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Department of Justice

U.S. Attorney's Office

District of Maryland

FOR IMMEDIATE RELEASE

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Former Financial Advisor Convicted of All Federal Charges Related to \$20 Million Ponzi Scheme

Dawn Bennett Misappropriated Investors' Funds, Including Using Them to Pay a Website Operator to Arrange for Priests in India to Perform Religious Ceremonies to Ward Off Federal Investigators

Greenbelt, Maryland – After deliberating for fewer than five hours, a federal jury today convicted Dawn J. Bennett, age 56, of Chevy Chase, Maryland, on all 17 federal charges including conspiracy, securities fraud, wire fraud, bank fraud, and making false statements on a loan application. Bennett remains detained pending sentencing. U.S. District Judge Paula Xinis has not yet scheduled a date for sentencing.

The conviction was announced by United States Attorney for the District of Maryland Robert K. Hur and Special Agent in Charge Gordon B. Johnson of the Federal Bureau of Investigation, Baltimore Field Office.

“Dawn Bennett’s greed knew no bounds as she knowingly defrauded elderly retirees of their life’s savings,” said U.S. Attorney Robert K. Hur. “This conviction—and the years in federal prison that she is facing—holds her accountable for her actions.”

According to the information presented at her nine-day trial, Bennett is the owner and operator of DJB Holdings, LLC, d/b/a DJBennett.com, an Internet retail website for luxury sportswear.

According to the evidence presented at trial, between December 2014 and April 2017, Bennett solicited individuals to invest money in her Internet clothing business, offering an annual interest rate of 15% via convertible or promissory notes. In order to entice individuals to invest, Bennett made false and misleading statements, including: the risks of investing in DJB Holdings; how investors’ funds would be used; and that the loans were liquid and guaranteed by DJB Holdings’ inventory and assets, and by Bennett herself. Witnesses testified that Bennett concealed the true financial condition of her companies from investors. Bennett convinced several investors to withdraw a significant portion of their retirement accounts to invest in, and loan money to, her companies. The evidence showed that Bennett misappropriated investor funds, using them to fund a lavish lifestyle, pay her personal legal expenses, and repay previous investors with funds she received from new investors. This is consistent with a Ponzi scheme—a fraudulent investment scheme where the operator of the scheme solicits investors by promising high rates of return with little risk. The scheme operator then funds payments to the earlier investors through funds obtained through new investors. Typically, the operator of the scheme will use investment funds for purposes other than what was conveyed to the investors.

According to testimony at trial, over the course of the scheme, Bennett obtained more than \$20 million from 46 investors, many of them elderly clients who knew of Bennett from a radio show she hosted. Some of those funds were used to pay earlier investors and the rest was used for her personal benefit, including: a luxury suite at a football stadium; to pay a website operator to arrange for priests in India to perform religious ceremonies to ward off federal investigators; to purchase astrological gems; and for cosmetic medical procedures.

Evidence at trial showed that in May 2015, DJB Holdings, LLC also obtained a \$750,000 line of credit, with Bennett as guarantor. According to witness testimony, in support of this line of credit, Bennett made false statements to the bank, including that she had a brokerage account with a net portfolio value of over \$4 million. In reality, Bennett's net portfolio value for that same account was only \$35. The loan proceeds were to be used solely for business operations, but Bennett used the funds to pay off investors and to pay her personal expenses. In February 2016, the lender declared the loan in default. Bennett told the lender that she was unaware of the default because she had been in China for the preceding eight months. According to trial evidence, there was not any international travel for Bennett during the time in which she claimed to be in China, and her personal American Express card showed numerous transactions during that time in the Chevy Chase, Maryland and Washington, D.C. area.

On August 25, 2017, the SEC filed a related action against Dawn J. Bennett and DJB Holdings, LLC d/b/a/ DJBennett and DJBennett.com alleging violations of the Securities Act of 1933 and the Securities Exchange Act of 1934.

Bennett faces a maximum of 20 years in prison for wire fraud conspiracy and for each of nine counts of wire fraud; a maximum of five years in prison for securities fraud conspiracy; a maximum of 20 years in prison for each of four counts of securities fraud; and a maximum of 30 years in prison each for bank fraud and for false statements on a loan application.

On June 18, 2018, Bennett's co-defendant, Bradley Mascho, age 52, of Frederick, Maryland, pleaded guilty to conspiracy to commit securities fraud and to making a false statement. Mascho faces a maximum of 10 years in prison. As part of his plea agreement, Mascho is required to pay restitution in the full amount of the victim's losses, which is at least \$5,720,457, minus amounts repaid with money not derived from his criminal conduct, but in no event less than \$3,650,238. No date has been set for Mascho's sentencing.

United States Attorney Robert K. Hur commended the FBI for its work on this investigation and thanked the SEC. Mr. Hur praised Assistant U.S. Attorneys Erin B. Pulice, Thomas P. Windom, and Gregory D. Bernstein, who are prosecuting the case.

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Topic(s):

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