AP SUMMARY

SEC Charges National Energy Services Reunited Corp. with Financial Reporting, Accounting, and Controls Violations

ADMINISTRATIVE PROCEEDING
File No. 3-22037

Company to pay an additional springing penalty if it fails to remediate continuing controls deficiencies

August 28, 2024 - The Securities and Exchange Commission today announced settled charges against National Energy Services Reunited Corp. ("National Energy"), a former special purpose acquisition company in the oil and natural gas industry, with financial reporting, accounting, and controls failures that required a multi-year restatement of the company's prior financial statements.

According to the SEC's Order, National Energy had pervasive, systemic deficiencies in its accounting and controls, including the company's supply-chain, finance, and accounting functions, dating back to June 2018. Due to these failures, the SEC's Order finds that National Energy identified potentially significant accounting errors in March 2022, and publicly disclosed that the company's 2018, 2019, and 2020 annual financial statements should no longer be relied upon. The SEC's Order finds that National Energy failed to properly report its accounts payable, accrued liabilities, operating expenses, and certain private warrants during this period.

According to the SEC's Order, National Energy corrected these accounting errors in a multi-year restatement that primarily increased the company's accrued liabilities and cost of services, and significantly decreased net income, for the restated periods.

Additionally, National Energy disclosed numerous material weaknesses in internal control over financial reporting (ICFR), and ineffective disclosure controls and procedures (DCP), in the restatement. The SEC's Order finds that National Energy prepared a remediation plan during the restatement process, and began implementing the plan in March 2023. According to the SEC's Order, National Energy has made significant progress in its remediation plan, but the process is not complete, and the company's material weaknesses have not been fully remediated.

The SEC's Order finds that National Energy violated the financial reporting, accounting, and controls provisions of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Securities Exchange Act of 1934, and Rules 13a-1, 13a-15(a) - (c), and 13a-16 thereunder. Without admitting or denying the SEC's findings, National Energy has agreed to a cease-and-desist order that requires it to, among other things, pay a civil penalty of $400,000, and commit to certain undertakings, including a requirement to fully remediate the company's material weaknesses in ICFR and ineffective DCP within one year from the date of the SEC's Order. As set forth in the SEC's Order, if National Energy fails to satisfy the undertakings, the company is ordered to pay an additional civil penalty of $1.2 million.

The SEC's investigation was conducted by Christopher W. Ahart and Keith J. Hunter, and supervised by Jim Etri and B. David Fraser of the Fort Worth Regional Office.

Last Reviewed or Updated: Aug. 28, 2024

RESOURCES

- **Order - National Energy Services Reunited Corp.**