I. The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted 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 against Michael K. Brugman ("Brugman" or "Respondent").

II. After an investigation, the Division of Enforcement alleges that:

Summary

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

2. 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 salesman for the Invesco funds. He was also a registered representative associated with Invesco’s affiliated broker-dealer, Invesco Distributors, Inc. Brugman sold shares of the Invesco funds to institutional clients.

Other Relevant Entity

3. 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 time period relevant to this action, 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

4. In 2004, IFG settled an administrative action brought against it by the Commission based on IFG’s undisclosed “market timing” agreements. The order issued by the Commission in the action made findings that, under the market timing agreements, which existed from at least 2001 through 2003, IFG permitted certain investors (“market timers”) to make excessive redemptions and exchanges in select Invesco funds. See Securities Exchange Act of 1934 Release Number 50506 (October 8, 2004).

Brugman’s Fraudulent Conduct

5. While employed with IFG, Brugman sold shares 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. Brugman resigned from IFG when it appeared that his practice of accepting personal payments for procuring market timing capacity in the Invesco funds might be uncovered.

11. 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 his intention to receive personal payments to IFG 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.

12. 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.

**Violations**

13. 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.
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 and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Sections 21B(a) and (e) of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, disgorgement and civil penalties pursuant to Sections 203(i) and (j) of the Advisers Act;

D. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Sections 9(d) and (e) of the Investment Company Act; and

E. Whether, pursuant to Section 21C of the Exchange Act, Respondent should be ordered to cease and desist from committing or causing violations of, and any future violations of, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and whether Respondent should be ordered to pay disgorgement pursuant to Section 21C(e) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by 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 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing 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 personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission’s Rules of Practice.

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.

By the Commission.

Florence E. Harmon
Acting Secretary