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SEC Charges Louisiana Town and Former Mayor with Fraud in Two Municipal Bond Deals.

Town's Municipal Advisor and its Owner also charged

Washington D.C., June 2, 2022 — The Securities and Exchange Commission today charged the town of Sterlington, Louisiana and its former mayor, Vern A. Breland, as well as the town's unregistered municipal advisor, Twin Spires Financial LLC, and its owner, Aaron B. Fletcher, with misleading investors in the sale of \$5.8 million in municipal bonds across two offerings in 2017 and 2018.

According to the SEC's complaints, the town of Sterlington issued the revenue bonds to finance the development of a water system and improvements to its existing sewer system. As required by state law, Sterlington applied to the Louisiana State Bond Commission (SBC) for approval of the two offerings. The SEC alleges that Sterlington submitted false financial projections, created by Fletcher and Twin Spires, with then-Mayor Breland's active participation and approval, substantially overstating the number of historical and projected sewer customers in order to mislead the SBC as to the town's ability to cover the debt service for the proposed bonds. The town and Breland allegedly did not disclose to investors that SBC approval of the bonds was based on the false projections or that Breland had directed the misuse of more than \$3 million from earlier bond offerings intended for sewer system updates to instead pay for sports complex improvements, town legal fees, and payroll. The SEC further alleges that Twin Spires and Fletcher provided municipal advisory services to Sterlington without Twin Spires being registered as a municipal advisor with the Commission.

"Investors in Sterlington's bonds had a right to know that the town had obtained approval of the bond offerings based on false projections and had misused proceeds from prior offerings." said LeeAnn Ghazil Gaunt, Chief of the SEC Enforcement Division's Public Finance Abuse Unit. "Further, it is long past time for financial advisors to municipal issuers to comply with the requirement that they must be registered with the Commission before they provide municipal advice, and we will vigorously pursue advisors who continue to flout those requirements."

The SEC charged Sterlington, Breland, Twin Spires, and Fletcher with violating the antifraud provisions of the Exchange Act and the Securities Act. Fletcher and Twin Spires also were charged with failing to register as municipal advisors and with violating fiduciary duty and fair dealing rules. Without admitting or denying the SEC findings, Sterlington has agreed to a cease-and desist order against future violations, whereas Twin Spires and its owner Fletcher have consented to the entry of judgments enjoining them from future violations and agreed to pay disgorgement, prejudgment interest, and civil penalties in amounts to be determined at a later date by the court. Breland is litigating the SEC's allegations against him.

Robbie L. Mayer and Creighton Papier of the Public Finance Abuse Unit conducted the investigation under the supervision of Peter J. Diskin and Deputy Unit Chief Rebecca J. Olsen. The litigation against Breland will be conducted by William P. Hicks and M. Graham Loomis of the SEC's Atlanta Regional Office. The SEC acknowledges the assistance of the Investigative Audit Staff of the

Louisiana Legislative Auditor.

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