

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4155 / August 5, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16722

In the Matter of

Eric A. Bloom,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940
AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Eric A. Bloom (“Respondent” or “Bloom”).

II.

After an investigation, the Division of Enforcement alleges that:

A. Respondent

1. Bloom, age 50, was President and Chief Executive Officer of Sentinel Management Group, Inc. (“Sentinel”), an investment adviser formerly registered with the Commission, from October 1988 through August 2007, which includes the period of the conduct underlying the criminal indictment described below. He resides in Northbrook, Illinois.

B. Respondent’s Criminal Conviction

2. On May 31, 2012, Bloom was indicted in the United States District Court for the Northern District of Illinois, alleging eighteen counts of wire fraud in violation of 18 U.S.C. §1343 and one count of investment adviser fraud in violation of 15 U.S.C. §§80b-6(1) and (2), and 80b-

17 and 15 U.S.C. §2, based on Bloom's scheme to defraud Sentinel's investment advisory clients. *United States v. Eric A. Bloom, Case No. 12 CR 409 (N.D. Ill.)*.

3. On March 25, 2014, the jury in *U.S. v. Bloom* returned a verdict finding Bloom guilty of each count of the Indictment.

4. On January 30, 2015, Bloom was sentenced in *U.S. v. Bloom* to 14 years in prison and ordered to pay \$666 million in restitution, jointly and severally.

5. The counts of the criminal Indictment alleged that between January 2003 and August 17, 2007, Bloom knowingly devised and participated in a scheme to defraud Sentinel's prospective customers and customers, and to obtain money by materially false and fraudulent pretenses, representations, promises and omissions. Among other things, the Indictment alleged that Bloom fraudulently obtained more than \$500 million of customers' funds by falsely representing and causing to be represented the risks associated with investing with Sentinel, the use of customers' funds and securities, the value of customers' investments, and the profitability of investing with Sentinel. According to the Indictment, Bloom:

a. misappropriated securities belonging to customer portfolios by using them as collateral for a loan from the Bank of New York ("BoNY") that Sentinel obtained to purchase millions of dollars of high-risk, illiquid CDOs for the benefit of Sentinel's House Portfolio, owned by Sentinel officers, Bloom and his family;

b. falsely represented to customers that invested funds would be traded in a manner consistent with representations made about the risk profile and investment objectives of the client portfolios selected the customers, when in fact Bloom employed used client securities in an undisclosed trading strategy for the House Portfolio that included extensive leverage, and a high concentration of illiquid and high-risk securities, that was inconsistent with the representations to customers;

c. caused false and misleading account statements to be created and sent to customers;

d. falsely represented and caused to be represented to customers the returns generated by each Sentinel portfolio;

e. concealed Sentinel's true financial condition from customers and regulators by entering into a sham transaction at the end of 2006 to temporarily reduce the balance of Sentinel's loan from BoNY, so that Sentinel's financial statements for the year ending December 31, 2006 would show less debt; and

f. sent a false and misleading letter to all Sentinel customers on August 13, 2007, advising them that Sentinel would not honor significant client redemption requests until further notice and blaming Sentinel's financial problems on the "liquidity crisis" and "investor fear and panic," when he knew that the actual reasons for Sentinel's financial problems were its

purchase of high-risk, illiquid securities, excessive use of leverage, and the resulting indebtedness on the BoNY line of credit that had a balance exceeding \$415 million on that day.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II. hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within

the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission

Brent J. Fields
Secretary