

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

ANTHONY MICHAEL HOLLAND,

Defendant.

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§ **Civil Action No.:**
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§ **1:22-cv-00590**
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COMPLAINT

Plaintiff United States Securities and Exchange Commission (the “SEC”) alleges:

SUMMARY

1. This case involves misconduct by Anthony Michael Holland (the “Defendant” or “Holland”) the former Chief Administrative Officer and City Secretary for the City of Johnson City, Texas (“City”). In approximately August 2018, Holland created falsified financial statements for the City’s fiscal year ended September 30, 2016 and a falsified audit report for those financial statements (together, the “Falsified Documents”). Holland caused the Falsified Documents to be posted to the City’s public website and the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access reporting system (“EMMA”), where they were made publicly available to investors in the City’s outstanding municipal securities.

2. Holland created the Falsified Documents to prevent discovery of his ongoing embezzlement of City funds. Between 2015 and 2020, Holland stole approximately \$1 million from the City, including \$107,137 during fiscal year 2016. To hide his theft, Holland delayed

the annual independent audit of the City's 2016 financial statements. By mid-2018, in response to pressure and repeated inquiries about the status of the outstanding audit, Holland created the Falsified Documents by changing dates on the City's 2015 financial statements and audit report. Holland provided the Falsified Documents to the City's mayor and municipal advisor, knowing that the material would be posted to the City's public website and the EMMA system and made available to investors. The Falsified Documents were posted to the EMMA system in June 2019 and were publicly available on that system until late April 2020.

3. The Falsified Documents contained material misrepresentations and omissions about the City's 2016 finances. Among other things, the financial statements understated the City's total revenues by approximately 8%, understated the City's total expenses by approximately 23%, and overstated the City's total outstanding debt by approximately 5%. The financial statements also did not reflect that Holland embezzled \$107,137, nearly 5% of the City's total revenues, during fiscal year 2016. The audit report also falsely represented that the City's 2016 financial statements had been audited by an independent auditor.

4. As a result of this conduct, Holland violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

DEFENDANT

5. **Anthony M. Holland**, age 36, is a resident of San Antonio, Texas. Holland has worked for at least fifteen years in administrative positions for several Texas cities and a school district. From 2013 to 2020, Holland served as Chief Administrative Officer and City Secretary for Johnson City, and was responsible for the administration and operation of all municipal departments, projects, and oversight of the City's finances and records. Holland's

responsibilities included directing and maintaining the central accounting system, preparing financial statements, and overseeing preparation of information for annual audits and reviewing audit reports. In December 2021, in a plea agreement with the United States Attorney's Office for the Western District of Texas, Holland pled guilty to one count of Theft from a State or Local Government that Receives Federal Program Funds, in violation of Section 666(a)(1)(A) of Title 18 of the United States Code. The charge is based on Holland's embezzlement of funds from the City.

OTHER RELEVANT ENTITY

6. **City of Johnson City, Texas** is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of Texas. The City was incorporated in 1902 and is the county seat of Blanco County. The City operates under the mayor-council form of government, and is governed by the mayor and five council members. The City's population was 1,627 as of 2020.

JURISDICTION AND VENUE

7. The SEC brings this action pursuant to authority conferred upon it by Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78(u)(e)].

8. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

9. Venue is proper in this District, because the City is located within this District and the acts constituting violations of the federal securities laws alleged in this Complaint occurred within this District.

10. In connection with the conduct described in this Complaint, Defendant directly or indirectly made use of the means or instrumentalities of interstate commerce, or of the mails.

FACTUAL ALLEGATIONS

Background on the City's Municipal Securities

11. The City issued and sold municipal securities to investors in 2012 and in 2015. In connection with those municipal securities offerings and in compliance with Rule 15c2-12 promulgated under the Exchange Act, the City undertook to provide investors in the City's securities with what is known as "continuing disclosure." Specifically, the City agreed to provide investors with annual audited financial statements. The financial statements were to be provided to investors through the MSRB's EMMA system within six months after the end of the City's fiscal year (September 30). The City's municipal advisor typically received the City's annual audited financial statements from Holland and submitted them to EMMA.

12. During the relevant period, Holland oversaw and managed financial and accounting matters for the City, including oversight of the City's central accounting system and preparation of the City's annual financial statements. Holland was responsible for initiating the audit of the City's financial statements by an independent auditor each year and for providing information to the City's independent auditor in connection with the audit.

Holland Created the Falsified Documents

13. Holland's position with the City gave him access to the City's cash accounts. Between January 2015 and September 2020, Holland stole approximately \$1.12 million from the City by directing payments to his personal bank accounts, sometimes using a fictitious corporate name to disguise the transactions. Generally, Holland transferred funds in amounts between \$500 and \$10,000 approximately one to three times a month from the City's cash account to his

personal bank accounts. He used the stolen funds for personal living expenses. His largest single theft was \$302,800 in mid-October 2016, just after the close of the City's 2016 fiscal year. Amounts stolen by Holland for fiscal years ended September 30 were as follows: 2015: \$69,759; 2016: \$107,137; 2017: \$389,497; 2018: \$168,002; 2019: \$159,562; and 2020: \$229,140.

14. In order to avoid detection of his theft, Holland did not initiate the audit of the City's 2016 financial statements after the conclusion of the fiscal year on September 30, 2016. For several months he ignored requests for information from the City's mayor and its municipal advisor about the audit and provided excuses for the lack of audited financial statements.

15. Holland falsely told the mayor and the municipal advisor that he was waiting on financial information from the City's auditor and that he would shortly provide the fiscal year 2016 financial statements and the audit report. In reality, Holland had not even contacted the City's auditor to commence the audit when he made those statements.

16. Holland delayed the audit past the City's March 31, 2017 deadline for submitting the audited financial statements to EMMA. Beginning in January 2018, Holland began to receive requests from the rating agency that rated the City's outstanding securities about the status of the City's fiscal year 2016 audit. Holland continued to delay, and in May 2018, the rating agency withdrew its rating of the City's securities.

17. In July and August 2018, the mayor and the City's municipal advisor were still asking Holland for the 2016 financial statements and audit report. By that point they were also asking for the City's fiscal year 2017 financial statements and audit report, which had been due to be filed in EMMA in March 2018.

18. In response to this pressure, Holland created the Falsified Documents. He took a copy of the City's fiscal year 2015 financial statements and the auditor's audit report for the

2015 financial statements and changed most references to “2015” to “2016”. In financial charts which had two year comparisons, he also changed most references to “2014” to “2015.”

19. Total assets, total liabilities, total revenues, total expenses, total outstanding debt, and other key figures purportedly for the year ended September 30, 2016 in the falsified 2016 financial statements were the exact same amounts reported for the year ended September 30, 2015 in the City’s fiscal year 2015 financial statements and were inaccurate as 2016 figures.

20. Holland edited the 2015 independent auditor report to make it appear as if was the 2016 independent auditor report, in essence, misrepresenting that the fiscal year 2016 financial statements had been audited by the City’s independent auditor.

21. On August 15, 2018, Holland emailed the Falsified Documents (the 2016 financial statements and the 2016 audit report) to the mayor, who was not aware of the falsifications and posted the Falsified Documents to the City’s public website. On August 20, 2018, Holland also sent the Falsified Documents to the City’s municipal advisor. He did not disclose to either that the documents had been falsified. The municipal advisor, who was not aware of the falsifications, uploaded the Falsified Documents to the MSRB’s EMMA system in June 2019, at which point the Falsified Documents were available to the public, including investors in the City’s securities.

The Falsified Documents Were Materially False and Misleading

22. The Falsified Documents contained materially false and misleading statements and omissions about the City’s financial condition and financial statements.

23. In comparison to the City’s actual fiscal year 2016 financial statements (which were eventually completed and audited in March 2020), the falsified financial statements

understated the City's total revenues by approximately 8%, understated the City's total expenses by approximately 23%, and overstated the City's total outstanding debt by approximately 5%.

24. The financial statements also did not disclose Holland's embezzlement of \$107,137 from the City, representing nearly 5% of the City's total revenues for fiscal year 2016.

25. Further, the financial statements falsely stated that the City was not aware of any subsequent events that would materially impact the financial statements. This was false because Holland embezzled an additional \$302,800 less than two weeks after the end of fiscal year 2016.

26. Finally, the falsified audit report was materially false because it stated that the 2016 financial statements had been audited in compliance with generally accepted audit principles, when in fact, they had not been audited at all.

27. The Falsified Documents were available to investors on EMMA from June 2019 until April 28, 2020. During the time the Falsified Documents were available to investors on EMMA, investors engaged in secondary trading in the City's outstanding municipal bonds.

Discovery of the Fraud

28. In mid-February 2020, a financial examiner with a State of Texas entity, which was an investor in the City's 2015 securities, discovered the Falsified Documents that had been posted on EMMA. The investor alerted the City's auditor, which then notified the City about the Falsified Documents and that the fiscal year 2016 financial statements had not yet been audited.

29. After being notified, the City began an investigation. Holland made multiple false statements in connection with that investigation, including creating a false document in an attempt to hide that he had created the Falsified Documents. During the audit of the City's 2017

fiscal year financial statements, Holland also provided the City's auditor with a series of fraudulent documents to hide his embezzlement.

30. Despite Holland's attempts to hide his conduct, in mid-September the auditor discovered Holland's embezzlement and the theft was reported to the police. In September 2020, Holland resigned his position with the City.

31. In December 2021, Holland was criminally charged by the United States Attorney's Office for the Western District of Texas and pled guilty to one count of Theft from a State or Local Government and admitted to stealing over \$1 million from the City for his personal benefit.

CLAIM FOR RELIEF
Fraud in Connection with the Purchase or Sale of Securities
Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

32. The SEC incorporates the allegations in paragraphs 1 through 31 as if fully set forth herein.

33. By engaging in the acts and conduct alleged herein, Defendant, directly or indirectly, in connection with the purchase or sale of securities, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, knowingly or with severe recklessness:

- a. employed a device, scheme, or artifice to defraud;
- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and,
- c. engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

34. Defendant violated and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that this Court enter a judgment:

I.

Finding that the Defendant committed the violations alleged in this Complaint.

II.

Permanently enjoining, pursuant to Rule 65(d) of the Federal Rules of Civil Procedure, the Defendant from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

III.

Ordering Defendant to disgorge the ill-gotten gains he received as a result of the violations alleged herein, plus prejudgment interest on that amount.

IV.

Ordering Defendant to pay a civil penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

V.

Permanently restraining and enjoining Defendant from: (i) participating in any issuance, purchase, offer, or sale of municipal securities, including but not limited to engaging or communicating with a broker, dealer, municipal securities dealer, municipal advisor, bond insurer, nationally recognized statistical rating organization, regulatory authority or commission,

investor, issuer or obligated person for purposes of issuing, purchasing, offering, or selling any municipal security; and (ii) participating in the preparation of materials or information, including, without limitation, the preparation of financial statements or projections, which he should reasonably expect to be submitted to the MSRB's EMMA system in connection with an offering or a continuing disclosure obligation, or which he should reasonably expect to be provided to investors in connection with any offering (including a private placement) of municipal securities, provided however, that such injunction shall not prevent Defendant from purchasing or selling municipal securities for his own personal account;

VI.

Ordering Defendant to provide a copy of the Judgment by email or mail within 10 days of the entry of the Judgment to any issuer of municipal securities or obligated person with which Defendant is employed as of the date of the entry of the Judgment.

VII.

Retaining jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VIII.

Granting such other and further relief as this Court deems just and appropriate.

Dated: June 16, 2022.

Respectfully submitted,

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