. This should have alerted Respondents that ICTV's revenue recognition practices did not comply with GAAP.

32. Indeed, Dohan understood at the time of the audit that the sell-through of ICTV's product by HSN presented a revenue recognition issue under SAB 101, but failed to research the issue at the time of his review nor direct any other member of the audit team to research the issue.

33. Despite knowledge of the above, Respondents recklessly, highly unreasonably, and/or unreasonably failed to properly audit ICTV's revenue recognition practices. For example, Bahar, Brown, Dohan, and Dohan + Co. failed to obtain a copy of the applicable agreement between ICTV and HSN. Bahar knew that ICTV had a "business arrangement" with HSN to sell product, and was aware that the working papers stated that ICTV entered into an "agreement" with HSN. Brown knew that there was an agreement between ICTV and HSN to sell ICTV's product. Dohan knew that ICTV's revenue and accounts receivable had increased "dramatically" in 2007 as a result of an agreement entered into with HSN. Yet, Bahar, Brown, Dohan, and Dohan + Co. each failed to inquire as to the existence of any written agreement and failed to obtain a copy of any written agreement. Respondents' failure to inquire about the terms of the applicable ICTV agreement with HSN, to obtain a copy of the agreement, or to adequately understand the nature of ICTV's relationship with HSN was an extreme departure from professional standards. Because of these failures, Bahar, Brown, Dohan, and Dohan + Co. failed to recognize that under the HSN drop-ship agreement, no sale occurred, and revenue should not have been recognized, until the product was sold to end users.

34. Respondents also failed to issue audit confirmations to confirm ICTV's accounts receivable and inventory, or perform adequate alternative procedures. Bahar, Brown, Dohan, and Dohan + Co. knew that their own audit program called for the confirmations of receivables and inventory. Had confirmations been sent and received by the auditors, Respondents could have learned that the sales and inventory levels reported by ICTV were not supported.

35. Bahar, Brown, and Dohan + Co. also neglected to perform other audit procedures dictated by the audit program. For example, the audit program required the auditors to review and attend physical inventory counts. This step was marked "NA" in the working papers, indicating that it was not performed. The audit program also recommended that the auditors consider extended procedures to confirm sales terms and conditions with customers; this step was marked "NA" as well. Dohan knew that these procedures were not performed.

36. The working papers also contain a number of internal inconsistencies that should have been resolved by Respondents. For instance, although the revenue and accounts receivable lead sheets described how HSN did not pay ICTV until sell-through, which sometimes took “a few months,” the working papers elsewhere indicated that there were no “unusual or long payment terms” or “buyer conditions which must be met in order to complete the sale.” In addition, the revenue working papers reported that cash had been received for a \$990,000 sale to HSN on December 21, 2007, while the accounts receivable working papers reported the \$990,000 balance as still outstanding. Bahar, Brown, Dohan, and Dohan + Co. failed to reconcile any of these inconsistencies during their review of the working papers.

37. Bahar, Brown, and Dohan + Co. also failed to properly audit ICTV’s stated revenue and returns for direct consumer sales. The working papers do not reflect that the audit team considered ICTV’s revenue recognition practices for such sales in light of the 30-day free trial period extended to direct sales customers. The working papers also do not show that the auditors performed any substantive testing of ICTV’s stated returns for direct sales, or that the auditors considered the impact of applicable GAAP guidance on estimating future returns for such sales. The auditors also failed to reconcile an inherent inconsistency between ICTV’s stated returns and its disclosed historical return rate for direct consumer sales.

*The Auditors Issue Unqualified Audit Reports on ICTV’s 2007 Financial Statements
Despite Numerous Audit Failures*

38. Despite these failures, Bahar, Brown, and Dohan caused Dohan + Co. to issue an unqualified audit report on ICTV’s 2007 financial statements, which falsely represented that the audit had been conducted in accordance with the PCAOB’s auditing standards and that ICTV’s financial statements were fairly reported in conformity with GAAP. The audit completion documents, which included a checklist and the auditors’ assessment that the audit was complete, reflect that Bahar, Brown, and Dohan were each satisfied with the work performed and signed off on the release of the audit report.

39. Respondents also conducted the audit and review work on ICTV’s restatement for the fiscal year ended 2007 and the first two quarters of 2008. In March 2009, Dohan + Co. issued an unqualified audit report on ICTV’s restated 2007 financial statements. The restatement working papers indicate that Bahar, Brown, and Dohan each reviewed the restated financial statements and signed off on the release of the audit report.

40. In September 2009, ICTV retained new auditors. The new auditors found additional revenue recognition errors and brought them to ICTV’s attention. Based upon this information, ICTV concluded that the restated 2007 financial statements needed to be restated. This additional restatement and information arising in connection with PCAOB inquiries further call into question Dohan + Co.’s competence under applicable PCAOB standards.

Respondents’ Improper Professional Conduct

41. The “applicable professional standards” for accountants practicing before the Commission include the PCAOB auditing standards.

42. PCAOB auditing standards require that the auditor be proficient in accounting matters and that the “auditor with final responsibility for the engagement should know, at a minimum, the relevant professional accounting and auditing standards and should be knowledgeable about the client.” AU § 230.06, *Due Professional Care in the Performance of Work*; see also AU § 210, *Training and Proficiency of the Auditor*. AU Section 230 also requires an auditor to exercise due professional care and professional skepticism, which includes demonstrating a questioning mind and a critical assessment of audit evidence.

43. PCAOB auditing standards require that “competent evidential matter . . . be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.” AU § 326.01, *Evidential Matter*. This “includes both written and electronic information such as . . . contracts.” AU § 326.17. The auditor is also to send out audit confirmations. AU § 330, *The Confirmation Process*.

44. Auditors must adequately plan, staff, and supervise the audit. See AU §§ 150.02, *Generally Accepted Auditing Standards*; 210.01; 230.06; 311.01 *et seq.*, *Planning and Supervision*; 311.11 *et seq.* This includes “obtain[ing] a level of knowledge of the entity’s business that will enable” the auditor to understand transactions and practices that may have a significant effect on the financial statements. AU § 311.06.

45. Further, AU § 316, *Consideration of Fraud in a Financial Statement Audit*, requires the auditor to assess the risks of material misstatement due to fraud and to presume that revenue recognition is a fraud risk.

46. As audit manager, Bahar was responsible for supervising and reviewing documentation of field work performed. As the engagement partner, Brown had overall responsibility for the engagement to ensure that Dohan + Co.’s audit of ICTV’s 2007 financial statements was conducted in accordance with PCAOB auditing standards, including planning and supervising the audit and the review of field work. Dohan, as the concurring partner, knew that his role was to “give a fresh, clean look at a job, to provide a fresh set of eyes on the engagement, and to assist where necessary in making sure the engagement goes out to the best of the firm’s ability.”

47. Indeed, Dohan and Brown were already on notice that the PCAOB had identified material audit deficiencies with respect to many of the auditing standards discussed above, per an inspection of Dohan + Co. by the PCAOB prior to Respondents’ 2007 ICTV audit. As a result of that inspection, Dohan and Brown learned that the PCAOB found a number of deficiencies regarding the firm’s audits of other clients, including the failure to adequately test revenue and to obtain sufficient evidential matter, as well as deficiencies in Dohan + Co.’s quality control procedures, including concurring partner reviews.

48. During the 2007 ICTV audit, Respondents recklessly, highly unreasonably, and/or unreasonably departed from the PCAOB auditing standards in numerous instances, including in the manner further described below.

49. Respondents failed to demonstrate the required level of proficiency. Brown and Bahar were not aware of applicable GAAP guidance that prohibit revenue recognition if payment

of the related sales receivable was dependent upon sell-through by the customer. Although Dohan was aware of some of the applicable GAAP guidance, and knew that ICTV's revenue recognition practices potentially violated GAAP, he failed to conduct additional research or direct another member of the audit team to follow up.

50. Respondents failed to obtain sufficient evidential matter. Bahar, Brown, Dohan, and Dohan + Co. failed to understand, or obtain a copy of, ICTV's written contract with HSN, despite the fact that each knew that ICTV had an "agreement" or "business arrangement" with HSN to sell ICTV's product. In addition, Bahar, Brown, and Dohan each reviewed the working papers that expressly stated that ICTV's revenue had materially increased in 2007 due to an "agreement" with HSN.

51. Respondents failed to exercise due professional care and skepticism in the face of numerous red flags and inconsistencies. Bahar, Brown, Dohan, and Dohan + Co. never asked ICTV for a copy of any HSN agreement or documentation of the terms of the agreement. Brown, Bahar, and Dohan + Co. ignored or disregarded specific audit program steps regarding, among others, long payment terms, buyer conditions in the sale of product, the confirmation of significant accounts receivable, and the observation of physical inventory counts. Dohan, during his review, either agreed that such procedures were not necessary or failed to identify his fellow auditors' disregard for these auditing steps. Bahar, Brown, Dohan, and Dohan + Co. also failed to reconcile numerous inconsistencies during their review of the working papers.

52. Respondents failed to send out accounts receivable confirmations as required by the audit program or to ensure adequate alternative procedures. Further, Brown, Bahar, and Dohan + Co. knew that the audit program also recommended that they send out sales terms and conditions and inventory confirmations but elected not to do so. Dohan supported these decisions despite his belief that ICTV's revenue recognition practice with respect to HSN presented an issue under SAB 101 and with the knowledge that the audit program recommended these confirmations be sent.

53. Respondents failed to adequately plan, staff and supervise the audit. Bahar failed to adequately supervise the Senior Accountant during the course of the audit. Bahar was never onsite with the Senior Accountant during the field work. Had he done so, he might have discovered inconsistencies contained within the working papers, including that his staff claimed to have vouched HSN sales to alleged purchase orders that stated, "This is not a purchase order!" Bahar also never asked the Senior Accountant to review certain applicable GAAP requirements governing revenue recognition in connection with the audit. Brown never visited ICTV or the Davidson office, and relied upon Bahar to manage all of the field work. Dohan failed to ensure that Brown and Bahar were adequately proficient to conduct the audit.

54. Brown, Bahar, and Dohan + Co. failed to sufficiently understand ICTV's business to enable them to understand transactions that had a significant effect on ICTV's financial statements. Brown, Bahar, and Dohan + Co. failed to identify the impact of ICTV's 30-day free trial period, or applicable GAAP standards prohibiting revenue recognition prior to customer acceptance where a trial or evaluation period exists. The working papers also do not reflect that Brown, Bahar, or Dohan + Co. performed any substantive testing of ICTV's stated returns for direct sales, or that they considered the impact of applicable GAAP guidance on estimating future

returns for such sales. The auditors also failed to reconcile an inherent inconsistency between ICTV's stated returns and its disclosed historical return rate for direct consumer sales.

55. Finally, Respondents also failed to consider other Standards of Field Work contained in AU Section 300, including AU Section 316, *Consideration of Fraud in a Financial Statement Audit*; AU Section 329, *Analytical Procedures*; and AU Section 331, *Inventories*.

E. VIOLATIONS

As a result of the conduct described above, Respondents engaged in improper professional conduct as defined in Section 4C of the Exchange Act and Rule 102(e)(1)(ii) and (iv), in that their conduct constituted (A) intentional or knowing conduct, including reckless conduct, that resulted in violation of applicable professional standards, or in the alternative, (B) negligent conduct, consisting of (1) a single instance of highly unreasonable conduct that resulted in a violation of applicable professional standards in circumstances in which Respondents knew, or should have known, that heightened scrutiny was warranted, or (2) repeated instances of unreasonable conduct by Respondents, each resulting in a violation of applicable professional standards, that indicate a lack of competence to practice before the Commission.

III.

In view of the allegations made by the Division of Enforcement and the Office of the Chief Accountant, the Commission deems it necessary and appropriate that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate against Respondents pursuant to Rule 102(e) of the Commission's Rules of Practice, including, but not limited to, censure and/or denying, temporarily or permanently, the privilege of appearing or practicing before the Commission.

IV.

IT IS HEREBY ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice [17 C.F.R. § 201.110].

IT IS HEREBY FURTHER ORDERED that Respondents shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice [17 C.F.R. § 201.220].

If Respondents fail to file the directed Answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice [17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310].

This Order shall be served upon Respondents in accordance with the provisions of Rule 141 of the Commission's Rules of Practice [17 C.F.R. § 201.141].

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice [17 C.F.R. §201.360(a)(2)].

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Public Administrative Proceedings Pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice ("Order"), on the Respondents and their legal agents.

The attached Order has been sent to the following parties and other persons entitled to notice:

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Appendix A

Improperly Recognized 2007 HSN Sales By ICTV

DATE	AMOUNT	UNITS	PRODUCT
2/22/2007	\$89,050.50	1,799	Derma Wand
6/12/2007	\$198,049.50	4,001	Derma Wand
6/15/2007	\$297,000.00	6,000	Derma Wand
9/30/2007	\$1,028,362.50	20,775	Derma Wand
11/19/2007	\$93,598.25	3,499	Cell RX
12/21/2007	\$990,000.00	20,000	Derma Wand
12/26/2007	\$200,574.00	4,052	Derma Wand
TOTAL	\$2,896,634.75		