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Miami Loses Bid to Dismiss SEC Fraud Lawsuit.

(Reuters) – The city of Miami on Friday lost its bid to dismiss a lawsuit by the U.S. Securities and Exchange Commission that accused the city of fraud by making misleading statements and omissions in connection with municipal bond offerings.

U.S. District Judge Cecilia Altonaga in Miami, Florida, said she was not convinced the SEC's complaint was a "shotgun pleading," rejecting the city's claims the agency failed to allege any false or misleading statement.

"Those general allegations support each claim for relief and identify the relevant events, misrepresentations, and omissions advanced by the SEC," Altonaga wrote.

The judge also rejected arguments the SEC failed to show that any of the alleged misstatements or omissions were material to investors, saying there was "just enough" to prevent such a finding.

Miami Mayor Tomas Regalado in an interview said the city "sort of expected this ruling." He promised to continue litigating, but also said Miami was willing to settle the case.

"What I hope is that we can get a settlement that would not affect the positive outlook that we have in the bond offerings of the city now," he said.

In a separate ruling Friday, Altonaga also declined to dismiss the SEC's fraud claims against Michael Boudreaux, a former budget director for the city. Boudreaux had contended that as a public official he had qualified immunity from civil liability.

Benedict Kuehne, a lawyer for Boudreaux, said in an email that his client "remains confident that his hard work will be recognized as being without fault, no matter the extraordinary level of scrutiny exercised by the SEC."

Representatives for the SEC did not respond to a request for comment.

The SEC sued Miami and Boudreaux in July amid a crackdown by the agency on issuers in the $3.7 trillion municipal bond market for failing to provide investors accurate and timely information.

The lawsuit said that beginning in 2008, Miami and Boudreaux made misleading statements about interfund transfers in three 2009 bond offerings for $153.5 million.

The SEC also accused the administration of the city, which has a population of 414,000 people, of violating a 2003 cease-and-desist order entered into with the agency over similar misconduct.

Since the SEC filed the lawsuit in July, the city hired a new budget director, and a trio of top finance staff resigned in late August. In response to the allegation, the city has also offered to bring in a new finance team under a revamped structure.

The city is also under SEC investigation in a probe focused on $500 million in bonds that the city and county sold to pay for the Marlins' new baseball park in Little Havana.

The lawsuit came two months after the SEC similarly sued Florida's South Miami for fraud, saying it did not disclose issues with the tax-exempt status of two bond deals.

It was one of a number of actions the SEC has taken this year against municipal issuers.

In May, the SEC brought a landmark case accusing Pennsylvania's capital city of Harrisburg of making misleading statements outside of disclosure documents.

A month earlier, it accused Victorville, California, and others of defrauded investors by inflating the value of property used to secure a 2008 bond sale.

The SEC in March settled securities fraud claims against Illinois for misleading investors about its pension problems.

Most recently, the SEC announced in November a $20,000 settlement with the Greater Wenatchee Regional Events Center Public Facilities District, a municipal corporation formed by nine cities in Washington state.

The settlement, which resolved claims it misled investors in a bond offering financing an events center and hockey arena, was the first time the SEC had assessed a financial penalty against a municipal issuer.

The case is Securities and Exchange Commission v. City of Miami, Florida, U.S. District Court, Southern District of Florida, No. 13-22600.

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