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SEC Sues Municipal Adviser for Lying to Texas School District.

- **Hinojosa, his firm didn't disclose conflicts to district: SEC**
- **SEC says one-time paralegal misled issuers about experience**

The U.S. Securities and Exchange Commission sued a municipal-bond adviser and his firm for lying to a south Texas school district by misrepresenting its experience and failing to disclosing conflicts of interest.

Mario Hinojosa, who set up his firm Barcelona Strategies LLC while working as a paralegal, defrauded the district by creating the "misleading impression" that he and the firm had worked as an adviser on many municipal bond deals and failed to reveal that he had a financial interest in the district's offerings, the SEC said. Misrepresenting his experience and omitting the conflicts of interest allowed Hinojosa and his firm to reap hundreds of thousands of dollars in fees, according to the SEC.

The lawsuit stems from the powers that the SEC was given to police the municipal-bond advisory business under the Dodd-Frank law, which Congress enacted to address last decade's credit-market crash. Until then, the business had been largely unregulated.

"Undisclosed conflicts of interest can lead to significant investment losses, and prevent municipal entities from making informed decisions in their selection of municipal advisors," Shamoil Shipchandler, director of the SEC's Fort Worth regional office, said in a statement. "Barcelona fell well short of its obligations to this school district client."

Hinojosa and his firm settled with the SEC without admitting or denying the accusations. Both agreed to a cease-and-desist order and must pay $362,606 for disgorgement and $19,514 in prejudgment interest. The fraud accusations were connected to three municipal bond offerings between January 2013 and December 2014, the SEC said.

Hinojosa was unable to be reached for comment.

Bloomberg

By Elizabeth Campbell

May 9, 2018, 8:54 AM PDT