
Division of Insurance, Petitioner

v.

Bradford C. Bleidt, Respondent

Docket No. E2004-30

Order on Petitioner's Motion for Summary Decision

Introduction and Procedural History

On November 17, 2004, the Massachusetts Division of Insurance (“Division”) filed an Order to Show Cause (“OTSC”) against Bradford C. Bleidt (“Bleidt”), a licensed individual insurance producer. The Division seeks orders that Bleidt has violated the provisions of the Massachusetts insurance laws, specifically G.L. c. 175, §§162R (a)(1), (a)(3), and (a)(8) and has engaged in unfair or deceptive acts or practices in the business of insurance in violation of G.L. c. 176D, §§2 and 3. It asks for revocation of his license, imposition of fines for the alleged violations of c. 175, §162R (a) and c. 176D, and orders prohibiting him from engaging in the insurance business in Massachusetts and directing him to dispose of any interest he may have in any insurance business.

The Division alleges that Bleidt was first licensed as an insurance agent and broker on January 11, 1982, and that his licenses were converted to an insurance producer license as of May 16, 2003. It asserts that Bleidt is also registered with the Securities Division of the Massachusetts Secretary of State’s office as an agent for a broker-dealer and is the president, chief executive officer, and investment adviser representative of Allocation Plus Asset Management Company, Inc., a Massachusetts corporation registered with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. The Division alleges that on or about November 11, 2004, Bleidt mailed to the SEC’s Boston

office an audio tape in which he admitted to defrauding his investment advisory clients out of millions of dollars by diverting their funds into an account at the Sovereign Bank. It further alleges that on or about June 9, 2004, Bleidt submitted an application for a Massachusetts individual insurance producer license. On that application, he answered “no” to Question 2, which asks whether the applicant or any business in which he is an owner, partner, officer or director, has ever been involved in an administrative proceeding regarding any professional or occupational license. The Division alleges that Bleidt failed to disclose that on or about August 31, 2001, the Maine Bureau of Insurance had issued an order terminating his license for failure to provide a certification letter and failure to respond to that state’s request for such a letter within 30 days.

A Notice of Procedure (“Notice”) issued on November 19, 2004, which advised Bleidt that a hearing on the OTSC would be held on January 3, 2005, at the offices of the Division, that a prehearing conference would take place on December 20, 2004, and that the hearing would be conducted pursuant to G.L. c. 30A and the Standard Adjudicatory Rules of Practice and Procedure, 801 CMR 1.00, *et seq.* The Notice advised Bleidt to file within 21 days of his receipt of the Notice an answer pursuant to 801 CMR 1.01(6)(d) and that, if he failed to file an answer, the Division might move for an order of default, summary decision or decision on the pleadings granting it the relief requested in the OTSC. It also notified Bleidt that, if he failed to appear at the prehearing conference or hearing, an order of default, summary decision or decision on the pleadings might be entered against him. The Commissioner designated me as presiding officer for this proceeding.

On November 23, the Notice and OTSC were sent by certified mail to respondent at his residence in Manchester, Massachusetts. On or about November 30, 2004, the Division received from the Post Office a receipt for the certified letter; the receipt bore the signature of Bonnie Bleidt, but did not indicate the date on which she accepted the letter. Neither Bleidt nor any person representing Bleidt filed an answer or other responsive pleading to the OTSC.

On December 20, 2004, a prehearing conference took place, pursuant to 801 CMR 1.01(10)(a). Douglas Hale, Esq. appeared for the Division. Neither Bleidt nor any person representing him appeared. Mr. Hale reported that he had received no communication from the respondent or from any person purporting to represent him, and stated that he would file a motion for summary decision. On December 28, the Division filed a motion for summary decision, supporting memorandum, and an affidavit from Mr. Hale, with attached exhibits. On December 29, an order issued advising Bleidt to file any response to the motion by January 7, 2005, and continuing the date for any hearing and argument on

the motion to January 11. Bleidt filed no response to the Division's motion and did not appear at the hearing. On January 11, the Division filed a withdrawal of its request for monetary penalties, because it had received a letter from counsel to the receiver for Bleidt and several of his business entities stating that the receiver, although he took no position on the revocation of Bleidt's license, would object to the imposition of any monetary penalties. Counsel stated that the United States District Court had enjoined actions that would, in effect, dissipate the assets of the receivership estate, and that an order from the Division assessing fines against Bleidt would become a liability of the receivership estate, thus diluting value. At the hearing on January 11, Mr. Hale reported that he had received no communication from Bleidt or from any person representing him in this matter.

Finding of Default

On the basis of the record before me, I conclude that the Division took appropriate actions to ensure proper service, and that sufficient service was made. The OTSC and Notice were sent to respondent at the address shown on the Division's licensing records; the return card was signed by Bonnie Bleidt. I conclude that Bleidt's failure to answer the OTSC or to respond to the Division's motions, and his failure to appear at the scheduled prehearing conference or at the hearing, whether *pro se* or through counsel or other personal representative, warrant findings that he is in default. By his default, Bleidt has waived his right to proceed further with an evidentiary hearing in this case and I may consider the Division's Motion for Summary Decision based solely upon the OTSC, the motion and the affidavits attached to it.

Findings of Fact

On the basis of the record before me, I find the following facts:

1. Respondent Bradford Bleidt was first licensed as an individual insurance agent and broker in Massachusetts on or about January 11, 1982. Effective May 16, 2003, his licenses were converted to a producer license.
2. On or about June 9, 2004, Bleidt filed an application for a Massachusetts individual insurance producer license. He answered "no" to Question 2 on the application, which asks, in pertinent part, whether the applicant has ever been involved in an administrative proceeding regarding any professional or occupational license. Bleidt failed to disclose that the Maine Bureau of Insurance, on or about August 31, 2001, issued an Order of Termination of License against him for failure to provide a letter of certification, as well as for failure to respond to Maine's request for such a letter within 30 days.

3. Bleidt is also registered with the Securities Division of the Office of the Massachusetts of State as an agent for a broker-dealer, and is president, chief executive officer, treasurer, sole shareholder and adviser representative for Allocation Plus Asset Management Company (“Allocation Plus”), an investment advisor registered with the United States Securities and Exchange Commission (“SEC”).
4. On or about November 11, 2004, Bleidt sent an audiotape to the SEC’s Boston District Office on which he admitted that he had diverted investor funds from Allocation Plus to personal accounts, thereby defrauding his clients of millions of dollars. Bleidt believed that over the past two decades he had taken over \$20 million of investor funds.
5. Bleidt stated that he would deposit investor funds payable to Allocation Plus in a Sovereign Bank account and set up payment schedules. Until November 11, he had always had enough cash flow to cover client demands. However, on that date, a client requested payment of one and a half million dollars; Bleidt stated that the money was not available because he had stolen it and used it to buy a radio station. In another tape directed to the SEC, Bleidt admitted that he had created a Ponzi scheme, which he had covered up through operating a legitimate company, Financial Perspectives Planning Services, Inc. (“FPPSI”). Bleidt was the chief executive officer and a director of FPPSI.
6. The SEC conducted an on-site examination of Allocation Plus, as well as of FPPSI. It found that Bleidt was sending fraudulent monthly statements to approximately 100 Allocation Plus clients and quarterly statements to about 40 clients. Bleidt, on another tape, informed the SEC that in his office were file cabinets containing copies of those fraudulent statements. Bleidt also made tape recordings for six individuals in which he confessed to defrauding his clients.
7. The SEC staff determined, as a result of their examination of Allocation Plus, that in January 2004 Bleidt had misappropriated approximately \$2.2 million in funds belonging to the Greek Orthodox Church of Weston. The investigation also disclosed transfers of client funds from the Allocation Plus account at Sovereign Bank to Bleidt’s personal account at Fleet Bank as well as the payment of personal expenses from the Allocation Plus account.
8. On November 12, 2004, the SEC filed an emergency enforcement action against Bleidt and Allocation Plus. The United States Attorney for the District of Massachusetts has filed criminal charges against Bleidt.

Analysis and Conclusions of Law

G.L. c. 175, §162R (a) identifies fourteen grounds on which the Commissioner may, among other things, revoke a producer's license and levy civil penalties. The Division relies on three subsections of the statute to support the relief it seeks in the OTSC. Subsection (a)(1), in pertinent part, permits revocation for "providing incorrect, misleading, incomplete or materially untrue information in the license application." Subsection (a)(3) allows revocation for "obtaining or attempting to obtain a license through misrepresentation or fraud," and (a)(8) for "using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in the commonwealth or elsewhere." Unlike subsection (4) of §162R (a), which permits revocation for misappropriating or converting money received in the course of doing insurance business, subsection (8) permits revocation for conduct in the course of business generally, whether in Massachusetts or elsewhere.

I conclude that my findings of fact support a determination that Bleidt used fraudulent or dishonest practices, and demonstrated untrustworthiness and financial irresponsibility in the conduct of his investment adviser and asset management businesses, and that his insurance producer's license should therefore be revoked. I further find that Bleidt's failure to report an administrative action in Maine on his application for a Massachusetts insurance producer license supports revocation under §162R (a)(1) and (3). Although the Division also asked for a finding characterizing Bleidt's actions as unfair and deceptive practices in the business of insurance and violations of G.L. c. 176D, I cannot ascertain, on the limited record before me, the relationship between Bleidt's investment management business and the business of insurance. Therefore, I can draw no conclusion on whether his misconduct occurred in connection with any insurance-related business. However, for the above reasons, I conclude that Bleidt's insurance producer license should be revoked, that he should be prohibited from transacting any insurance business, directly or indirectly, in Massachusetts, and that he should be required to dispose of any interest he may have in any insurance business.

Although G.L. c. 175, §162R (a) permits the Commissioner to levy civil penalties in accordance with c. 176D, §7, the Division has withdrawn its request for relief in the form of fines against Bleidt. Therefore no penalties will be assessed.

ORDERS

Accordingly, after due notice, hearing and consideration it is

ORDERED: That any and all insurance producer licenses issued to Bradford C. Bleidt by the Massachusetts Division of Insurance, and any appointments based on his status as a licensed producer, are hereby revoked; and it is

FURTHER ORDERED: that Bradford C. Bleidt shall return to the Division any licenses in his possession, custody or control; and it is

FURTHER ORDERED: that Bradford C. Bleidt shall dispose of any interest as proprietor, partner, stockholder, officer or employee of any licensed producer; and it is

FURTHER ORDERED: that Bradford C. Bleidt is, from the date of this order, prohibited from directly or indirectly transacting any insurance business, acquiring any insurance business or acting as an insurance producer in Massachusetts.

This decision has been filed this 13th day of January 2005, in the office of the Commissioner of Insurance. A copy shall be sent to Bleidt by certified mail, return receipt requested, as well as by regular first class mail, postage prepaid.

Jean F. Farrington
Presiding Officer

Pursuant to G.L. c. 26, §7, this decision may be appealed to the Commissioner of Insurance.