
SEC Charges Texas-Based Muni Advisor With Defrauding School District.

The municipal advisor overstated its municipal finance experience and failed to disclose conflicts of interest.

The Securities and Exchange Commission charged a registered municipal advisor and its owner with defrauding a south Texas school district in connection with multiple municipal bond offerings.

According to the SEC's order Mario Hinojosa and his wholly owned municipal advisor, Barcelona Strategies LLC, acted as the municipal advisor to the La Joya Independent School District on three bond offerings between January 2013 and December 2014, earning more than $386,000 in fees.

During the school district's process of selecting Barcelona as its municipal advisor, Barcelona and Hinojosa overstated and misrepresented their municipal finance experience, according to the SEC.

While working as a paralegal, Hinojosa set up Barcelona, registered it as an SEC municipal advisor, drafted a marketing brochure about the firm, and circulated the brochure to the school district and other municipalities.

The brochure created the misleading impression that Hinojosa and Barcelona had served as a municipal advisor on numerous muni bond issuances and failed to disclose that Hinojosa had a financial interest in the school district's offerings. According to the SEC, Hinojosa was employed by the attorneys who served as bond counsel for all three bond offerings.
By virtue of their misrepresentations and omissions, Barcelona and Hinojosa improperly earned hundreds of thousands of dollars in municipal advisory fees, the SEC says.

"Municipal advisors owe a fiduciary duty to their municipal clients, who rely on advisors to make important financial decisions," Shamoil Shipchandler, director of the SEC's Fort Worth Regional Office, said in a statement. "Undisclosed conflicts of interest can lead to significant investment losses, and prevent municipal entities from making informed decisions in their selection of municipal advisors. As described in today's order, Barcelona fell well short of its obligations to this school district client."

The SEC's order found that Hinojosa and Barcelona engaged in fraudulent, deceptive or manipulative acts and breached their fiduciary duties to municipal clients.

Without admitting or denying the allegations, Barcelona and Hinojosa consented to a cease-an--desist order and are jointly and severally liable for paying $362,606 in disgorgement and $19,514 in prejudgment interest.

Barcelona was also assessed a civil penalty of $160,000, while Hinojosa was assessed a civil penalty of $20,000.

Hinojosa was barred from association with various regulated entities, including muni advisors.

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