

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-12749

ADMINISTRATIVE PROCEEDING
File No. 3-12750

ADMINISTRATIVE PROCEEDING
File No. 3-12751

In the Matter of

**COMMONWEALTH
EQUITY SERVICES, LLP
d/b/a COMMONWEALTH
FINANCIAL NETWORK,**

Respondent.

In the Matter of

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

Respondent.

In the Matter of

JAMES X. MCCARTY,

Respondent.

PROPOSED PLAN OF DISTRIBUTION

1. *Purpose and Background.* This Proposed Plan of Distribution (the “Plan”) provides for the distribution of disgorgement and civil monetary penalties collected by the Securities and Exchange Commission to investors defrauded by Bradford C. Bleidt (“Bleidt”), a former registered representative of Commonwealth Equities, LLP d/b/a Commonwealth Financial Network (“Commonwealth”), Detwiler, Mitchell, Fenton & Graves, Inc. (“DMFG”), and Winslow, Evans and Crocker, Inc. (“Winslow”). The Commission has filed three administrative proceedings and one civil action stemming from the misconduct here. *Commonwealth Equities, LLP d/b/a Commonwealth Financial Network*, Exchange Act Rel. No. 56362 (Sept. 6, 2007); *Detwiler, Mitchell, Fenton & Graves, Inc.*, Exchange Act Rel. No. 56363 (Sept. 6, 2007); *James X. McCarty*, Exchange Act Rel. No. 56364 (Sept. 6, 2007); and *SEC v. Bradford C. Bleidt, et al.*, Civil Action No. CA-04-12415-NG (D. Mass.).

The Commission’s Orders found that from 1991 until November 2004, Bleidt misappropriated over \$31 million from over 100 victims, many of whom had brokerage accounts at one or more of the three broker-dealers. To perpetrate these misappropriations, he asked his customers to request full or partial liquidation of their existing brokerage accounts, and then to write a personal check (or in some cases, send a wire) for the amount liquidated to his investment advisory company, Allocation Plus Asset Management Company, Inc. (“APAM”). 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 a related financial planning firm he also owned, Financial Perspectives Planning Services, Inc. (“FPPS”), and for personal expenses. In some instances during the final years of the fraud, Bleidt induced prospective and current investors to give him funds to open or add to an APAM account and simply misappropriated the funds.

The Orders further found that Commonwealth, DMFG and former on-site supervisor James X. McCarty (“McCarty,” and collectively, the “Respondents”) failed to reasonably supervise Bleidt for purposes of Section 15(b)(4)(E) of the Securities Exchange Act of 1934 in that Commonwealth failed to establish procedures and systems that would reasonably be expected to prevent and detect such violations by Bleidt, DMFG failed to implement existing procedures, and McCarty failed to adequately investigate red flags of Bleidt’s fraud and failed to follow Commonwealth’s and DMFG’s written supervisory procedures.

The Orders provide that Commonwealth and DMFG be censured and that McCarty be barred from acting in a supervisory capacity with any broker, dealer, or investment adviser. In addition, the Orders impose a \$250,000 penalty against both Commonwealth and DMFG and a \$50,000 penalty against McCarty to be paid in an initial payment of \$20,001 and four installments of \$7,500 to be paid 90, 180, 270 and 360 days, respectively, from the date of the Orders (September 6, 2007). The Commission also ordered each of the Respondents to pay disgorgement of one dollar and

further ordered the amounts of disgorgement and penalties to be paid into a Fair Fund created pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002.

In accordance with the Orders, on September 11, 2007, DMFG paid \$250,001 in disgorgement and civil monetary penalties to the Commission; on September 12, 2007, Commonwealth paid \$250,001; and on September 17, 2007 and November 23, 2007, McCarty paid \$20,001 and \$7,500, respectively. Pursuant to the Orders, a Fair Fund was established for these funds, totaling \$527,503.

The distribution pursuant to this Plan will be the second distribution to Bleidt's victims. In the settled civil injunctive matter against Bleidt, the Commission sought appointment of a receiver, which the court granted. Among other things, the receiver brokered a settlement between Bleidt's victims and Commonwealth, DMFG, and Winslow, pursuant to which the firms made payments of more than \$6.3 million to a settlement fund, which the receiver distributed to victims in June 2006.

This Plan is subject to approval by the Commission, who retains jurisdiction over the implementation of the Plan.

2. *Fund Administrator.* Philip C. Koski, an Assistant Regional Director in the Boston Regional Office, is proposed to act as the fund administrator for the Plan ("Fund Administrator"). As a Commission employee, the Fund Administrator shall receive no compensation, other than his regular salary as a Commission employee, for his services in administering the Fair Fund. In accordance with Rule 1105(c), no bond is required since the Fund Administrator is a Commission employee. In carrying out his duties, the Fund Administrator may be assisted by other Commission staff acting under his supervision.

3. *Procedures for the Receipt of Additional Funds.* This Fair Fund has been deposited at the United States Treasury Bureau of Public Debt for investment in short-term U.S. Treasury securities and obligations. In addition to interest from these investments, it is anticipated that the Fair Fund will receive \$22,500 in additional funds when McCarty pays the remaining installments owed pursuant to the Order against him, which are due on the following dates, each in the amount of \$7,500: March 4, 2008, June 2, 2008, and September 2, 2008.

4. *Specification of Eligible Fair Fund Recipients.* The Fund Administrator shall distribute Plan funds to those investors that have been harmed by the conduct described in the Orders (individually, each "Eligible Investor," and collectively, the "Eligible Investors"). An investor will be deemed harmed only if that investor suffered a net loss of funds by virtue of Bleidt's fraudulent conduct.

5. *No Claims-Made Process.* This Fair Fund is not being distributed according to a claims-made process, so the procedures for providing notice and for making and approving claims are not applicable.

6. *Qualified Settlement Fund.* The Fair Fund constitutes a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5.

7. *Control of Distribution Fund.* The Commission has control of the Fair Fund and shall retain control of the assets of the Fair Fund until distribution to the Eligible Investors. The Fair Fund is currently deposited at the United States Treasury Bureau of Public Debt. The Fair Fund will be distributed by the Financial Management Service, United States Treasury. The Fund Administrator shall use the assets and earnings of the Fair Fund to provide payments to Eligible Investors and to provide the Tax Administrator with assets to pay tax liabilities and tax compliance fees and costs.

8. *Tax Administrator.* The Commission has appointed Damasco & Associates as the Tax Administrator (“Tax Administrator”) of the Fair Fund. *See Commonwealth Equities, LLP d/b/a Commonwealth Financial Network; Detwiler, Mitchell, Fenton & Graves, Inc.; and James X. McCarty, Exchange Act Rel. No. 56549 (Sept. 27, 2007).* The Fund Administrator will ensure that all required information shall be made available to the Tax Administrator and will cooperate with the Tax Administrator in providing information necessary to accomplish the income tax compliance, ruling and advice work assigned to the Tax Administrator by the Commission. The Tax Administrator shall be compensated by the Fair Fund.

9. *Expenses of Administration.* Fees and other expenses of administering the Plan shall be paid first from the interest earned on the funds, and, if the interest is not sufficient, then from the corpus.

10. *Methodology for Determining Distribution Amounts.* The Fund Administrator will determine the amount to be distributed to each Eligible Investor in the following manner. First, the Fund Administrator will determine, with reference to the information collected by the staff of the Commission regarding Eligible Investors’ losses, the net amount that each Eligible Investor lost by virtue of Bleidt’s conduct (net loss defined as the amount of actual monies invested with Bleidt, APAM and FPPS, exclusive of any interest, dividends, or other return on monies invested, *less* any monies received back by Eligible Investor from Bleidt, APAM, or FPPS). Second, the Fund Administrator will determine what percentage of Eligible Investors’ total loss is represented by each Eligible Investor’s loss. Finally, for each Eligible Investor, the Fund Administrator will multiply this percentage by the amount of disgorgement and civil monetary penalties that have been paid by the date on which the distribution amounts are calculated, along with any accrued interest and less any taxes, fees or other expenses of administering the Plan (the “Distribution Fund”). This amount represents each Eligible Investor’s distribution amount.

11. *Procedures for Locating and Notifying Eligible Investors.* On the basis of information obtained by the staff of the Commission, the Fund Administrator has identified the Eligible Investors. Within thirty (30) days of the approval of this Plan, the Fund Administrator will send each Eligible Investor a notice by United States Postal

Service regarding the Commission's approval of the Plan, a statement characterizing the distribution, a description of the tax information reporting and other related tax matters, and the procedure for distribution. The Fund Administrator will request from each Eligible Investor information sufficient to accomplish the distribution in accordance with applicable tax requirements and in consultation with the Tax Administrator.

If an Eligible Investor fails to respond within thirty (30) days from the mailing of the notice, the Fund Administrator shall then make no fewer than two (2) attempts to contact the Eligible Investor telephonically. The second attempt shall in no event take place more than forty-five (45) days from the mailing of the notice.

If an Eligible Investor fails to respond to the Fund Administrator's contact attempts as described in this paragraph, its allocated distribution amount shall be considered an undistributed asset and placed in a residual account within the Fair Fund.

12. *Financial Management Service; Validation and Approval of Disbursing the Distribution Funds.* The Fair Fund distribution to Eligible Investors will be implemented by the Commission and disbursed through the Financial Management Service, United States Treasury ("FMS"), which will cut checks or electronically transfer funds to each payee as instructed by the Fund Administrator. The Fund Administrator will compile the payee information and prepare it for submission to FMS to make the disbursement. Pursuant to Rule 1101(b)(6), the staff will obtain authorization from the Commission to disburse funds.

FMS will notify the Commission, which in turn, will notify the Fund Administrator of any returned items due to non-delivery, insufficient addresses, and/or other deficiencies. The Fund Administrator is responsible for researching and reconciling all errors that result in non-delivery and shall submit a supplemental electronic file for payment of the returned items.

The Fund Administrator also is responsible for accounting for all payments. Each check cut by FMS will state on the face of the check that it is valid for one year. After one year from the date on the distribution check, FMS shall notify the Commission, which in turn, will notify the Fund Administrator, of all uncashed checks and will credit the Distribution Fund for the amount of all uncashed checks.

13. *Information Mailing to Accompany Payments.* All payments shall be preceded or accompanied by a communication that includes, as appropriate: (a) a statement characterizing the distribution; (b) a description of the tax information reporting and other related tax matters; (c) a statement that checks will be void after one year; and (d) the names of the Fund Administrator and appropriate Commission staff to contact, to be used in the event of any questions regarding the distribution. Distribution checks, on their face, or in the accompanying mailing will clearly indicate that the money is being distributed from a Fair Fund established by the SEC.

14. *Notice of Proposed Plan and Opportunity for Comment.* Notice of this Plan shall be published in the SEC Docket and on the Commission website [<http://www.sec.gov>]. The Fund Administrator shall mail a copy of the Plan to the last known address of each Eligible Investor within five (5) business days of the date of the notice. Any person or entity wishing to comment on the Plan must do so in writing by submitting comments within thirty (30) days of the date of the notice (i) by sending a letter to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090; (ii) by using the Commission's Internet comment form (www.sec.gov/litigation/admin.shtml); or (iii) by sending an e-mail to rule-comments@sec.gov. Comments submitted by e-mail or via the Commission's website should include the Administrative Proceeding File Number (3-12749) in the subject line. Comments received will be available to the public. Commenters should only submit information that they wish to make publicly available.

15. *Accountings.* The Fund Administrator will submit a final accounting for approval of the Commission prior to termination of the Fair Fund and discharge of the Fund Administrator. Since the funds are being held at the United States Treasury Bureau of Public Debt, and a Tax Administrator has been appointed, no interim accountings will be conducted.

16. *Amendment.* The Fund Administrator will inform the Commission staff of nonmaterial changes in the Plan before implementation, but will obtain approval from the Commission prior to the implementation of any material changes in the Plan. If material changes are required, this Plan may be amended upon the motion of the Fund Administrator or upon the Commission's own motion.

17. *Termination of the Fair Fund and Undistributed Amounts.* Upon distribution of the funds, and after allowing for the appropriate time for any distributions in the form of a paper check, the Fund Administrator shall make arrangements for the final payment of taxes and Tax Administrator fees and shall make a final accounting to the Commission. The Distribution Fund shall be eligible for termination after all of the following have occurred: (1) the final accounting by the Fund Administrator has been submitted and approved by the Commission, (2) all taxes and fees have been paid and (3) all remaining funds or any residual have been transferred to the United States Treasury. Staff shall seek an order from the Commission to (1) approve the final accounting; (2) approve sending the remaining residual amount to the United States Treasury after the final tax payment has been made; and (3) authorize the Secretary of the Commission,

upon receipt of notice from the staff assigned to this matter that all funds have been expended, to discharge the Fund Administrator.

Submitted on November 16, 2007

By: /s/ Philip C. Koski
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