

## SEC fines municipal issuer for misleading investors

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The U.S. Securities and Exchange Commission (SEC) imposed its first monetary penalty against a municipal issuer for misstatements and omissions made in an official statement. Greater Wenatchee Regional Events Center Public Facilities District agreed to pay \$20,000 to settle security fraud charges related to its 2008 official statement issued in connection with a \$41.77 million note issue financing an events center and ice-hockey arena.

Wenatchee's official statement stated that no independent feasibility study had been conducted with respect to financial projections of the center. However, a consultant had actually raised questions about the center's financial viability on two separate occasions. The official statement also omitted information about Wenatchee's limited debt capacity and revisions of economic projections for the center. Wenatchee defaulted on the notes in 2011, but later cured the default.

The underwriter, outside developer and three individuals involved in the transaction also agreed to pay SEC penalties ranging from \$10,000 to \$300,000 each. The lead investment banker on the deal was further prohibited from any business contact with municipal issuers for one year. The SEC's deputy chief Mark Zehner noted the importance of underwriters' due diligence, particularly related to new revenue project finance.

These fines represent the SEC's intensified efforts to penalize municipal issuers that do not provide accurate financial information to investors. SEC penalties are not only financially costly to municipal issuers but may also affect future market access.