# Bond Case Briefs

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## Judge Slashes SEC's Proposed Fine for Ex-Miami Budget Director.

NEW YORK — A federal judge has rejected the U.S. Securities and Exchange Commission's request for a record $450,000 penalty against a former Miami budget director found liable for misleading municipal bond investors, fining the man $15,000 instead.

In an order on Monday, U.S. District Judge Cecilia Altonaga said the SEC has already made an example of former budget director Michael Boudreaux in its first municipal securities fraud case to go to trial.

Boudreaux and the city of Miami were found liable by a jury in September for shifting money among accounts to hide the city's worsening financial condition from investors who bought over $150 million of Miami's bonds in 2009.

Though a jury found Boudreaux acted with severe recklessness, he did not gain financially from his conduct, Altonaga said, adding that the fine the SEC was seeking appeared "overreaching and punitive."

The SEC's 2013 lawsuit alleged the city's "shell game" helped it win favorable ratings for its bonds and exposed bondholders to substantial risk of losses.

Penalties were not part of the jury trial. Miami reached an agreement with the SEC in October to pay $1 million to settle its case.

A $450,000 penalty against Boudreaux would have been the largest ever against a municipal official by the SEC. In a motion in October, the SEC said the penalty was justified because Boudreaux orchestrated the fraud and directed multiple transfers of money over a two-year period.

In a statement on Monday, Boudreaux's lawyer Benedict Kuehne said his client was relieved by the reduced penalty.

SEC spokesman Ryan White declined comment.

In a motion in November, Kuehne had argued that the proposed penalty was "massively unfair." Boudreaux had already been financially ruined by the SEC's case and could no longer find work in municipal government, his lawyer said.

In Monday's order, Altonaga said the SEC failed to present any evidence that Boudreaux's conduct caused investor losses or a substantial risk of losses. It was also unreasonable to expect Boudreaux to individually pay almost half the amount paid by the city itself, she said.

The judge also rejected the SEC's request for a permanent injunction barring Boudreaux from future violations of securities laws, saying there is "little to no chance" he will ever work for a municipality again, let alone with securities or bonds.

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

By REUTERS

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(Reporting by Dena Aubin; Editing by Anthony Lin and Tom Brown)