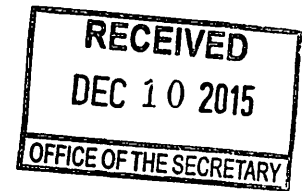


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



INVESTMENT ADVISORS ACT OF 1940
Release No. 4257 / November 5, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16943

In the Matter of

LONNY S. BERNATH,

Respondent

RESPONSE TO ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(F) OF
THE INVESTMENT ADVISERS ACT OF
1940

COMES NOW Lonny S. Bernath, by and through his counsel, and hereby files this response to the Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisors Act of 1940 (the "Order"), and hereby responds as follows:

1. Respondent admits the allegations in Paragraphs 1, 2 and 3 of the Order.
2. Section 203(f) of the Investment Advisers Act of 1940 (the "Advisers Act") permits the Commission to enter and order that bars a "*person from being associated with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, if the Commission finds, on the record after notice and opportunity for hearing, that such censure, placing of limitations, suspension, or bar is in the public interest.*"

3. A collateral consequence of an order entered under Section 203(f) is that the order would disqualify any entity with which the Respondent is an officer, director or 20% owner from engaging in a private placement under Rule 506 of Regulation D. The prohibition would apply

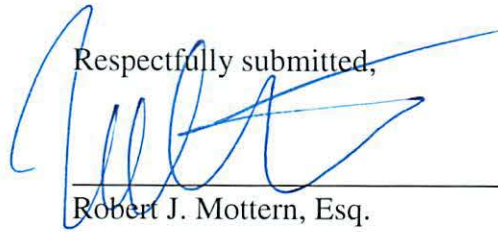
as long as the Respondent is subject to the bar, and would severely and unnecessarily restrict the Respondent's employment opportunities because Rule 506 is by far the predominate means by which companies raise capital in private placements.

4. Rule 506(d)(2)(iii) authorizes the Commission to provide in the order entered under Section 203(f) that the prohibition provided by Rule 506(d) should not apply or should be limited in effect.

5. As discussed with the Commission prior to the initiation of this action, the Respondent is willing to agree to a bar from association with an investment advisory firm pursuant to Section 203(f). However, the Respondent contends that it is manifestly unfair, not in the public interest, and unnecessary to prohibit him or any company with which he is associated from utilizing Rule 506 to offer securities in private placements if the issuer is not one of the entities specifically mentioned in Section 203(f).

6. Accordingly, the Respondent requests that any relief granted under Section 203(f) either (a) limit such relief to five years from the date of the order, or (b) specifically provide that such relief will not bar any entity with which the Respondent is associated from reliance on Rule 506 unless the entity is a type of entity listed specifically in Section 203(f) (i.e., an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization).

Respectfully submitted,



Robert J. Mottern, Esq.
GA Bar No. 526795

Davis Gillett Mottern & Sims, LLC
1230 Peachtree Street, N.E., Suite 2445
Atlanta, GA 30309
(404) 607-6933

ATTORNEY FOR LONNY S. BERNATH


CERTIFICATE OF SERVICE

On December 9, 2015, I sent via facsimile and overnight delivery the original and three copies of the foregoing to:

Jill Peterson, Secretary
U.S. Securities & Exchange Commission
100 F. Street, N.E.
Washington, DC 20549

On December 9, 2015, I sent via email a copy of the foregoing to:

Joshua A. Mayes (email: mayesj@sec.gov)
Securities and Exchange Commission
950 East Paces Ferry Road, N.E., Suite 900
Atlanta, GA 30326



Robert J. Mottern