SEC Charges Charter School Operator and its Former President With Fraudulent Municipal Bond Offering.

Washington D.C., Sept. 14, 2020 — The Securities and Exchange Commission today charged Park View School, Inc., a state-funded, nonprofit charter school operator based in Prescott Valley, Arizona, and its former President, Debra Kay Slagle, with misleading investors in an April 2016 municipal bond offering.

According to the SEC's complaint, Park View and Slagle made false and misleading statements about Park View's financial condition. As alleged, in the years and months leading up to the bond offering, Park View experienced significant operating losses and repeatedly made unauthorized withdrawals from two reserve accounts to cover routine operating expenses, to pay other debts, and to transfer money to affiliated entities. Park View allegedly provided investors an offering document that included misleading statements about profit and expense projections and showed that Park View would be profitable in the upcoming fiscal year and able to repay the bondholders. According to the complaint, investors purchased $7.6 million in bonds in the April 2016 offering. Although the bonds were nominally offered by the Industrial Development Authority of the County of Pima, Arizona, Park View, as conduit borrower, received the bond proceeds and was responsible for repaying them. Park View allegedly defaulted one year later by reducing the interest payments that it made on the bonds.

"Issuers and conduit borrowers of municipal bonds must provide investors with an accurate picture of their financial condition, and any financial projections they provide to investors must have a reasonable basis," said LeeAnn G. Gaunt, Chief of the Division of Enforcement's Public Finance Abuse Unit. "The SEC will continue to vigorously pursue those who deceive investors, as we allege Slagle and Park View did."

The SEC's complaint, filed in U.S. District Court for the District of Arizona, charges Slagle and Park View with violating antifraud provisions of the federal securities laws. Without admitting or denying the allegations in the complaint, Slagle and Park View agreed to settle with the SEC and to be enjoined from future violations of the charged securities laws. Slagle further agreed to pay a $30,000 penalty and to be enjoined from participating in future municipal securities offerings. The settlements are subject to court approval.

For further information about the SEC's enforcement actions involving fraud charges in connection with bond issuances by or on behalf of schools and colleges, see SEC v. Batchelor (N.D. Cal. April 27, 2020), SEC v. Rojas (C.D. Cal. September 19, 2019), and SEC v. Borge (S.D.N.Y. March 28, 2019). The SEC has also brought a number of recent enforcement actions against municipal advisors who provide services to school district issuers.

The SEC's investigation was conducted by Steven Varholik and Creighton Papier of the Enforcement Division's Public Finance Abuse Unit and John Yun of the San Francisco Regional Office, with assistance from Deputy Unit Chief Mark Zehner and Erin Smith of the Division of Economic and Risk Analysis. The investigation was supervised by Jason H. Lee.