UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
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VIA EMAIL

Honorable Jason S. Patil
Administrative Law Judge
Securities and Exchange Commission
alj@sec.gov

Re: *In the Matter of Laurie Bebo and John Buono, CPA* (AP File No. 3-16293)

Dear Judge Patil:

The Division of Enforcement respectfully submits this letter pursuant to the Court's July 15, 2020 Order Regarding Supplemental Briefing.

For the reasons stated in the Division's July 8, 2020 letter brief, the Court should consider Bebo's bonuses to be "unjust enrichment" for the purposes of determining her civil penalties. Various ALC board members who were responsible for deciding Bebo's bonus – including Bebo's own witness, Lieutenant General Charles Roadman – testified they would not have awarded Bebo a discretionary bonus had they known of her fraud. (Tr. 653:22-655:1, 2659:11-23, 2850:5-2851:3). On the other hand, no witness testified that the board would have approved Bebo's bonuses had its members been aware of her scheme. Nevertheless, Bebo argues the Court should disregard the directors' testimony because the board approved her final bonus in March 2012, shortly after initially learning that ALC had included certain employees in the Ventas covenant calculations. However, as documented in prior briefing, the board would not learn the full, and most egregious, details of Bebo's fraud until well after ALC had terminated her employment. (*See, e.g.,* Division's Supplemental Post-Hearing Response Br., Nov. 1, 2019, pp. 18-20).

Because the witnesses responsible for determining Bebo's bonuses uniformly testified she would not have received *any* bonus had they known the truth, the Court should not reduce Bebo's penalty to account for the proportional impact of the Ventas properties on ALC's finances. Moreover, simply multiplying Bebo's bonuses by some percentage reflecting the Ventas properties' effect on ALC's finances would likely result in a penalty that fails to achieve the statutory aims of punishment and deterrence.

To be clear, the Division is not suggesting that the penalties imposed be limited to the amount of Bebo's bonuses. Indeed, when determining Bebo's penalty, her ill-gotten gains are only one factor to consider. *See* Exchange Act Section 21B(c). The Court should additionally take into account the degree of Bebo's fraud, her manipulative conduct, her disregard for regulatory requirements, the harm she caused to others, and the need for deterrence. *Id*. Applying these factors, multiple third-tier penalties are warranted for each of the seven quarters[1] Bebo made false statements and certifications in ALC's Forms 10-K and 10-Q, lied to auditors, falsified ALC's books and records, engaged in deceptive conduct, circumvented ALC's internal controls, and otherwise violated the securities laws as alleged in the OIP. (*See, e.g.*, Division's Post-Hearing Br., July 31, 2015, p. 58; Division's Supplemental Post-Hearing Response Br., Nov. 1, 2019, pp. 40-42).

Finally, even if the Court declines to find that Bebo's bonuses, or some portion thereof, constitute unjust enrichment, the Court should still impose strong penalties. Beyond the statutory elements of Section 21B, the *Steadman* factors, which do not include unjust enrichment, likewise support substantial penalties. To that end, even absent a finding of unjust enrichment, the egregiousness of Bebo's fraud, her high level of scienter, her utter lack of remorse, and her repeated attempts to excuse her misconduct by blaming others, call for heightened penalties. *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979). To hold otherwise would send the terrible message that highly compensated public company CEOs can flagrantly violate the securities laws yet escape meaningful punishment.

Respectfully submitted,

/s/ Benjamin J. Hanauer _

Benjamin J. Hanauer

CC: Mark A. Cameli, Esq. (via email)

[1] The Division does not seek penalties for conduct that pre-dated the July 21, 2010 enactment of the Dodd-Frank Act.