

# **Bond Case Briefs**

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## **Illinois City Settles With SEC in Muni Bond Fraud Case.**

A city outside Chicago settled with the U.S. Securities and Exchange Commission over charges it defrauded investors by misusing bond money raised for an ill-fated development project.

Harvey, which has about 25,000 residents, agreed to more oversight of its finances without admitting or denying the charges, according to documents filed in U.S. District Court in Illinois yesterday. The settlement still needs court approval.

The SEC alleged in June that Harvey deceived investors by paying salaries and other bills with money borrowed to build a Holiday Inn, which was supposed to help rejuvenate a city where more than one-third of its residents are in poverty. The SEC said the project was a “fiasco,” with the building a tattered shell with holes in the facade and gutted interiors.

At the time of the suit, the SEC obtained a court order blocking Harvey from another planned bond sale that the agency said misled investors.

States and cities typically settle cases filed by securities regulators, rather than challenge them in court.

A receptionist at Harvey Mayor Eric Kellogg’s office said he wasn’t in the office and referred questions to an outside publicist, who didn’t immediately return a request for comment on the settlement.

Bloomberg

By William Selway

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