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SEC Charges School District with Misleading Bond Investors.

The Securities and Exchange Commission (SEC) has charged a San Diego County-based school district and its former chief financial officer with misleading investors who purchased \$28 million in municipal bonds.

The SEC's complaint alleges Sweetwater Union High School District and the school district's former CFO, Karen Michel, gave investors misleading budget projections indicating the school district would be able to cover its costs and end the fiscal year with a general fund balance of approximately \$19.5 million.

However, the SEC maintains the school district was involved in deficit spending en route to a negative \$7.2 million ending fund balance.

Additionally, the SEC indicated the Sweetwater Union High School District, without admitting or denying any findings, agreed to settle with the SEC and consented to the entry of an SEC order finding that it violated two Sections of the Securities Act and would engage an independent consultant to evaluate policies and procedures related to its municipal securities disclosures.

The SEC noted Michel, without admitting or denying the allegations in the agency's complaint, agreed to settle with the SEC and be enjoined from future violations of the charged provision, as well as from participating in any future municipal securities offerings while agreeing to pay a \$28,000 penalty. The settlement is subject to court approval, per authorities.

"As the order finds, Sweetwater and Michel presented stale and misleading financial information as current and accurate," LeeAnn G. Gaunt, chief of the Division of Enforcement's Public Finance Abuse Unit, said. "The SEC will continue to address deceptive conduct that prevents municipal bond investors from getting an accurate picture of the financial risks of their investments."

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