



Recent SEC actions confirm that the SEC is making good on its promise to focus attention on the municipal bond market and the disclosure obligations of municipalities.

According to the [SEC](#), investors hold approximately \$3.7 trillion dollars in municipal debt today, in contrast to just \$20 billion in 1945. In light of the increase in municipal bond debt, the SEC conducted a [comprehensive review](#) of the municipal securities market in 2012. That same year, the SEC issued recommendations, including potential legislative changes and suggested rulemaking, to improve the municipal securities market and to enhance disclosures available to investors. More recently, in March the SEC Enforcement Division launched the Municipalities Continuing Disclosure Cooperation ("MCDC") [initiative](#). The MCDC initiative provides standardized settlement terms for issuers and underwriters in the municipal bond market who self-report violations of disclosure obligations. Importantly, the MCDC initiative permits issuers who were already under

investigation the opportunity to accept the MCDC standard terms. The MCDC initiative expires on September 10. A recent California school district case, involving the Kings Canyon Joint Unified School District ("Kings Canyon") was the first [case](#) to be resolved under the MCDC initiative. According to the SEC, in three bond offerings between 2006 and 2007, Kings Canyon was contractually obligated to provide annual financial disclosures and notice of certain other events. In 2010, Kings Canyon made a \$6.8 million bond offering. As part of its offering document, Kings Canyon inaccurately "affirmed that there was no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation." However, Kings Canyon previously failed to submit some of its contractually required disclosures under the 2006 and 2007 bond offerings. As a result, Kings Canyon's 2010 bond offering document "contained an untrue statement of a material fact." Kings Canyon consented to the standard settlement terms under the MCDC initiative, and agreed to neither admit nor deny the SEC's findings. As part of the consent agreement, Kings Canyon agreed to cease and desist from future violations of Section 17(a) of the Securities Act, and also agreed to adopt written policies for continuing disclosures. Time will tell how long the SEC will remain focused on the municipal securities market, but for now it remains in the SEC spotlight.

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