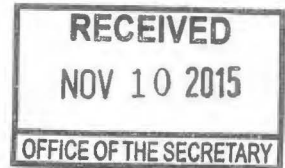


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**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING
File No. 3-16801**

In the Matter of

**BENNETT GROUP FINANCIAL
SERVICES, LLC**

And

DAWN J. BENNETT,

Respondents.

**BENNETT GROUP FINANCIAL SERVICES, LLC
AND DAWN J. BENNETT'S ANSWER TO ORDER INSTITUTING PROCEEDINGS
AND AFFIRMATIVE DEFENSES**

Defendants Bennett Group Financial Services, LLC ("BGFS") and Dawn J. Bennett ("Bennett") (collectively, "Respondents") hereby answer the Order Instituting Administrative and Cease-and-Desist Proceedings issued by the Commission on September 9, 2015. This answer is based upon Respondents' investigation to date, and Respondents reserve the right to amend during the course of the litigation as new information is learned. All allegations not specifically admitted are denied.

Respondents' answer is filed without prejudice to its argument that this matter must be brought in federal district court rather than as an administrative proceeding and all such arguments or defenses, at law or in equity, are expressly reserved. Respondents brought suit in federal court today seeking such relief.

To the extent various paragraphs of the OIP state legal conclusions and/or summarize the Division of Enforcement's general theory of its case, no responsive pleading is required, but to the extent that it is, Respondents deny them. Respondents deny engaging in an actionable or wrongful conduct whatsoever. Specifically:

A. SUMMARY

1. From at least 2009 through February 2011, Bennett Group and its founder, majority owner, and Chief Executive Officer, Bennett, made material misstatements and omissions regarding assets that were purportedly "managed" for investors and regarding investment returns for the purpose of retaining existing customers and attracting new customers. Then, during the investigation of this matter, Bennett and Bennett Group made additional misstatements in an effort to obstruct the investigation and to "cover up" their prior fraud.

Response: Denied.

2. In short, Bennett and Bennett Group grossly overstated the amount of assets they "managed," by at least \$1.5 billion, in a calculated effort to inflate their profile and prestige. They made the false and fraudulent claims to a national financial advisor ranking service knowing that the ranking service would publish the misstatements. They also made the misstatements on a Washington, D.C.-area radio program hosted by Bennett, and in a variety of other advertisements and communications with existing and prospective customers and clients. The purpose of these overstatements was to create the impression that Bennett and Bennett Group were larger and more successful players in the industry than they were.

Response: Denied.

3. Bennett and Bennett Group also made material misstatements and omissions during the radio show regarding Bennett Group's investment returns and performance. Bennett frequently touted her firm's highly profitable investment returns and claimed that those returns placed Bennett Group in the "top 1%" of firms worldwide. In violation of her legal disclosure duties and specific advice she received, Bennett failed to disclose that the purported "returns" were simply those of a "model portfolio" and did not reflect actual customer returns.

Response: Denied, except admitted that Bennett has referenced Bennett Group's investment returns and has, at times, stated that Bennett Group is among the "top one percent" of financial advisors.

4. In addition to the material misstatements and omissions about these matters, Bennett and Bennett Group failed to adopt and to implement adequate written policies and procedures related to the calculation and advertisement of assets managed and of investment returns.

Response: Denied.

5. During the investigation of this matter, in order to substantiate their prior fraudulent claims regarding assets managed and to obstruct this investigation, Respondents made additional false statements. They falsely asserted that they gave advice regarding short-term cash management to three corporate clients regarding over \$1.5 billion in corporate assets. In reality, they never provided the advice, and these were simply lies meant to deceive the Division of Enforcement. Bennett and Bennett Group never provided any form of management for assets in excess of approximately \$407 million.

Response: Denied, except admitted that during the investigation of this matter, Respondents asserted they had provided advice regarding short-term and overnight cash management to three corporate clients regarding corporate assets that, at times, exceeded \$1.5 billion.

B. RESPONDENTS

6. Bennett Group is a Delaware limited liability company and financial services firm headquartered in Chevy Chase, Maryland. At the relevant time, most key Bennett Group employees were registered representatives associated with Western International Securities, Inc. ("Western Securities"), a broker-dealer registered with the Commission, and almost all of Bennett Group's revenue was generated through commissions earned by the registered representatives, who provided nondiscretionary services. In 2008, Bennett Group registered with the Commission as an investment adviser and withdrew that registration in October 2013. Bennett owns approximately ninety-five percent of Bennett Group and controls (and at all relevant times controlled) all aspects of Bennett Group's operations.

Response: The first sentence of paragraph 6 is admitted, with the exception that Bennett Group is headquartered in Washington, D.C., not Chevy Chase, Maryland. The second sentence of Paragraph 6 is admitted. The third sentence of Paragraph 6 is admitted, with the exception that Bennett Group withdrew its registration as an investment adviser in September 2013, not October 2013. The fourth sentence of Paragraph 6 is admitted, with the exception that Bennett owns approximately ninety-two percent of Bennett Group, not ninety-five percent.

7. Bennett, age 53, lives in [REDACTED], Maryland. She is, and at all relevant times was, the founder, Chief Executive Officer, and majority owner of Bennett Group. Bennett has been a registered representative affiliated with various registered broker-dealers since at least February 1987. Bennett holds, and at all relevant times held, Series 7, 63, and 65 securities licenses. Bennett was the subject of two arbitration proceedings in 2014 in which the complainants were awarded compensation as a result of churning, unauthorized trading, and unsuitability:

Response: The first, second, third and fourth sentences of Paragraph 7 are admitted. The allegations of the fifth sentence of Paragraph 7 are denied, except admitted that Bennett was named as one of the co-respondents in two arbitration proceedings in 2014.

C. FACTS

(i) BENNETT AND HER FIRM MADE MATERIAL MISSTATEMENTS AND OMISSIONS REGARDING ASSETS “MANAGED”

8. From at least 2009 through 2011, Bennett and Bennett Group falsely claimed to be managing assets totaling \$1.1 billion to over \$2 billion, including through a nationally circulated industry periodical that ranked financial advisors and through a variety of other advertisements and communications directed to existing and prospective customers and clients. In reality, the most Bennett and her firm could, in any sense, be said to be managing during the relevant period was approximately \$407 million.

Response: Denied, except that admitted that at various points between 2009 and 2011, Respondents represented that they managed assets ranging from \$1.1 billion to \$2 billion.

9. Bennett and her firm misrepresented the amount of assets managed in order to inflate their stature and thereby attract new customers and clients to the firm by creating the impression that they were larger and more successful players than they in fact were. At the time Respondents made these misstatements, they had a fledgling investment advisory business that they hoped to bolster by attracting new advisory clients, lured by their claims of industry success and impressive investment returns.

Response: Denied.

10. After Bennett and Bennett Group made their false and fraudulent claims regarding assets managed, prospective customers and clients became customers and clients, thereby generating compensation for Bennett and Bennett Group, including in the form of brokerage commissions generated through the purchase or sale of securities. Further, existing customers and clients bought or sold securities through Bennett and her firm after receiving the false and fraudulent communications, which generated compensation, including commissions, for Bennett and her firm.

Response: Denied, except admitted that in 2009 and afterwards, Bennett Group gained additional customers and clients mostly through referrals and that these new customers and clients, as well as Respondents' existing clients and customers, generated compensation for Respondents, including through brokerage commissions. The allegations of Paragraph 10 are otherwise denied.

11. From 2009 through 2011, Bennett and Bennett Group made three submissions to Barron's magazine for its rankings of independent financial advisors.

Response: Admitted.

12. In these submissions to Barron's, Bennett and Bennett Group falsely claimed that they managed assets of between \$1.1 billion and \$1.8 billion. Barron's used these submissions when compiling and publishing various rankings of financial advisors. As a result of the

submissions, Barron's: (a) ranked Bennett fifth in the category of "Top 100 Women Financial Advisors" in its June 9, 2009, issue (based on purported managed assets of \$1.1 billion); (b) ranked Bennett twenty-sixth in the category entitled "Top 100 Independent Financial Advisors" in its August 9, 2009, issue (based on purported managed assets of \$1.3 billion); and (c) ranked Bennett second in its listing of the "2011 Top Advisors" in Washington, D.C. (based on purported managed assets of \$1.8 billion).

Response: Denied, except Respondents are without sufficient information to form a belief as to the truth of the second and third sentence of Paragraph 12 and therefore deny those allegations.

13. Bennett and her firm made additional false statements to Barron's, which, in turn, were published by the magazine. In 2011, Bennett and her firm claimed that the typical size of a Bennett Group account was \$3 million. In reality, at the time, only 1% of Bennett Group customers and clients had account values of \$3 million or more. Bennett and her firm also falsely claimed in 2011 that the firm's minimum account size was \$2 million. In fact, at the time, 98% of customer and client accounts were under that threshold. As with the fraudulent claims about assets managed, the Respondents made these fraudulent statements to Barron's knowing that they would be reprinted and distributed to the public, including to current and prospective customers and clients, and that their publication would bolster Bennett and Bennett Group, thereby inducing existing customers and clients to remain and enticing prospective clients and customers to hire Bennett Group.

Response: Denied, except admitted that Respondents described in a form submitted to Barron's that the typical account size was \$3 million.

14. After publication in Barron's, Bennett and Bennett Group promoted their Barron's rankings and repeated the misrepresentations contained in the Barron's publications through e-mail, the firm's Web site, social media, article reprints, and other means to existing and prospective customers and clients.

Response: Denied, except admitted that Respondents referenced certain Barron's rankings in communications with some existing and prospective customers and clients.

15. For example, Bennett directed firm employees to send marketing e-mails to current and prospective customers and clients touting her ranking as "#4 [sic] on Barron's list of 'Top 100 Women Financial Advisors'" and claiming that she and the firm had "assets under management of \$1.5 billion."

Response: Denied, except admitted that in certain communications with prospective customers and clients, Bennett Group referenced the fact that Barron's ranked Bennett as "#4 [sic] in their 'Top 100 Women Financial Advisors'" and that Bennett Group had "assets under management of \$1.5 billion."

16. On or about June 26, 2010, Bennett Group ordered 1,125 copies of the Barron's issue ranking Bennett as fifth in its "Top 100 Women Financial Advisors." Bennett Group then

sent at least 125 copies of the Barron's article to existing and prospective customers and clients.

Response: Denied.

17. In at least 2010 and 2011, Bennett Group's Web site linked users to various articles written by Bennett in which she touted the Barron's rankings. In addition, Bennett and Bennett Group frequently referred to the Barron's rankings in e-mail messages and other communications with existing and prospective customers and clients.

Response: Denied, except admitted that Respondents referred to the Barron's rankings in some communications with existing and prospective customers and clients.

18. On or about May 9, 2010, Bennett began hosting a weekly radio show called "Financial Myth Busting with Dawn Bennett" ("Financial Myth Busting") on a Washington, D.C.-area AM radio station. Bennett Group paid for the show, and Bennett hosted it and determined all of its content.

Response: Admitted.

19. On "Financial Myth Busting," Bennett would tout Bennett Group and its services. And Bennett and the firm would promote the show to existing and prospective customers and clients, including by adding references to "our highly regarded weekly talk radio program-Financial Mythbusting" (or the like) to proposal packages prepared for prospective customers and clients and to e-mail messages sent by Bennett Group employees.

Response: Denied, except that admitted that Bennett referenced Bennett Group and its services on "Financial Myth Busting" and that some communications sent by Bennett Group employees to existing and prospective customers and clients referenced "our highly regarded weekly talk radio program-Financial Mythbusting."

20. During at least 18 "Financial Myth Busting" radio programs aired from May 9, 2010, through January 30, 2011, Bennett falsely claimed that she and Bennett Group managed assets ranging from \$1.5 billion to over \$2 billion. Bennett and Bennett Group also fraudulently claimed that they managed "\$1.5 billion of client assets" on the "Facebook" information page they maintained for the "Financial Myth Busting" show.

Response: Denied.

21. Contrary to their claims regarding managed assets, Bennett and Bennett Group never provided any form of management for assets in excess of at most approximately \$407 million (which included approximately \$1.1 million in advisory assets, \$67 million in pension consulting assets, and \$338 million in brokerage assets).

Response: Denied.

22. Bennett's and Bennett Group's misstatements and omissions regarding assets managed were material. Among other things, investors use facts about assets managed to draw conclusions about a firm's size, skills, and abilities.

Response: The allegations of the first sentence of Paragraph 22 are denied. Respondents are without sufficient information to form a belief as to the truth of the remaining allegations of Paragraph 22 and therefore deny those allegations.

23. With respect to the above-referenced misstatements and omissions, Bennett and Bennett Group acted with scienter, in that, inter alia, they knew or were reckless in not knowing that the information that they were providing to existing and prospective customers and clients was wholly contrived and unsubstantiated.

Response: Denied.

(ii) DURING THE STAFF'S EXAMINATION AND INVESTIGATION, BENNETT AND BENNETT GROUP PROVIDED FALSE INFORMATION ABOUT ASSETS MANAGED, IN ORDER TO "SUBSTANTIATE" HER CLAIMS AND TO OBSTRUCT THE INVESTIGATION

24. When questioned during the examination and subsequent investigation about the basis for the claims of assets managed, Bennett and Bennett Group made a series of false statements, in an effort to substantiate the claims and to obstruct the staff's examination and investigation.

Response: Denied.

25. Among other things, Bennett and her firm asserted that the claims of approximately \$2 billion of assets managed were defensible because she provided uncompensated short-term cash management advice to three corporate clients, "Company A," "Company B," and "Company C." Bennett even went so far as to identify individuals at the clients, with whom she had communicated about short-term cash management or otherwise would be knowledgeable about the subject. Further, she produced copies of "Project Request Forms" and other documents that purported to set forth information relating to the advice given to these clients. According to Bennett and Bennett Group, the aggregate assets of those Companies, brokerage assets, pension funds, and other advisory assets, substantiated the claims in Barron's, on the radio show, and in other communications.

Response: In an email dated September 25, 2015, counsel for the Division of Enforcement confirmed to prior counsel for Respondents the identities of "Company A," "Company B, and "Company C."¹ This response is based in part on those representations. Respondents deny the

¹ Respondents responses herein to the other allegations in the OIP that reference "Company A," "Company B, and/or "Company C" are similarly based upon, and dependent upon, the representations in the September 25, 2015 email from counsel for the Division of Enforcement.

allegations of Paragraph 25, assert that the testimony of Respondents' speaks for itself, and admit that Respondents produced copies of documents to the Staff in response to questions about how assets under management had been calculated.

26. Bennett's and Bennett Group's claims regarding short-term cash management advice for Company A, Company B, and Company C were entirely fictitious. Individuals at Companies A, B, and C (including, in certain instances, ones identified by Bennett) either did not know her or her firm, did not communicate with them regarding short-term cash management, were not at the respective company at the time, or were incapacitated or dead. Further, as to the "Project Request Forms" and other documents, when asked to produce for inspection the originals thereof, Bennett and Bennett Group were unable to do so, claiming that they were "lost" in an office move after the inception of the staff's investigation.

Response: The allegations of the first sentence of Paragraph 26 are denied. Respondents are without sufficient information to form a belief as to the truth of the allegations of the second sentence of Paragraph 26 and therefore deny those allegations. The allegations of the third sentence of Paragraph 26 are denied, except admitted that after producing copies of certain documents, some of the originals were lost.

27. In any event, the supposed communications by Bennett with Company A, Company B, and Company C do not constitute the "management" of assets in any sense of the term. Informal and uncompensated conversations about what entities might want to do with assets (which are not held in any account serviced by the brokerage or advisory firm) cannot meaningfully be described as the management of those assets. At a minimum, if Bennett and Bennett Group wanted to "count" such assets among those promoted or advertised as managed by them, then they needed to fully disclose the nature of such "management," including that it merely consisted of informal advice regarding funds not held in any brokerage or investment advisory account serviced by Bennett Group and that Bennett and Bennett Group received no compensation for the service. No such disclosures were ever provided.

Response: Paragraph 27 states legal conclusions to which no response is required. To the extent further response is deemed necessary, the allegations of Paragraph 27 are denied.

(a) Company A

28. Company A is a South Africa-based telecommunications firm.

Response: Denied. Upon information and belief, Company A is an information technology services firm with offices in South Africa.

29. From approximately March 1, 2006, through March 31, 2011, Bennett served as financial advisor to the investment committee overseeing the 401(k) retirement plan for Company A's employees in the United States. In this role, she communicated with Company A's human resources director in Virginia, occasionally attended meetings of the company's

401(k) committee, provided investment recommendations for the 401(k) plan, and monitored the performance of the selected mutual funds. The total amount of employee assets in the 401(k) plan during her tenure as advisor was approximately \$40 million.

Response: The allegations contained in the first and second sentence of Paragraph 29 are admitted, except to the extent they suggest that Bennett's role as financial advisor to Company A began in March 1, 2006, and to the extent they suggest that Bennett's solely communicated with the human resources director. The allegations of the third sentence of Paragraph 29 are vague as to time period and therefore denied.

30. During a 2011 examination, Bennett and Bennett Group said that they included within the assets managed figure approximately \$706 million of Company A's cash assets, for which Bennett and Bennett Group supposedly provided short-term investment advice.

Response: Denied, in part on the basis that Paragraph 30 is vague and ambiguous as to the time period in which Respondents supposedly included the \$706 million figure referenced, and the time period for which they supposedly included that figure.

31. When Bennett first testified during the investigation in December 2013, she said that, during weekly telephone calls between 2005 and 2011, she gave advice to the Chief Financial Officer of Company A's U.S.-based business unit ("CFO"), about how to manage over \$1 billion in Company A cash. However, CFO had left Company A in February 2006. Upon testifying a second time in January 2015, Bennett changed her story and said that she actually provided the advice to CFO's successor ("Successor"). This iteration of Bennett's story was also false and was undercut by Successor's testimony that he never received such advice from Bennett or anyone else at Bennett Group.

Response: Admitted that, upon information and belief, Company A's then-CFO for its U.S.-based office left the company in or about February 2006. With respect to the remaining allegations of Paragraph 31, the deposition transcripts of the testimony of Bennett and Successor speak for themselves. On that basis, Respondents deny the remaining allegations of Paragraph 31, and further deny that any of the Respondents' testimony was deliberately false.

32. Bennett and Bennett Group also produced—between her first and second testimonies—copies of "Project Request Forms" and other documents that purportedly substantiated her claim to have given short-term cash management advice to Company A with respect to as much as \$1.575 billion in cash. These documents had been called for by subpoena prior to the first testimony but were not produced until later. Bennett and Bennett Group failed to produce the originals of these documents because they purportedly were lost during a move of the Bennett Group's offices.

Response: The allegations of the first sentence of Paragraph 32 are admitted. The allegations of the second sentence of Paragraph 32 are denied. The allegations of the third sentence of Paragraph 32 are denied, except admitted that after producing copies of certain "Project Request Forms" and certain other documents, as is standard in a document production, some of the originals were lost.

33. Bennett also produced an affidavit from Company A's former Chief Operating Officer ("COO"), in which he purported to have indirect knowledge of the shortterm cash management advice that Bennett provided. According to the affidavit, COO received "regular briefings" from CFO and Successor about the advice. But, at subsequent testimony, COO retracted the pertinent parts of the affidavit. Given this testimony, it is unclear why COO made the initial averments, but it came to light during Bennett's second testimony that she and COO had a personal relationship.

Response: Denied, except admitted that Company A's former COO provided an affidavit in support of Respondents' claims about asset management. That affidavit speaks for itself. Respondents deny that the COO retracted the pertinent parts of his affidavit and otherwise respond that the COO's deposition transcript speaks for itself. The remaining allegations of Paragraph 33, including the false suggestion that the COO gave false testimony as a result of what the Staff has characterized as a "personal relationship," are denied, as is the implied innuendo.

34. Not only was it the case that no Company A representative would substantiate Bennett's claims, but Company A did not even have that much cash during the relevant period. Indeed, a high-ranking, South Africa-based Company A executive gave the staff a declaration stating that: company investment decisions were made by officials in South Africa (and not the United States); he had never communicated with Bennett or any other Bennett Group employee; he had never heard of Bennett or her firm before; and, in fact, since 2000, the company at no time had more than \$650 million in cash assets.

Response: The allegations of Paragraph 34 are denied, and to the extent those allegations are characterizing a declaration of a Company A executive, the declaration speaks for itself and the allegations are denied.

35. In short, Bennett's claims of providing advice to Company A were fictitious, and it appears that Bennett attempted to mislead the Division of Enforcement and obstruct this investigation.

Response: Denied.

(b) Company B

36. Company B is a Virginia-based travel agency. Bennett and Bennett Group advised Company B's 401(k) plan from approximately 1988 until 2012, when she was terminated by Company B. The largest amount of employee assets in the plan during Bennett's tenure was approximately \$35 million.

Response: The allegations of the first sentence of Paragraph 36 are admitted. Admitted that Bennett and/or Bennett Group advised on Company B's 401(k) at various points between 1988 and 2012 and that Company B terminated the relationship in 2012; the allegations of the second

sentence of Paragraph 36 are otherwise denied. The allegations of the third sentence of Paragraph 36 are denied.

37. In addition to the \$35 million, Bennett testified that she advised Company B on short-term investments of approximately \$150 million. Bennett also claimed the first time she testified that her communications about this subject were limited to weekly conversations with Company B's founder and owner ("Company B Founder"). However, Company B Founder's widow ("Widow") said that Company B Founder died in 2011, had been incapacitated by illness since 2004, and was not involved in Company B's business after the onset of his illness. Widow (who herself was involved in Company B's business) also stated that she had never spoken to Bennett about short-term investments, that Bennett Group's only role vis-à-vis Company B was with respect to the 401(k) plan, and that from at least 2008 Company B had no assets available for short-term or other investment.

Response: The allegations of the first sentence of Paragraph 37 are denied. Bennett's deposition transcript speaks for itself; on that basis, the allegations of the second sentence of Paragraph 37 are denied. Respondents are without sufficient information to form a belief as to the truth of the allegations of the third and fourth sentences of Paragraph 37 and therefore deny those allegations.

38. Upon being confronted with the fact that Company B Founder was either deceased or incapacitated at the time Bennett claimed to be speaking with him, Bennett changed her story. Bennett testified that the communications regarding short-term cash management had been with Widow and not her husband. As noted above, Widow does not support this new story either.

Response: Bennett's deposition transcript speaks for itself. On that basis, the allegations of the first and second sentences of Paragraph 38 are denied. Respondents are without sufficient information to form a belief as to the truth of the allegations of the third sentence of Paragraph 37 and therefore deny those allegations.

(c) Company C

39. Bennett provided financial advisory services to the investment committee of Company C from 2006 to October 27, 2009. Company C is a Virginia-based historical preservation group. From 2006 to 2009, Company C had endowment funds of approximately \$100 million.

Response: The allegations of the first and second sentence of Paragraph 39 are admitted. Respondents are without sufficient information to form a belief as to the truth of the allegations of the third sentence of Paragraph 39, which cover a broad time period, and therefore deny those allegations.

40. On October 27, 2009—the date Company C terminated her services—Company C directed Bennett to immediately transfer all funds she managed to Company C's bank account.

Response: Denied, except admitted that on October 27, 2009, Company C terminated its relationship with Bennett Group.

41. Despite this, Bennett and Bennett Group produced documents during this investigation to support the assertion that she continued to provide short-term cash management advice free of charge through April 2010. And, at her second testimony, Bennett claimed that the advice to Company C likely continued into 2010, which, as noted above, was after the time of her termination.

Response: Denied, except admitted that, at Company C's request, Respondents continued to provide certain post-termination services to Company C, and that Respondents produced documentary evidence including an affidavit from Company C's CFO supporting the assertion that they provided advice to Company C in 2010 to the Staff. Respondents further respond that Bennett's deposition transcript speaks for itself. The allegations of Paragraph 41 are otherwise denied.

(iii) BENNETT AND BENNETT GROUP ALSO MADE MATERIAL MISREPRESENTATIONS AND OMISSIONS REGARDING THEIR INVESTMENT RETURNS

42. Bennett touted Bennett Group's investment returns and performance during her "Financial Myth Busting" radio program without disclosing that the returns were for a Bennett Group "model portfolio" and were not representative of actual investor performance. Bennett Group reported model returns and compared them to benchmarks such as the Standard & Poor's 500 index ("S&P 500"): 6.06% (vs. negative 37% for S&P 500) in 2008; 42.48% (vs. 26.47% for S&P 500) in 2009; and 31.06 % (vs. 15.06 % for S&P 500) in 2010.

Response: Denied with respect to the first sentence of Paragraph 42, except admitted that Bennett did not verbally discuss on the radio show the method by which the returns she referenced were calculated. Denied as to the second sentence of Paragraph 42, except admitted that Bennett Group on occasion reported returns and made comparisons to the S&P 500.

43. During various "Financial Myth Busting" broadcasts occurring between May 2010 and February 2011, Bennett represented these returns as actual returns. She also claimed on numerous occasions that Bennett Group's returns ranked in the top 1% of investment advisers worldwide in investment performance. In reality, a significant portion of Bennett Group customer accounts were not invested in accordance with the model.

Response: Denied, except admitted that Bennett represented on certain occasions that Respondents were in the "top one percent."

44. At no time during the radio shows did Bennett disclose that the returns she touted were model returns or the fact that actual client returns may differ. Indeed, Bennett Group had actually retained an accounting firm to assist with respect to the model portfolio, and the accounting firm had advised Bennett that such disclosures should be made when making

representations regarding returns based on the model portfolio. Despite this—as well as her obligations under the federal securities laws—those disclosures were never made on the radio show.

Response: Denied, except admitted that Bennett did not discuss the methodology behind returns discussed, and admitted that Bennett Group retained an independent accounting firm to verify the results of its model returns and that the accounting firm did so.

45. Bennett’s and Bennett Group’s misstatements and omissions regarding investment returns were material. Investors use facts about investment returns to draw conclusions about a firm’s skills and abilities. Further, Bennett and Bennett Group made the above-referenced misstatements and omissions with scienter, in that, inter alia, they knew or were reckless in not knowing that they were making material misstatements and omissions.

Response: The allegations of the first sentence of Paragraph 45 are denied. Respondents are without sufficient information to form a belief as to the truth of the conclusory allegations of the second sentence of Paragraph 45 and therefore deny those allegations. The allegations of the third sentence of Paragraph 45 are denied.

(iv) BENNETT GROUP LACKED ADEQUATE COMPLIANCE PROCEDURES AND FAILED TO IMPLEMENT THE PROCEDURES IT HAD

46. Bennett Group adopted a “Written Supervisory Policies and Procedures Manual” in June 2009, which was updated at least in June 2010. In adopting such written supervisory policies and procedures, BGFS used an “off-the-shelf” compliance manual that it did not tailor to BGFS’s specific operations and needs, including for calculation and review of managed assets and appropriate review of advertising and promotional content such as the “Financial Myth Busting” radio show. As a result, BGFS did not adopt a full set of compliance policies and procedures that were customized for its advisory business and reasonably designed to prevent violations by BGFS of the Advisers Act and the rules thereunder.

Response: The allegations of the first sentence of Paragraph 46 are admitted in regard to its registered mutual fund business. The remaining allegations of Paragraph 46 are denied.

47. Further, even the inadequate policies and procedures were not implemented. For instance, Bennett made the decisions for the firm—including determination of assets managed and how investment returns would be described on the radio show—with effectively no supervision from anyone at Bennett Group. The manual also specifically detailed the appropriate disclosures for discussions of model performance returns, including disclosures of costs, risks, strategies, and variations from actual client performance, and prohibited advertising that contained any untrue or misleading statements. These provisions, too, were not implemented.

Response: Denied, except admit the existence of the manual, which speaks for itself.

48. Bennett was essentially able to operate Bennett Group unchecked, and her firm's policies and procedures otherwise were not implemented with respect to her claims about assets managed and investment returns. She exploited that circumstance to make outlandish claims to bolster her reputation and that of her firm, so that existing customers and clients would be kept and new ones could be obtained. Once caught, she dissembled further, citing nonexistent conversations with a departed CFO and an incapacitated former executive, regarding entirely fictitious assets.

Response: Denied.

D. TOLLING OF ANY APPLICABLE LIMITATIONS PERIODS

49. Bennett and Bennett Group, respectively, signed tolling agreements that tolled any applicable statute of limitations for the period from July 31, 2014, through October 1, 2014, and signed additional tolling agreements that further tolled any applicable statute of limitations for the period from October 1, 2014, through January 2, 2015.

Response: Admitted.

E. VIOLATIONS

50. As a result of the conduct described above, Bennett and Bennett Group willfully violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

Response: Paragraph 50 states legal conclusions to which no response is required. To the extent further response is deemed necessary, the allegations of Paragraph 50 are denied.

51. As a result of the conduct described above, Bennett and Bennett Group willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

Response: Paragraph 51 states legal conclusions to which no response is required. To the extent further response is deemed necessary, the allegations of Paragraph 51 are denied.

52. As a result of the conduct described above, Bennett Group willfully violated, and Bennett willfully aided and abetted and caused the violations of, Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(5) thereunder, which make it unlawful for an investment adviser to, directly or indirectly, publish, circulate, or distribute any advertisement, which contains any untrue statement of a material fact or which is otherwise false or misleading.

Response: Paragraph 52 states legal conclusions to which no response is required. To the extent further response is deemed necessary, the allegations of Paragraph 52 are denied.

53. As a result of the conduct described above, Bennett Group willfully violated, and Bennett willfully aided and abetted and caused the violations of, Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require an investment adviser to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules promulgated thereunder.

Response: Paragraph 53 states legal conclusions to which no response is required. To the extent further response is deemed necessary, the allegations of Paragraph 53 are denied.

DEFENSES AND AFFIRMATIVE DEFENSES

Respondents assert the following defenses and affirmative defenses, without assuming the burden of proof as to any issue or element that otherwise rests with the Division of Enforcement. This statement of defenses and affirmative defenses is based on Respondents' investigation to date, and Respondents reserve the right to assert any and all other defenses or affirmative defenses now available or that may become available during the court of discovery or trial.

FIRST DEFENSE

The proceedings against Respondents are unconstitutional and being held in violation of the Appointments Clause of Article II of the Constitution of the United States. The Commission and the Commission's Administrative Law Judges therefore lack authority to conduct the proceedings herein.

SECOND DEFENSE

This administrative proceeding violates Respondents' rights to procedural due process under the Constitution of the United States. A hearing in this matter, particularly on an accelerated basis, violates the Due Process and Equal Protection Clauses of the Constitution by failing to afford Respondents appropriate discovery (including, without limitation, access to documents in a foreign jurisdiction under the Hague Convention), failing to abide by the federal rules of civil procedure and evidence, and depriving Respondents of the important right to a jury trial under the Seventh Amendment, among other grounds. In addition, given the time constraints, Respondents' defense will necessarily be prejudiced in light of the need to review and digest the massive investigative file, including the documents that the SEC has collected over the course of its four-year investigation, and do all the other necessary things that go into defending complex litigation with a fact pattern extending over six years. This is particularly unfair given the SEC has had over four years to prepare its case.

THIRD DEFENSE

This administrative proceeding violates Respondents' rights to equal protection of the laws under the Constitution of the United States. Where the government affords similarly situated citizens the right to a jury trial, the procedural protections of the federal rules of civil procedure and evidence, and the reasonable time to prepare a defense as afforded in federal

district court but arbitrarily deprives other citizens, like Respondents, of those same rights, the government has deprived Respondents of their right to equal protection of the laws.

FOURTH DEFENSE

The allegations of the Division of Enforcement fail to state a claim upon which relief may be granted by the Commission and otherwise lacks proof of the required elements for each claim and penalty sought.

FIFTH DEFENSE

To the extent the claims alleged in the OIP are founded on alleged violations of law occurring prior to April 7, 2010, those claims are barred by the applicable statute of limitations.

SIXTH DEFENSE

The OIP, and each alleged cause of action contained therein, is barred by the doctrine of laches because the Division of Enforcement delayed unreasonably and inexcusably in commencing this action and the Respondents suffered prejudice as a result.

SEVENTH DEFENSE

At all times, Respondents acted in good faith and in reasonable reliance on qualified compliance professionals having expertise in compliance with the federal securities laws to ensure adequate and appropriate legal review, disclosure of material information and compliance, and cannot be held liable for any alleged failings of that process.

EIGHTH DEFENSE

The standard of conduct to which the OIP holds Respondents is so vague and unclear that these proceedings are contrary to fundamental concepts of notice, fairness and due process.

NINTH DEFENSE

Respondents are not “investment advisers” subject to liability under the Investment Advisers Act of 1940.

TENTH DEFENSE


The civil penalties authorized under Dodd-Frank may not be retroactively applied based on acts or omissions occurring before July 2010.

ELEVENTH DEFENSE

Respondents reserve the right to amend any response to include any other defenses that may become available or are made clear during discovery.

Dated October 30, 2015

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