

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 59249 / January 14, 2009

INVESTMENT ADVISERS ACT OF 1940
Release No. 2831 / January 14, 2009

INVESTMENT COMPANY ACT OF 1940
Release No. 28601 / January 14, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13063

In the Matter of

MICHAEL K. BRUGMAN,

Respondent.

**CORRECTED ORDER MAKING
FINDINGS AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER PURSUANT TO SECTIONS 15(b)
AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940**

I.

On June 11, 2008, the Securities and Exchange Commission (“Commission”) instituted a public administrative proceeding pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Michael K. Brugman.

II.

In 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 him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and A Cease-And-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(f) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 ("Order"), as set forth below:

III.

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

Summary

From mid-2001 through December 2002, Brugman, who was at the time a wholesaler for Invesco Funds Group, Inc. ("IFG"), accepted personal payments totaling over \$3 million from various entities in exchange for procuring market timing capacity with the Invesco funds. Brugman never disclosed these payments to IFG.

Respondent

1. Brugman, age 40, is a resident of Mount Kisco, New York. From approximately June 2000 through December 2002, Brugman was employed by IFG as a wholesaler for the Invesco Funds. He was also a registered representative associated with Invesco's affiliated broker-dealer, Invesco Distributors, Inc. Brugman assisted in the sale of shares of Invesco funds to institutional clients.

Other Relevant Entities

2. IFG, formerly a Delaware corporation headquartered in Denver, Colorado, was registered with the Commission as an investment adviser from 1957 until October 2004, when IFG withdrew its registration. IFG no longer conducts business. During the relevant time period, IFG served as an investment adviser to over forty-five mutual funds, each included within one of a series of eight registered open-end investment companies (the "Invesco funds").

Background

3. While employed with IFG, Brugman assisted in the sale of the Invesco funds to institutional clients. From the middle of 2001 until his resignation from IFG in December 2002, Brugman introduced at least four market timers to IFG in exchange for personal payments made to Brugman by the market timers. Brugman received some of these personal payments indirectly through entities established by a family member.

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

4. Brugman began accepting personal payments in approximately July 2001, when he successfully introduced a market timer to IFG that would potentially invest a substantial amount in the Invesco Funds.

5. At the beginning of this market timing relationship, this market timer executed its trades in the Invesco funds through a registered broker-dealer that was not affiliated with IFG. The market timer paid that broker-dealer a management fee equal to approximately 120 basis points for the market timing assets placed in the Invesco funds. The broker-dealer split these fees with Brugman, paying Brugman the equivalent of 30 of the 120 basis points fee it received. In an attempt to conceal this arrangement from Brugman's employer, Brugman's fee was first transferred to another entity, which in turn paid the fees to an entity associated with Brugman.

6. At the beginning of 2002, this market timer began placing its trades directly with the Invesco funds, rather than using the other broker-dealer, and continued to pay Brugman for its market timing arrangement with IFG. For 2002 alone, this market timer transferred over \$3 million to Brugman.

7. Brugman also received personal payments from at least three other market timers that utilized the same broker-dealer as the market timer described above. Brugman received these payments by splitting with the broker-dealer the fees the market timers paid to the broker-dealer. Brugman received over \$50,000 in such personal payments in 2002.

8. Brugman resigned from IFG, his last day was December 13, 2002.

9. As an employee of IFG, Brugman was IFG's agent and fiduciary. Therefore, Brugman had a duty to disclose to IFG that he intended to and did receive personal payments in connection with the market timing transactions. Brugman was further obligated to disclose to IFG his receipt of personal payments based on his written agreement, entered into during his employment with IFG, to abide by certain policies enforced by IFG, including policies prohibiting him from accepting compensation from outside sources or engaging in outside business activities without prior approval from IFG. However, Brugman never sought IFG's permission to accept the personal payments nor did he ever disclose to IFG his receipt of these payments.

10. By accepting the personal payments and knowingly participating in the scheme to conceal them from IFG, Brugman acted with scienter. Brugman's actions in personally profiting by over \$3 million dollars from market timers, and concealing this fact from IFG and the funds, were material.

11. As a result of the conduct described above, Brugman 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.

IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Brugman shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Brugman be, and hereby is barred from association with any broker, dealer, or investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. IT IS FURTHER ORDERED that Respondent shall, pay disgorgement of \$700,000.00 as follows: immediately upon entry of this Order, Respondent shall pay disgorgement of \$400,000.00, and within twelve months of the entry of this Order, Respondent shall pay the remaining disgorgement of \$300,000.00 to the United States Treasury. If timely payment is not made, additional interest shall accrue on any unpaid balance pursuant to SEC Rule of Practice 600. 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 Michael K. Brugman 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 Elizabeth E. Krupa, Denver Regional Office, 1801 California St, Suite 1500, Denver, CO 80202.

By the Commission.

Elizabeth M. Murphy
Secretary