

Client Alert

Current Issues Relevant to Our Clients

July 11, 2014

SEC Settles First Case under Its MCDC Initiative

On July 8, 2014, the Securities and Exchange Commission issued its first cease-and-desist order under its Municipalities Continuing Disclosure Cooperation (MCDC) initiative. Our Client Alert on the MCDC initiative can be found [here](#).

Kings Canyon Joint Unified School District stated in a 2010 offering document that it had not failed, in the previous five years, to comply in all material respects with its prior continuing disclosure undertakings, despite the fact that between 2008 and 2010, the District had failed to submit some of the required disclosures. The SEC found that this was an untrue statement of a material fact that the District should have known was untrue. A review of the District's filings indicates that the required annual financial information and audits were over a year late in some instances, although some of the District's other filings were late by a shorter period of time. The SEC did not give any guidance on which of the District's failures it considered to be the basis for the finding that the District's statement of compliance "in all material respects" was untrue.

Under the cease-and-desist order, the District agreed to:

- Establish written policies and procedures and periodic training regarding its continuing disclosure obligations.
- Update any past delinquent filings.
- Cooperate with any subsequent investigation by the SEC regarding the District's false statements, including the roles of individuals involved.
- Disclose the terms of the settlement in the District's official statements for the next five years.
- Provide a certification (with supporting evidence) to the SEC of the District's compliance with the above requirements.

The SEC's order and related press release can be found [here](#).

On July 7, 2014 the Government Finance Officers Association issued an alert describing the MCDC initiative, which can be found [here](#).

For More Information

Please contact your primary attorney at Chapman and Cutler if you have any questions on the MCDC initiative.

This document has been prepared by Chapman and Cutler LLP attorneys for informational purposes only. It is general in nature and based on authorities that are subject to change. It is not intended as legal advice. Accordingly, readers should consult with, and seek the advice of, their own counsel with respect to any individual situation that involves the material contained in this document, the application of such material to their specific circumstances, or any questions relating to their own affairs that may be raised by such material.

To the extent that any part of this summary is interpreted to provide tax advice, (i) no taxpayer may rely upon this summary for the purposes of avoiding penalties, (ii) this summary may be interpreted for tax purposes as being prepared in connection with the promotion of the transactions described, and (iii) taxpayers should consult independent tax advisors.

© 2014 Chapman and Cutler LLP. All rights reserved.

Attorney Advertising Material.