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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**SECURITIES AND EXCHANGE COMMISSION,** :  
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 :  
 **Plaintiff,** :  
 : **14 Civ. \_\_\_\_ (\_\_\_)**  
 **- against -** :  
 : **COMPLAINT**  
 **CHARLES A. BENNETT,** : **ECF Case**  
 :  
 **Defendant.** : **JURY TRIAL DEMANDED**  
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 :  
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Plaintiff Securities and Exchange Commission (the “Commission”) for its complaint against Charles A. Bennett (“Bennett” or “Defendant”), alleges as follows:

**SUMMARY OF ALLEGATIONS**

1. Since at least as early as 2008 and continuing through early November 2014, Bennett, a licensed attorney, orchestrated a Ponzi scheme through which he defrauded more than thirty individual and unsophisticated investors across the country—most of whom were his law clients, family members or friends—out of at least \$5 million.

2. Specifically, Bennett lured investors by offering them purported interests—none of which were registered with the Commission—in what he described as a pool of funds that

invested in joint venture opportunities with a certain family-owned investment fund based in Wyoming (the “Fund”), with whom he falsely claimed to have a long-standing relationship. Bennett told investors that these ventures would largely be investing in European real estate mortgage-backed securities or credit default swaps yielding lucrative rates of return ranging anywhere from 6 to 25 percent over short periods of time, and that other prominent individuals, such as a former Governor of New York (the “Former Governor”) and the principal owner of the Fund (the “Fund Principal”), were also participants in the joint ventures.

3. But the entire story was a sham. Although the Fund exists, Bennett, an acquaintance of the Fund Principal, never had any connection to it; nor did he ever invest any investor proceeds in any joint ventures associated with the Fund, or in any investments at all. Nor was Bennett engaged in any joint venture with the Former Governor or any other individuals, or engaged in any investment ventures whatsoever, even on his own account.

4. Instead, Bennett secretly misappropriated all of the approximately \$5 million he deceived investors into giving him. He did so, first, by simply spending that money on himself, including on vacations, expensive hotels and substantial cash withdrawals. Second, Bennett misappropriated his victims’ funds to perpetuate the scheme. Bennett purported to evidence victims’ payments to him by giving them short-term promissory notes (the “Notes”). Bennett would then use new payments from new or existing investors to make sham “interest” or “return” payments to the holders of the Notes, to mislead them into thinking they had made genuine investments—and then use that sham history of successful performance to persuade his victims to “roll” over their investments, give him additional money, and lure additional victims.

5. By mid-2014, Bennett's scheme began to collapse as investors' demands for the return of their principal outpaced his ability to obtain new funds. On or around November 4, 2014, Bennett wrote a lengthy hand-written note admitting to his fraudulent conduct, which he left in a Manhattan hotel room. He then jumped into the Hudson River and was later rescued by a law enforcement scuba diver.

### **VIOLATIONS**

6. By virtue of the conduct alleged herein, Bennett, directly or indirectly, has engaged, is engaging, and unless restrained and enjoined will continue to engage in acts, practices, schemes and courses of business that constitute violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

### **NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT**

7. The Commission brings this action pursuant to the authority conferred on it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking to permanently restrain and enjoin Bennett from engaging in the acts, practices, transactions and courses of business alleged herein, and for such other equitable relief as may be appropriate or necessary for the benefit of investors.

8. The Commission also seeks a final judgment ordering Bennett to disgorge his ill-gotten gains and pay prejudgment interest thereon, and ordering Bennett to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

## **JURISDICTION AND VENUE**

9. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa]. Defendant, directly or indirectly has made use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Some of these transactions, acts, practices and courses of business occurred in the Southern District of New York, where the Defendant resided and transacted business during the relevant period and where many of his victims reside.

## **DEFENDANT**

10. **Charles A. Bennett**, age 56, is a licensed attorney who lives in New York, New York. At various times between the 1980s and through approximately 2001, he worked as an associate in at least two prominent New York law firms and one prominent accounting firm. Bennett has been a solo legal practitioner since approximately 2001.

## **RELEVANT ENTITY AND INDIVIDUAL**

11. **The Fund** is a privately held limited liability company organized in or about 2001 under the laws of the State of Wyoming with its principal place of business in Jackson, Wyoming.

12. **The Fund Principal**, age 54, is a resident of Jackson, Wyoming. Along with his wife, he owns the Fund.

## FACTS

### **A. Background**

13. Bennett's law career began in the 1980s when he worked as an associate in the New York office of a prominent law firm, specializing in mergers and acquisitions. During that time he became acquainted with the Former Governor's now ex-wife, who also worked in mergers and acquisitions. He also became friendly with the Fund Principal.

14. Bennett left that law firm sometime in the 1980s and spent some time living in France before returning to work for the same firm. Later, Bennett worked at an accounting firm and at another Manhattan law firm until approximately 2001. Bennett is currently a solo legal practitioner in Manhattan.

15. Since they met at the law firm in the 1980s, Bennett and the Fund Principal have remained acquainted with one another. In or around 2000, the Fund Principal moved from New York to Wyoming and founded the Fund, a privately-held investment vehicle created to manage his and his wife's personal wealth. The Fund has never accepted money from any outside investors, including Bennett, and never invested in any joint ventures with Bennett.

16. Since 2000, Bennett has visited the Fund Principal in Wyoming at least three times, and obtained the Fund Principal's permission to stay in his vacation house in Long Island, New York on at least two separate occasions when the Fund Principal was not present.

### **B. Bennett's Scheme to Defraud Investors**

17. Starting in the mid- to late-2000s, Bennett began encountering difficulties keeping his law practice afloat. As bills mounted, Bennett started borrowing money from

friends, but later realized that he could keep funds for a longer time if he told individuals that their funds were being used to invest in highly lucrative ventures.

18. Beginning at least as early as 2009, and continuing through early November 2014, Bennett embarked on a Ponzi scheme to knowingly or recklessly defraud investors—mostly his friends, their family members, clients from his law practice, and his own family members—in order to fund his lifestyle.

19. Bennett’s fraudulent scheme followed a consistent and simple pattern that included his knowingly or recklessly making the following material misrepresentations and employing the following fraudulent devices:

- a. Bennett solicited funds from investors by falsely touting investment projects that he claimed were led by the Fund and the Fund Principal, and which purportedly focused on European real-estate mortgage-backed securities or credit default swaps with lucrative rates of return (the “Fund Ventures”);
- b. To bolster the credibility of his lies and the touted Fund Ventures, Bennett also falsely told investors that the Former Governor and his ex-wife were involved with or investing in the Fund Ventures;
- c. Bennett purported to evidence his victims’ investments in the Fund Ventures with Notes, which he falsely claimed were tied to the phony Fund Ventures;
- d. Bennett falsely reported to his victims that their purported interests in the Fund Ventures had yielded large returns, thereby inducing them into

“rolling” their principal and sometimes their “interest” over into new sham investments with the Fund and the Fund Principal—and thereby avoiding or delaying their demands for repayment;

- e. Bennett sent to at least some investors falsified documents containing the Fund logo (which he had misappropriated) purporting to be account statements prepared by and received from the Fund; and
- f. Bennett made payments to certain investors of purported “principal,” “interest” or “profit,” to mislead them into believing their payments to him were genuine and successful investments when, in reality, those payments were made from new funds he had received from other victims of his scheme.

20. At all times that Bennett engaged in the foregoing conduct and misrepresentations, he knew, or was reckless in not knowing, that (1) neither the Fund nor the Fund Principal was aware of Bennett’s representations to investors regarding the Fund, the Fund Principal or the Fund Ventures; (2) Bennett did not have any business relationship with the Fund, the Fund Principal, or the Former Governor, or permission from the Fund to make these representations to investors; (3) the Fund Ventures did not exist; and (4) he never made any investments into the Fund or anywhere else with his victims’ money—but rather spent that money on himself, or used it to pay some victims with the money obtained from other victims.

21. By employing the foregoing material misrepresentations and devices, Bennett, since as early as 2008, has raised at least \$5 million from at least 30 investors.

22. Among these victims is one of Bennett's immediate relatives, from whom he misappropriated at least \$20,000 in 2014, by knowingly or recklessly, and falsely, claiming he would invest it with the Fund Principal in the Fund Ventures, purportedly evidenced by a Note from Bennett. At various times, Bennett has obtained money from other close relatives using the same fraudulent representations. As he had with his other victims, Bennett spent that money on himself or paid it to other investors to perpetuate his Ponzi scheme. Some of the additional investors whom Bennett defrauded are more particularly described below.

**Investor A**

23. Investor A is a former bartender who currently works as a photographer in New York, New York. He is 50 years old and has been a friend of Bennett for approximately 30 years.

24. Investor A began "investing" with Bennett in approximately 2010, after Bennett falsely told Investor A that in exchange for his payments, he would receive Notes tied to the Fund Ventures, and that he would earn substantial returns from his purported investments. Bennett made these statements knowing they were false, or with reckless disregard for their truth or falsity. Over time, Investor A gave Bennett a total of over \$1 million.

25. Subsequent to Investor A's initial investments, Bennett has sent repeated, false emails and other documents to Investor A to mislead him into believing that his payments to Bennett were invested in legitimate ventures and were performing well, all for the purpose of dissuading Investor A from insisting on the return of his money. For example, in a July 1, 2013 e-mail, Bennett falsely told Investor A that one of his purported investments in the Fund Ventures had earned 15% interest over the course of the previous three months, and that another

investment had earned interest at approximately 23% over the course of an unspecified period of time. Bennett then asked Investor A if he wished to reinvest the latter investment in the next purported Fund Venture.

26. Bennett's July 1, 2013 e-mail was knowingly or recklessly false. Bennett had never invested Investor A's payments to him in any purported Fund Venture, and such funds had earned no "interest" over any period of time. Rather, Bennett had misappropriated them outright.

27. Then, on approximately March 31, 2014, Bennett provided Investor A with a document purporting to be a quarterly investor account statement issued by the Fund. The document had a Fund logo on the masthead and stated that Bennett's pooled assets invested with the Fund totaled over \$4.6 million as of March 31, 2014. The document also referenced "Euro [Credit Default Swaps]/Mortgage Backed Breakout" and a particular "Sub Fund."

28. Bennett's March 31, 2014 email was also knowingly or recklessly false. Bennett did not have any assets, pooled or otherwise, with the Fund, and he did not obtain permission from the Fund Principal to use the Fund logo in this or any other document. Nor did the Fund issue any account statements to Bennett or even have the "Sub Fund" named in the false quarterly investor account statement that Bennett provided Investor A, as Bennett knew or recklessly disregarded. Bennett provided this fraudulent document to Investor A to mislead him into believing that the Fund Ventures were genuine, to dissuade Investor A from demanding the return of his money, and thus to allow Bennett to continue his fraudulent scheme.

29. On April 30, 2014, Bennett sent another e-mail to Investor A, attaching what purported to be Bennett's last will and testament dated February 25, 2014. The will referred to a promissory note from Bennett to Investor A dated January 1, 2014, and explained that the note

was for a \$1,110,712 “interest in the [Fund] hedge fund account,” purporting to relate to Investor A’s payments to Bennett. These statements were knowingly or recklessly false because Bennett had no interest in any Fund hedge fund account.

30. On June 12, 2014, Bennett emailed Investor A and told him that he had earned 22% on a particular investment and that the Fund Principal would be sending him a check with the interest. These statements were knowingly or recklessly false, because Bennett had never invested Investor A’s payments to him in any purported Fund Venture, nor had he earned any interest on Investor A’s behalf. Instead, Bennett made these statements to induce Investor A not to demand the return of his money, in order to allow Bennett to perpetuate the Ponzi scheme.

### **Investors B and C**

31. Investor B is an artist in his 60s, and resides in New York, New York. He has known Bennett since the 1980s, when Investor B and Bennett spent time in the East End of Long Island, New York. Investor B became a close friend and law client of Bennett at that time.

32. Starting in September 2009, Investor B began “investing” with Bennett, after Bennett knowingly or recklessly, and falsely, told Investor B that he was engaged in the Fund Ventures with the Fund and the Fund Principal. Bennett also told Investor B that other prominent individuals, including the Former Governor and his ex-wife, were investing with him in the Fund Ventures.

33. Bennett’s claims to Investor B were knowingly or recklessly false. Bennett did not make any genuine investments with the money Investor B gave him, and never intended to. Rather, he misappropriated that money, to spend on himself or to perpetuate his fraudulent scheme.

34. Investor B remained an ongoing victim of Bennett’s scheme since 2009, and by June 4, 2014, had paid Bennett a total of approximately \$1.4 million—his life savings apart from his home. In approximately mid-2014, Bennett provided Investor B with a document Bennett had prepared, and which was misleadingly entitled “[Investor B]/Charles A. Bennett Ledger Account Statement for Jackson [Wyoming] Investments.” The document purported to list all of Investor B’s investments with Bennett during the period from September 2009 through June 2014, with fraudulent “interest accruals,” and some periodic principal repayments to Investor B.

35. Bennett knowingly or recklessly provided this fraudulent document to Investor B to mislead him into believing that Bennett had genuinely purchased investments for him in the sham Fund Ventures, when in fact he had not, but rather had spent those payments on himself, or in furthering his fraudulent scheme by making phony “interest,” “return,” or “principal” payments to other investors. And the payments Bennett made to Investor B as purported principal repayments were themselves an integral part of Bennett’s fraudulent scheme, as they were actually taken from other unwitting investors in Bennett’s Ponzi scheme, and given to Investor B to persuade him that Bennett was acting legitimately.

36. In the early 1990s, Investor B introduced Bennett to his daughter, Investor C, who today is an interior designer in her 30s and lives in Manhattan.

37. Investor B had told Investor C that he was investing money in the Fund Ventures with Bennett. In July 2013, Bennett asked Investor C to examine her investment accounts, and after telling her that her investments were not very profitable, persuaded her to “invest” with him, by knowingly or recklessly making substantially the same false claims to her as he had to Investor B and his other victims about the sham Fund Ventures.

38. In August 2013, Investor C gave Bennett \$120,000 for investments in the Fund Ventures. Then, in May 2014, Bennett persuaded Investor C to sell her apartment in New York and invest the entire amount of net proceeds from him. At the closing of the sale of her apartment, Investor C gave Bennett approximately \$750,000 in in purported exchange for the sham interests in the Fund Ventures.

**Investor D**

39. Investor D is 38 years old and lives in New York.

40. Investor D first invested \$35,000 with Bennett on October 10, 2013, after Bennett knowingly or recklessly, falsely told him his payments would be pooled with other investments and placed in the purportedly lucrative Fund Ventures, which would include purchases of credit default swaps.

41. About a month later, in early November 2013, Bennett e-mailed Investor D and told him that his investment had yielded a return of 8.5% for the month. He also explained that the other investors in the Fund Ventures were going to reinvest their capital in a new project, and asked Investor D if he wanted to keep his money invested, and also invited him to add to the investment if he liked. Investor D agreed to roll his \$35,000 into new (but in reality, sham) investments, plus the “interest” supposedly earned on it, into the purported new investment. After further emails with Bennett, Investor D agreed to invest an additional \$15,000. Bennett provided Investor D with Notes in exchange for his payments.

42. Bennett’s statements in his November 2013 email to Investor D were materially false, and Bennett made them knowingly or recklessly. Bennett had not placed Investor D’s money into any investments in the Fund, much less one that had earned 8.5% for the month.

Nor, as Bennett knew or was reckless in not knowing, was there any new project for Investor D's payments to be placed. Bennett made these false statements to induce Investor D not to demand his money back and to induce him to make further payments to Bennett, solely to allow Bennett to continue to carry out his Ponzi scheme and pay for his personal expenses.

43. In January 2014, Investor D sent Bennett an additional \$25,000 for investment in the Fund Ventures.

**Investor E**

44. In April 2014, Investor E, Bennett's immediate relative, a resident of Nevada, wired Bennett \$250,000, after Bennett had knowingly and falsely represented to her that the funds would be invested in the Fund Ventures for a term of one month. Bennett has since not returned any portion of her investment, despite her demands for these funds.

**C. Bennett's Scheme Collapses**

45. By mid- to late 2014, Bennett's fraudulent scheme began to collapse as investors' demands for repayment began to outpace Bennett's ability to fraudulently obtain new investor funds with which to satisfy them, and as Bennett became increasingly unable to satisfy the expectations of the outlandish returns he had falsely promised to his victims.

46. By August 27, 2014, for example, Bennett resorted to intentionally passing bad checks to victims to buy time from victims who were demanding repayment. On that date, he opened two checking accounts at a new financial institution and funded each with \$100. Then, on August 28 and September 3, he wrote checks in the amounts of \$500,000 and \$550,000, respectively, to two of his victims, both of whom had been demanding repayment. As Bennett knew neither account had sufficient funds to pay these checks, and both checks bounced.

47. Beginning in mid-September 2014, Investor B also began asking for the return of his investments. On multiple occasions, Bennett promised Investor B that he would send him money within a short time, but Bennett then fabricated various excuses as to why funds could not be sent.

48. Also in September 2014, Investor D attempted to get a portion of his principal back from Bennett, but Bennett convinced him to remain invested.

49. On November 2, 2014, Bennett checked into a hotel on the west side of Manhattan, where he handwrote a sixteen-page note entitled “A Sad Ending to My Life,” in which he admitted that “over the course of five years or so [he had] perpetuated a huge Ponzi scheme enveloping [his] family and closest friends.” Purporting to express remorse for his acts, Bennett explained that “the whole [Fund] investment scheme that so many thought was real was in fact a complete and [sic] fiction of [his] crazed imagination,” and that “not one trade of credit default swaps was ever attempted by [Bennett].” According to the note, “the bulk of the funds were used in classic Ponzi scheme fashion to pay off other supposed ‘investors’ and [Bennett’s] absurd lifestyle.”

50. On November 3, 2014, Bennett jumped into the Hudson River, from which he was rescued by a law enforcement scuba diver.

**FIRST CLAIM FOR RELIEF**  
**Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b)**

51. The Commission realleges and incorporates by reference as if fully set forth herein paragraphs 1 through 50 of this Complaint.

52. Defendant, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or by the use of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or recklessly, has made untrue statements of material facts and omitted to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading.

53. By reason of the conduct described above, Defendant directly and indirectly has violated, and, unless enjoined will likely again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)].

**SECOND CLAIM FOR RELIEF**  
**Violations of Section 17(a) of the Securities Act**

54. The Commission realleges and incorporates by reference as if fully set forth herein paragraphs 1 through 50 of this Complaint.

55. By virtue of the foregoing, in the offer or sale of securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, Defendant, with scienter: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon a purchaser.

56. By reason of the conduct described above, Defendant directly or indirectly has violated, and, unless enjoined will again violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**THIRD CLAIM FOR RELIEF**  
**Violations of Sections 5(a) and 5(c) of the Securities Act**

57. The Commission realleges and incorporates by reference as if fully set forth herein paragraphs 1 through 50 of this Complaint.

58. Without a registration statement being in effect or having been filed with the Commission as to the relevant security, Defendant has made use of the means and instruments of transportation or communication in interstate commerce and of the mails to sell such securities through the use of a prospectus or otherwise.

59. By reason of the conduct described above, Defendant directly or indirectly has violated, and, unless enjoined will again violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

**RELIEF SOUGHT**

**WHEREFORE**, the Commission respectfully requests that the Court grant the following relief:

**I.**

A Final Judgment finding that the Defendant violated the securities laws and rules promulgated thereunder as alleged against him herein;

## **II.**

A Final Judgment permanently, restraining and enjoining the Defendant and his agents, servants, employees and attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from committing future violations of each of the securities laws and rules promulgated thereunder; and prohibiting them from participating in any transactions in any securities;

## **III.**

A Final Judgment directing the Defendant to disgorge his ill-gotten gains, plus prejudgment interest;

## **IV**

A Final Judgment directing Defendant to pay civil money penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

V.

Such other and further relief the Court deems just and proper.

Dated: December 12, 2014  
New York, New York

SECURITIES AND EXCHANGE COMMISSION

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