

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 56363 / September 6, 2007

ADMINISTRATIVE PROCEEDING
File No. 3-12750

In the Matter of

**DETWILER, MITCHELL,
FENTON & GRAVES, INC.,**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934**

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 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Detwiler, Mitchell, Fenton & Graves, Inc. (“DMFG” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings, Making Findings, and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. Respondent failed reasonably to supervise Bradford C. Bleidt ("Bleidt") with a view to preventing and detecting his violations of the federal securities laws during the period that Bleidt was a DMFG registered representative from October 2001 to February 2004. During at least this time period, Bleidt defrauded approximately 25 of Respondent's customers by lying about purchases and sales of securities, misappropriating funds, and sending them falsified statements relating to their investment advisory accounts with Bleidt's independent advisory firm.

Respondent

2. Respondent DMFG is a Massachusetts corporation, headquartered in Boston, Massachusetts, and a wholly-owned subsidiary of Detwiler, Mitchell & Co., a publicly traded holding company. DMFG has been registered with the Commission since 1971 as a broker-dealer pursuant to Section 15(b) of the Exchange Act and since 2006 as an investment adviser pursuant to Section 203(a) of the Investment Advisers Act of 1940 ("Advisers Act").

Other Relevant Person

3. Bleidt, 53, was a registered representative associated with DMFG in a Boston, Massachusetts Office of Supervisory Jurisdiction ("OSJ") from October 9, 2001 until February 12, 2004.

4. On November 12, 2004, the Commission filed a civil injunctive action in the United States District Court for the District of Massachusetts against Bleidt and his investment advisory firm, Allocation Plus Asset Management Company, Inc. ("APAM"), alleging that Bleidt defrauded his investment advisory clients of millions of dollars by leading them to believe their money was invested when in fact he was misappropriating it for his own personal benefit. Many of Bleidt's advisory clients also maintained brokerage accounts at Respondent. In that proceeding, the Commission sought appointment of a receiver, which the court granted. Among other things, the receiver brokered a settlement between DMFG and its former customers pursuant to which DMFG made a voluntary payment to a settlement fund, which the receiver distributed to victims.

5. On July 26, 2005, Bleidt pled guilty to federal charges of mail fraud and money laundering in connection with his fraudulent conduct. On December 5, 2005, Bleidt was sentenced to over 11 years of confinement.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Bleidt's Misconduct

6. From October 2001 to February 2004, Bleidt misappropriated over \$9 million from approximately 25 customers of Respondent.² To perpetrate these misappropriations, he asked his customers to request full or partial liquidation of their brokerage accounts with Respondent, and then, after they received the funds or their bank received the funds on their behalf, to write a check (or in some cases, send a wire) for the amount liquidated to APAM, his investment advisory company. APAM was an independent investment adviser registered under the Advisers Act and not affiliated with or controlled by DMFG. APAM did business out of the same office as the OSJ. Bleidt falsely represented to these customers that their money would continue to be invested in securities when, in fact, he misappropriated their funds. Bleidt then deposited these funds into an APAM bank account, of which he had sole control. Bleidt used funds from this APAM account for various business enterprises, including operating a Boston radio station, as well as APAM and a related financial planning firm. He also used the customers' misappropriated funds to pay personal expenses.

7. To further conceal his misappropriations and false representations, Bleidt created and sent his defrauded customers falsified performance reports in the name of APAM that vastly overstated the actual value of the accounts, reflected holdings that did not exist, and reflected purchases and sales of securities that he claimed to have made through DMFG, but never did.

8. As a result of the conduct described above, Bleidt, during the period that he was a registered representative with Respondent, willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

Respondent's Failure to Supervise

9. While Bleidt was a registered representative associated with DMFG, he also owned the independent office in Boston at which Respondent established an OSJ. Prior to affiliating with Respondent, Bleidt hired the OSJ manager as his employee, and only Bleidt had the ability to increase or decrease his salary. While Bleidt could terminate him as his employee, DMFG had the ability to terminate him as OSJ manager. By allowing a person subordinate to Bleidt to supervise Bleidt's activities concerning Respondent's business, Respondent created an inherent risk that Bleidt would not be adequately supervised. The OSJ manager's subordinate status may have compromised his ability to supervise Bleidt in a reasonable manner. This structure may have been a contributing factor in the supervisory failures described below.

² In the same time period, Bleidt misappropriated approximately another \$5 million from approximately 43 additional victims who did not have brokerage accounts at DMFG, but from whom Bleidt received funds directly in the form of a personal check or wire to APAM.

Failure to Implement Existing Supervisory Procedures to Monitor and Review Outside Business Activities

10. While a registered representative of Respondent, Bleidt was pursuing other business interests from the same office in which he conducted brokerage activity through Respondent. Respondent's personnel were aware that he conducted outside business activities, including the two SEC-registered investment advisory businesses and ownership in a radio station. Despite the existence of written procedures regarding outside business activities of its registered representatives, Respondent failed to monitor the outside business activities of Bleidt. For example, DMFG personnel did not reasonably investigate how Bleidt was funding his activities. In addition, no one at Respondent investigated the source of initial and ongoing capital for Bleidt's radio station venture. In fact, these outside business activities were being funded by Bleidt with misappropriated funds. If Respondent had reasonably implemented its existing procedures for review of outside business activities, it is likely that the firm could have prevented and detected Bleidt's violations of the federal securities laws.

Failure to Implement Existing Supervisory Procedures for Review of Incoming Mail

11. Incoming mail at the OSJ was sorted, unopened and unreviewed, into registered representatives' mailboxes during the entire time that Bleidt was a registered representative of Respondent. The lack of review of incoming mail enabled Bleidt to receive checks and related correspondence from Respondent's customers who had liquidated their brokerage accounts. These checks were typically in amounts mirroring the amounts liquidated and were sent to Bleidt for the purpose of purchasing securities. Respondent failed reasonably to implement its incoming mail procedures. For example, although Respondent's written procedures required central mail opening at the OSJ where Bleidt was located, this procedure was not followed at the OSJ and not enforced by Respondent. If Respondent had reasonably implemented existing procedures, it is likely that the firm could have prevented and detected Bleidt's violations of the federal securities laws.

Conclusions

12. Under Section 15(b)(4)(E) of the Exchange Act, broker-dealers are responsible for reasonably supervising, with a view to preventing violations of the federal securities laws, persons subject to their supervision. DMFG was responsible for supervising Bleidt.

13. The Commission has repeatedly emphasized that the "responsibility of broker-dealers to supervise their employees by means of effective, established procedures is a critical component in the federal investor protection scheme regulating the securities markets." *Dean Witter Reynolds, Inc.*, Exchange Act Rel. No. 46578 (October 1, 2002). Section 15(b)(4)(E) provides that a broker-dealer may discharge this responsibility by having "established procedures, and a system for applying such procedures, which would reasonably be expected to prevent and detect" such violations. "Where there has been an underlying violation of the federal securities laws, the failure to have or follow compliance procedures has frequently been found to evidence a failure reasonably to supervise the primary violator." *In the Matter of William V. Giordano*, Exchange Act Rel. No. 36742 (January 19, 1996). In addition to adopting effective procedures for

supervision, broker-dealers “must provide effective staffing, sufficient resources and a system of follow up and review to determine that any responsibility to supervise delegated to compliance officers, branch managers and other personnel is being diligently exercised.” *In the Matter of Mabon, Nugent & Co.*, Exchange Act Rel. No. 19424 (January 13, 1983).

14. Because Bleidt violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and DMFG failed to implement existing procedures, DMFG failed reasonably to supervise Bleidt for purposes of Section 15(b)(4)(E) of the Exchange Act.

DMFG’s Remedial Efforts

15. In determining to accept the Offer, the Commission considered the remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent DMFG’s Offer.

Accordingly, pursuant to Section 15(b) of the Exchange Act, it is hereby ORDERED that:

A. Respondent DMFG be, and hereby is, censured pursuant to Section 15(b)(4) of the Exchange Act.

B. Respondent shall, within ten days of the entry of this Order, pay disgorgement of \$1 and a civil money penalty in the amount of \$250,000 to the Securities and Exchange Commission. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies DMFG as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to David P. Bergers, Regional Director, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, Massachusetts 02110.

C. It is further ordered that the disgorgement and penalties referenced in paragraph B above shall be paid into the Fair Fund created pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 in In the Matter of Commonwealth Equity Services, LLP d/b/a Commonwealth Financial Network, Administrative Proceeding File No. 3-12749 (34-56362). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that it shall not, after offset or reduction in any Related Investor Action based on Respondent’s payment of disgorgement in this action, argue that it is entitled to, nor shall it further benefit by offset or reduction of any part of Respondent’s payment of a civil penalty in this

action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Nancy M. Morris
Secretary