

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98823 / October 30, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21788

In the Matter of

BRADLEY M. HOLTS,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND NOTICE OF HEARING**

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 Bradley M. Holts (“Respondent” or “Holts”).

II.

After an investigation, the Division of Enforcement alleges that:

A. SUMMARY

1. Between February 2021 and May 2021, Holts, while a registered representative associated with a broker-dealer based in Denver, Colorado (the “Broker-Dealer”), misappropriated \$186,382 from three elderly investor customers (the “Three Investors”). Holts falsely told these investors that he would invest their money in securities of mutual funds offered by the investment management firm Invesco Ltd. (“Invesco”). In fact, Holts stole the investors’ money and used the money to pay personal expenses, including for clothing, tanning salons, adult and dating websites, and a divorce lawyer. Holts has not repaid the Three Investors.

2. On February 27, 2023, the Commission filed a complaint in the United States District Court for the Eastern District of Texas, Beaumont Division, against Holts alleging that his conduct violated Section 17(a) of the Securities Act of 1933 (“Securities Act”), and Section 10(b)

of the Exchange Act and Rule 10b-5 thereunder. *See SEC v. Bradley Morgan Holts*, Case No. 1:23-cv-00081 (E.D. Tex.). Holts did not respond to the Commission's complaint. Accordingly, on October 11, 2023, the district court entered a final judgment by default against Holts granting all the relief sought by the Commission, including injunctive relief.

B. RESPONDENT

3. Holts, age 52, is a resident of Beaumont, Texas. Holts holds Series 7 and 66 securities licenses issued by the Financial Industry Regulatory Authority, a non-governmental organization that oversees broker-dealers. From October 2020 to July 2021, Holts was employed as a registered representative with the Broker-Dealer, which was registered with the Commission. Prior to his association with the Broker-Dealer, Holts worked for other broker-dealers and investment advisers starting in July 2010. The Broker-Dealer terminated Holts' employment for cause on July 15, 2021. Given his past employment and the fact that he holds securities licenses, Holts' profession may present further opportunities for Holts to violate the securities laws.

C. ENTRY OF THE INJUNCTION

4. On February 27, 2023, the Commission filed a complaint in the United States District Court for the Eastern District of Texas, Beaumont Division, against Holts concerning the same conduct and violations described below. *See SEC v. Bradley Morgan Holts*, Case No. 1:23-cv-00081 (E.D. Tex.).

5. Holts never appeared in the case the Commission filed against him, never acknowledged the litigation, and never offered a defense.

6. On October 11, 2023, the district court entered a final judgment by default against Holts that (1) permanently enjoins him from violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, (2) orders Holts to pay disgorgement in the amount of \$186,382 plus prejudgment interest in the amount of \$18,005.31, and (3) imposes a civil penalty on him in the amount of \$186,382.

7. Holts has not acknowledged any wrongdoing or offered any assurances against future violations of the federal securities laws.

D. HOLTS DEFRAUDED MULTIPLE INVESTORS

Background

8. Holts first met each of the Three Investors while he was working for a broker-dealer affiliate of the investors' bank ("Bank 1"). After Holts left the broker-dealer affiliate of Bank 1, he convinced each of the Three Investors to use him as their stockbroker, including when Holts became affiliated with the Broker-Dealer.

9. During the summer and fall of 2020, Holts received applications and funds from the Three Investors that he sent to Invesco to open investment accounts for the investors.

10. From February through May 2021, the Three Investors had approximately \$1.9 million, collectively, invested in Invesco mutual funds via purchases made through Holts, as their stockbroker.

Holts Opened a Bank Account Using a Deceptive Invesco Name.

11. In furtherance of his scheme to misappropriate investor funds, on February 17, 2021, Holts opened a bank account in the name of “Bradley Morgan Holts d/b/a Invesco Investment Texas” (“IIT”). On the account opening application, Holts listed his home address in Beaumont, Texas, as the address for IIT. Holts was the only individual with signature authority over the IIT bank account. The IIT d/b/a name used by Holts on the bank account is deceptively similar to Invesco’s name. However, Invesco had no relationship to IIT or control over the IIT bank account.

Holts Obtained Checks from the Three Investors By Misrepresenting that He Would Use the Funds to Purchase Invesco Mutual Funds for Them.

12. Holts falsely represented to the Three Investors that if they made further investments through him, he would add the funds to the investors’ existing Invesco mutual fund investments.

Holts’ False and Misleading Statements to Investors 1 and 2.

13. On or before February 15, 2021, Holts verbally represented to two of the Three Investors (“Investor 1” and “Investor 2”), separately, that if they made further investments through him, then he would add the funds to the investors’ existing Invesco mutual fund investments. Investors 1 and 2 both reside in Beaumont, Texas, and are 91 and 71 years old, respectively.

14. Based on those representations, on February 15, 2021, Investor 1 and Investor 2 provided checks to Holts in the amounts of \$17,575 and \$10,000, respectively. The memo lines for the two checks provided by Investor 1 and Investor 2 each contained the word “investment” and the checks were made payable to “Invesco Investments Texas.”

15. Holts deposited the two checks from Investor 1 and Investor 2 totaling \$27,575 into his IIT account on February 17, 2021, as the initial deposit to open the IIT account.

16. Holts did not invest the money from Investors 1 and 2 with Invesco, but rather misappropriated the funds for his personal use. Holts’ statements to Investors 1 and 2 regarding the intended use of their funds were material as a reasonable investor would want to know that their funds were going to be placed in Holts’ personal IIT account rather than invested with Invesco, and that Holts was going to misappropriate their money.

Holts' False and Misleading Statement to Investor 3.

17. On or before May 24, 2021, Holts verbally represented to the third of the Three Investors ("Investor 3") that if she made a further investment through him, Holts would add the funds to the investor's existing Invesco mutual fund account to increase her balance above \$1 million and thereby avoid an additional Invesco sales charge. Investor 3 resides in Orange, Texas, and is 78 years old.

18. Based on Holts' representation, Investor 3 delivered two cashier's checks to Holts that totaled approximately \$158,807, which checks were payable to and endorsed by Investor 3.

19. Holts deposited the two endorsed checks received from Investor 3 totaling approximately \$158,807 into his IIT account on May 24, 2021.

20. At the time Holts received these funds from Investor 3, he knew that Investor 3 had previously entered into a letter of intent to invest \$1 million in her Invesco mutual fund account. Holts saw the letter of intent in the Invesco application that he prepared for Investor 3. In addition, he received a letter from Invesco, dated October 26, 2020, that confirmed the terms of Investor 3's letter of intent and stated that if Investor 3 increased her Invesco mutual funds balance to \$1 million within the next 13 months, she would avoid sales charge adjustments on her Invesco mutual fund purchases.

21. At the time Investor 3 provided Holts with approximately \$158,807, her Invesco account balance was approximately \$850,000. The additional investment of these funds would have fulfilled the \$1 million threshold to avoid incurring an additional sales charge on her purchase of the mutual fund shares.

22. Holts did not invest the money from Investor 3 with Invesco, but rather misappropriated the funds for his personal use. Holts' statements to Investor 3 regarding the intended use of her funds were material as a reasonable investor would want to know that her funds were going to be placed in Holts' personal IIT account rather than invested with Invesco, and that Holts was going to misappropriate her money.

Holts Deposited Investor Funds into His IIT Bank Account and Then Misappropriated Those Funds.

23. The statements made by Holts – that if Investors 1, 2, and 3 made further investments with him, then he would add the funds to the investors' existing Invesco mutual fund investments – were false and misleading because Holts misappropriated the investors' money, depositing the investors' funds into his personal IIT bank account.

24. Following the initial deposits from Investors 1 and 2, Holts spent over half of the two investors' funds by issuing two checks, each for \$7,000. He did not send the funds received from Investor 1 and Investor 2 to Invesco for investments in their mutual fund accounts.

25. Holts deposited Investor 3's money into his IIT account in May 2021. As part of his deposit of the two checks from Investor 3, Holts immediately withdrew \$19,000 in cash from the IIT account. He did not send the funds received from Investor 3 to Invesco for investment in the investor's mutual fund account.

26. Because Holts deposited the four checks that he received from the Three Investors into his IIT bank account, and not an account maintained by the Broker-Dealer or Invesco, Holts was able to, and did, take control of the funds. The checks provided by the Three Investors comprised approximately 99.7% of the deposits into Holts' IIT bank account between February and November 2021.

27. Holts did not use any of the investors' funds deposited in the IIT account to acquire Invesco mutual funds on the investors' behalf. Instead, on the same day that each of the checks was deposited, Holts began using those investors' funds for his personal benefit. While the IIT account was open, Holts withdrew over \$76,000 in cash and used additional funds received from the Three Investors to pay his personal expenses, including for clothing, tanning salons, adult and dating websites, and a \$5,000 payment to a divorce lawyer.

28. Holts has not returned any of the Three Investors' funds that he misappropriated. As a result of Holts' fraud, his three elderly victims have lost a total of \$186,382. In addition, Investor 3 incurred approximately \$17,150 in sales charge adjustments that would have been avoided had the funds been placed with Invesco as she intended and as Holts promised.

Holts Acted with a High Degree of Scienter; Holts Conduct was Egregious and Recurrent.

29. Holts' statements that if Investors 1, 2, and 3 made further investments through him, then he would add the funds to the investors' existing Invesco mutual fund investments were false and misleading when made. Holts knew, or was severely reckless in not knowing, and should have known, that those statements were false and misleading. Holts knowingly deceived the Three Investors by falsely representing that he would use their funds to add to their existing Invesco mutual fund investments when, in fact, he intended to take the investors' funds for his own personal use.

30. Holts' intent is evidenced by his opening the deceptively named "Invesco Investment Texas" bank account within two days of accepting the checks from Investor 1 and Investor 2 and prior to accepting the checks from Investor 3. The account name, "Invesco Investments Texas," was designed to create the false impression that the account was associated with Invesco, when it was not. Further, Holts' deposit of each of the investors' checks into Holts' IIT account, rather than forwarding the checks to Invesco, demonstrates his intent to misappropriate the investors' funds.

31. After Holts submitted Investor 1's initial account applications along with two checks directly to Invesco in October 2020, the Broker-Dealer sent Holts an October 15, 2020 letter stating in part, "As you are aware, our policy at [the Broker-Dealer] when taking physical checks from customers for new business or for additional purchases in pre-existing accounts, is

that checks must be forwarded to [the Broker-Dealer] so we can book it here at the home office [and] then forward it on to the fund company.” Based on the October 15, 2020 letter from the Broker-Dealer, Holts knew, or was severely reckless in not knowing, and should have known that it was the Broker-Dealer’s policy to require Holts (and other registered representatives) to send the investors’ original checks to the brokerage firm before forwarding the checks to Invesco. Holts knew, or was severely reckless in not knowing, that his creation and use of the IIT bank account violated the Broker-Dealer’s policy and Invesco’s requirement that they receive original checks.

32. Further, Holts knew, or was severely reckless in not knowing, and should have known, that he had no right to take control of the investors’ funds and use them to pay his personal expenses.

33. Holts’ conduct demonstrates a high degree of scienter. Holts knew that the statements were false, and he took affirmative steps to disguise his false statements, including setting up a deceptively named bank account to receive the investors’ funds.

34. Holts’ conduct was also egregious and recurrent. He took advantage of three elderly investors to steal their funds over three months.

Holts’ Misrepresentations Were Made “In the Offer or Sale” and “In Connection with the Purchase or Sale” of Securities.

35. Each of the material misstatements by Holts described above that induced investors to give Holts money were made in the offer or sale of securities as defined in Section 2(a)(1) of the Securities Act and in connection with the purchase or sale of securities as defined in Section 3(a)(10) of the Exchange Act.

36. In particular, Holts made the material misstatements to Investors 1, 2, and 3 described above to induce the investors to give him money, purportedly to purchase Invesco mutual funds on their behalf. Mutual fund shares are “securities” as defined by Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act.

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

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent by any means permitted by the Commission's Rules of Practice.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

Attention is called to Rule 151(a), (b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(a), (b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed electronically in administrative proceedings using the Commission's Electronic Filings in Administrative Proceedings (eFAP) system access through the Commission's website, www.sec.gov, at <http://www.sec.gov/eFAP>. Respondent also must serve and accept service of documents electronically. All motions, objections, or applications will be decided by the Commission.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary