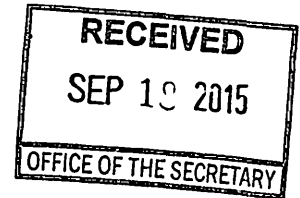


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



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.

RESPONDENT ERIC A. BLOOM'S RESPONSE
TO ORDER INSTITUTING PUBLIC
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940

Respondent Eric A. Bloom, by his undersigned counsel, responds to the Order Instituting Proceedings as follows:

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").

RESPONSE: To the extent that a response is required to this paragraph, Respondent responds that this paragraph alleges legal conclusions to which no response is required. To the extent a response is required, on the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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.

RESPONSE: On the advice of counsel, Respondent respectfully declines to answer the allegations of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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 (ND. Ill.).

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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;

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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;

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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.

RESPONSE: On the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: To the extent that a response is required to this paragraph, Respondent responds that this paragraph alleges legal conclusions to which no response is required. To the extent a response is required, on the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

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

RESPONSE: To the extent that a response is required to this paragraph, Respondent responds that this paragraph alleges legal conclusions to which no response is required. To the extent a response is required, on the advice of counsel, Defendant respectfully declines, at this time, to answer the allegation(s) of this paragraph based on his privilege under the Fifth Amendment to the United States Constitution.

AFFIRMATIVE MATTER

The Proceedings Are Unconstitutional

1. Respondent respectfully submits that this administrative process is unconstitutional, and that any adverse decision rendered against him is unconstitutional, illegal, void, and cannot and should not be enforced against him as a matter of law, because:

A. The ALJ assigned to the case is a branch officer within the meaning of Article II and is separated from the President by multiple levels of protection from removal rendering the

process unconstitutional. In greater detail, the ALJ is protected against removal except for “good cause” as determined by the Merit Systems Protection Board (“MSBP”), 5 U.S.C. § 7521(a). The SEC Commissioners, who have the power to remove an ALJ, cannot themselves be removed (by the President) except upon limited grounds. And, the President may similarly remove members of the MSBP only upon limited grounds. 5 U.S.C. § 1202(d). This system contravenes Article II of the Constitution and, thus, this proceeding and any adverse decision arising therefrom are unconstitutional.

B. The ALJ assigned to the case has not been constitutionally appointed. In greater detail, U.S. CONST. art. II, § 2, cl. 2 requires that the SEC Commissioners appoint the ALJ who is presiding over this case. Similarly, 15 U.S.C. § 78d(a) requires that the SEC Commissioners, among other things, appoint the ALJs. The Commissioners did not appoint the ALJ presiding over this case. Accordingly, this proceeding and any adverse decision arising therefrom are unconstitutional.

The Proceedings Should Be Stayed

1. Respondent currently is appealing his criminal conviction referenced in the Order instituting these proceedings. At the underlying trial of that criminal matter, Respondent exercised his Fifth Amendment right to remain silent. The SEC now seeks to use Respondent Bloom’s conviction, and the allegations made in the indictment against him, as a basis for the relief it seeks in this case. However, if Respondent does not continue to assert his Fifth Amendment rights in this proceeding, he will waive those rights in any further proceedings in the criminal action (and any other action) should he succeed in obtaining the reversal, in whole or in part, of his conviction. Accordingly, Respondent respectfully submits that this matter should be stayed until his criminal appeal is decided in order to protect his paramount Fifth Amendment rights, which protection will not cause any prejudice to any party in this proceeding.

Double Jeopardy

1. The SEC’s pursuit of some or all of the relief herein against Respondent Bloom amounts to unconstitutional double jeopardy because, among other reasons, it amounts to a second punishment where Mr. Bloom already has been punished in his criminal conviction.

CONCLUSION

Respondent Bloom therefore requests that this matter be stayed and, if not, that judgment and such other relief as is just under the circumstances be entered in his favor.

Dated: September 11, 2015

Respectfully submitted,

ERIC BLOOM

By: /s/ Douglas A. Albritton
One of his Attorneys

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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

ADMINISTRATIVE PROCEEDINGS RULINGS
Release No. 3016/August 6, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16722

In the Matter of

ERIC A. BLOOM

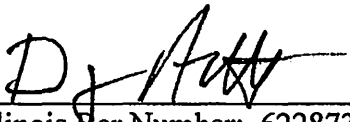
CERTIFICATE OF SERVICE

Douglas A. Albritton, an attorney, hereby certifies that on August 31, 2015, he caused a true and correct copy of the foregoing Respondent Bloom's **RESPONSE TO ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 203(f) OF THE INVESTMENT ADVISERS ACT OF 1940** to be served on the following by e-mail to:

The Honorable Carol Fox Foelak
Administrative Law Judge
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-2557
alj@sec.gov

and:

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