UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98510 / September 25, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21717

In the Matter of **FIELDMAN ROLAPP & ASSOCIATES, INC. and ANNA SARABIAN** **Respondents.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15B(c) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15B(c) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Fieldman Rolapp & Associates, Inc. ("FRA") and Anna Sarabian ("Sarabian") (together, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V as to Sarabian, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15B(c) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that:

Summary

1. This matter concerns a breach of the duty of care by registered municipal advisor Fieldman Rolapp & Associates, Inc. and one of its principals, Anna Sarabian, in the provision of advice to a California city (the "City") regarding cost analyses of funding options for a community project.

2. Between October 2018 and July 2019, FRA made a series of presentations to the City with analyses of the costs of potential options to fund a community project. The City asked FRA to analyze the costs of certain financing options that ranged from using available funds without issuing new debt, financing the project entirely with debt with various maturity dates, and multiple hybrid options consisting of both cash and new debt with various maturity dates. Sarabian, the lead partner on FRA's engagement with the City, was responsible for reviewing and editing the presentations, and attended numerous public and private meetings with City staff and council members. After the presentations and meetings, the City decided to finance the project entirely with new debt.

3. FRA's model for calculating the net present value costs of the different financing options contained flawed assumptions that caused the 30-year 100% debt option to appear to be the least expensive option for financing, when, in fact, other options would have been less expensive on a net present value basis.

4. As a result of the conduct described herein, Respondents violated Section 15B(c)(1) of the Exchange Act, and Rules G-17 and G-42(a)(ii) of the Municipal Securities Rulemaking Board ("MSRB").

Respondents

5. **FRA** is a California corporation formed in 1974, located in Irvine, California. The firm has been registered with the Commission as a municipal advisor since July 2014 and has no disciplinary history.

6. **Sarabian**, of Irvine, California, is a principal of FRA and has been with the firm since 2003. Sarabian is a Series 50 qualified representative who has passed the Series 50 – Municipal Advisor Representative Qualification Examination. She is also a Series 54 qualified principal who has passed the Series 54 – Municipal Advisor Principal Qualification Examination.

[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

Facts

7. The City retained FRA to analyze financing options for the development of a community center project. The City had cash available to pay for the project but wanted to explore the comparative costs involved if it, instead, issued debt to pay for all or part of the project. Sarabian, the lead partner on the engagement, was responsible for drafting and editing written submissions to the City. Sarabian also attended several meetings with City employees and council members.

FRA Made Public and Private Presentations to the City

8. In October 2018, FRA made the first in a series of presentations to the City's council members at a public meeting. This initial presentation set forth cost analyses of four financing options that the City asked FRA to evaluate for the project: (1) using available cash with no new debt; (2) financing 50% of the project with debt; (3) financing 60% of the project with debt; and (4) financing 100% of the project with debt. For each of the financing options involving the sale of debt, FRA also presented a cost analysis of repayment over 15, 20, and 30 years, respectively.

9. Following the initial presentation, Sarabian participated in several non-public meetings attended by individual City council members and City employees to discuss the analysis in the presentation. These meetings allowed the council members to ask questions of Sarabian about the various financing options prior to a public vote. The City council formally voted to approve 100% debt financing at a public meeting.

FRA's Flawed Model Made It Appear That 100% Debt With the Longest Repayment Term Was the Most Cost-Effective Option on a Net Present Value Basis

10. FRA's model incorrectly represented that issuing long-term debt would be less expensive on a net present value basis for the City than paying cash. Specifically, FRA erroneously concluded that the "Total Cost over term" and the "[Present Value] of Total Cost over term" would be higher for the 100% cash financing option than for most of the debt financing options.

11. The problem with FRA's conclusions arises from the difference between the interest rate the City would have to pay on the debt, and the interest rate the City could earn on its unspent cash. By issuing debt to fund the project, the City would save its cash and put it into an account that, according to FRA's presentation, was estimated to earn 1.9 percent interest. However, the interest rate for the debt would be three percent. Because the interest rate on the debt was greater than the estimated savings interest rate, the City would be paying more in debt service interest than it would be earning in interest on savings. As a result, it is less expensive to pay for the project up front in cash than to issue debt and make debt payments.

12. FRA incorrectly reached the opposite conclusion in its presentation to the City because its model contained two interrelated problems, each relating to interest calculations. Specifically, (1) when applying the City-provided assumption that the City would keep all the

cash it saved by issuing debt in an interest-bearing account for the term of the debt, FRA failed to apply a corresponding assumption that the money earmarked for debt service in the scenarios involving debt would have been available to earn interest in the cash scenario; and (2) erroneously added as an expense the counterfactual interest the City could have earned on the spent cash, when instead the total cost of the 100% cash option should have simply been the amount of spent cash, which resulted in an increase in the total cost of the 100% cash option. Although FRA disclosed its use of these assumptions in its presentations to the City, FRA did not inform the City that the assumptions led to FRA's model reaching the inaccurate conclusion that long-term debt would be less expensive on a net present value basis for the City than paying cash.

After Receiving FRA's Presentations, the City Issued Longer Term Debt, Which Will Be More Expensive than FRA Calculated

13. The City voted to finance the project with 100% debt over 30 years. The actual cost to the City of issuing this debt will be more expensive than FRA's calculation. Moreover, the cost to the City of issuing this debt will likely be more expensive than the cost would have been had the City chosen the all-cash option.

Violations

14. As a result of the conduct described above, Respondents willfully[2] violated Section 15B(c)(1) of the Exchange Act, which provides that any municipal advisor shall be deemed to have a fiduciary duty, which includes a duty of care, to any municipal entity for whom such municipal advisor acts as a municipal advisor and makes it unlawful for such municipal advisor to, among other things, "engage in any act, practice, or course of business which is not consistent" with that duty of care. In addition, Respondents willfully violated the provision of Section 15B(c)(1) of the Exchange Act that makes it unlawful for any municipal advisor to "engage in any act, practice, or course of business . . . that is in contravention of any rule" of the MSRB.

15. As a result of the conduct described above, Respondents willfully violated MSRB Rule G-17, which requires any municipal advisor, in the conduct of its municipal advisory activities, to "deal fairly with all persons" and makes it unlawful to "engage in any deceptive, dishonest, or unfair practice."

16. As a result of the conduct described above, Respondents willfully violated MSRB Rule G-42(a)(ii), which provides that any municipal advisor to a municipal entity client shall, in the conduct of all municipal advisory activities for that client, be subject to, among other things, a duty of care.

[2] "Willfully," for purposes of imposing relief under Section 15B of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

Disgorgement

17. The disgorgement and prejudgment interest referenced in paragraph IV.B is consistent with equitable principles, as it does not exceed Respondent FRA's net profits from its violations, and it will be distributed to the City to the extent feasible. The Commission will hold funds paid pursuant to paragraph IV.B in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to the City, and any amounts returned to the Commission in the future that are infeasible to return to the City, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

On the basis of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 15B(c) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Section 15B(c)(1) of the Exchange Act, MSRB Rule G-17, and MSRB Rule G-42(a)(ii).

B. FRA shall, within 10 days of the entry of this Order, pay disgorgement of $56,548.50 and prejudgment interest of $11,368.77 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. FRA shall pay a civil money penalty in the amount of $60,000.00, and Sarabian shall pay a civil money penalty of $30,000.00, both within 10 days of the entry of this Order, to the Securities and Exchange Commission, of which a total of $22,500.00 shall be transferred to the MSRB in accordance with Section 15B(c)(9)(A) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Payments must be made in one of the following ways:

(1) Respondents may transmit payments electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying FRA or Sarabian, respectively, as a Respondent in these proceedings and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Assistant Regional Director David Zhou, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, CA 94104.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest, and penalty referenced in paragraphs IV.B and IV.C above. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further ORDERED that, solely for the purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent Sarabian, and further, any debt for civil penalty or other amounts due by Respondent Sarabian under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Sarabian of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary