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## **SEC: Muni Advisors Acted Deceptively With California School Districts.**

The Securities and Exchange Commission today announced that two California-based municipal advisory firms and their executives have agreed to settle charges that they used deceptive practices when soliciting the business of five California school districts.

An SEC investigation found that while School Business Consulting Inc. was advising the school districts about their hiring process for financial professionals, it was simultaneously retained by Keygent LLC, which was seeking the municipal advisory business of the same school districts. Without permission, School Business Consulting shared confidential information with Keygent, including questions to be asked in Keygent's interviews with the school districts and details of competitors' proposals including their fees. The school districts were unaware that Keygent had the benefit of these confidential details throughout the hiring process. Keygent ultimately won the municipal advisory contracts.

This is the SEC's first enforcement action under the municipal advisor antifraud provisions of the Dodd-Frank Act.

"This unauthorized exchange of confidential client information could have given Keygent an improper advantage over other municipal advisors that were candidates for the same business," said Andrew Ceresney, Director of the SEC Enforcement Division. "The Dodd-Frank Act prohibits this type of deceptive behavior by advisors when dealing with municipal issuers."

School Business Consulting also is charged with failing to register as a municipal advisor.

"These laws apply not only to municipal advisors, but also those who solicit business on behalf of municipal advisors," said LeeAnn Ghazil Gaunt, Chief of the SEC Enforcement Division's Public Finance Abuse Unit. "Municipal entities should be able to trust that their selection of a municipal advisor is untainted by any breach of fiduciary duty."

Without admitting or denying the findings in the SEC's orders instituting settled administrative proceedings:

- School Business Consulting agreed to a censure and a \$30,000 penalty.
- The firm's president Terrance Bradley agreed to be barred from acting as a municipal advisor and must pay a \$20,000 penalty.
- Keygent agreed to a censure and a \$100,000 penalty.
- Keygent's principals Anthony Hsieh and Chet Wang agreed to pay penalties of \$30,000 and \$20,000 respectively.

The SEC's investigation was conducted by Brian P. Knight, Monique C. Winkler, and Deputy Chief Mark R. Zehner of the Public Finance Abuse Unit with assistance from John Yun of the San Francisco Regional Office.

Date 13/06/2016

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