

8/21/25

Comparison of SEC Criminal Complaint (Crosby ISD, 2022) alongside of Vexler case.

This is a structured breakdown of its contents and direct relevance:

1. Core Allegations in the SEC Complaint

Misrepresentation of Financials: Crosby Independent School District officials and their advisors are accused of knowingly falsifying bond offering documents and concealing material financial stress from investors.

Systematic Fraud: The misconduct wasn't an isolated error — it was institutional and repeated across multiple bond issuances.

Federal Securities Impact: The complaint emphasizes harm to municipal bond investors, triggering SEC jurisdiction under securities fraud statutes.

No Adequate Local Remedy: Local or internal review processes (school boards, auditors) were not designed to police systemic fraud in municipal securities.

2. Parallels to Vexler's Case

Systematic Fraud in Local Government Entities:

Just as Crosby ISD allegedly falsified bond disclosures, Vexler alleges DCAD engaged in fraudulent valuation practices that directly impact federal securities (MBS, CDOs tied to property tax revenues).

Administrative Processes Inadequate:

The ARB (Appraisal Review Board) cannot adjudicate fraud in bond disclosures or racketeering activity, just as a school board could not adjudicate securities fraud.

Federal Overlay:

Both Crosby ISD and DCAD's conduct implicate federal securities law, demonstrating why federal or state court review is constitutionally necessary.

Pattern Evidence:

Crosby ISD shows the SEC itself recognizes municipal fraud as systemic and not remediable by local administrative schemes — exactly your argument against dismissal in Vexler.

3. Strategic Relevance to SCOTX Petition

Patel Alignment: Crosby ISD is a textbook example of Patel’s “as applied” reasoning: where administrative or internal remedies foreclose any real remedy, courts must step in.

RICO Predicate:

The SEC complaint rests on securities fraud — one of the enumerated RICO predicate acts — reinforcing the argument that RICO claims displace administrative exclusivity.

Judicial Posture:

Just as the SEC treated Crosby ISD’s misrepresentations as federal criminal acts, SCOTX should recognize DCAD’s systemic fraud allegations as constitutionally beyond the ARB’s limited remedial scope.

4. Bridge Federal and State Authority:

Shows that federal regulators treat municipal fraud as systemic criminality — SCOTX should not permit Texas courts to disclaim jurisdiction in parallel circumstances.

Legitimacy of Emergency Framing: Reinforces that systemic appraisal fraud is not a “valuation dispute” but a securities crisis, already validated by federal enforcement analogues.

Bottom line:

The Crosby ISD SEC complaint is a powerful evidentiary analog that bolsters the Patel/RICO override argument.

It shows a Texas governmental entity engaging in systemic fraud with federal securities impact and no adequate local remedy — precisely the constitutional posture needed by SCOTX to recognize in Vexler.