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SEC Charges California School District with Misleading Investors.

Settlement Is First Under Initiative Targeting Municipal Disclosure

Washington D.C., July 8, 2014 — The Securities and Exchange Commission today charged a school district in California with misleading bond investors about its failure to provide contractually required financial information and notices. The case is the first to be resolved under a new SEC initiative to address materially inaccurate statements in municipal bond offering documents.

The SEC found that in the course of a 2010 bond offering, Kings Canyon Joint Unified School District affirmed to investors that it had complied with its prior continuing disclosure obligations. The statement was inaccurate because between at least 2008 and 2010, the school district had failed to submit some required disclosures. The California school district agreed to settle the charges without admitting to or denying the findings.

Under the Municipalities Continuing Disclosure Cooperation (MCDC) initiative, the SEC's Enforcement Division agreed to recommend standardized settlement terms for issuers and underwriters who self-report or were already under investigation for violations involving continuing disclosure obligations. The 2014 initiative, launched on March 10, expires on September 10.

"The integrity of the municipal securities market requires that issuers carefully comply with all of their disclosure obligations," said Andrew J. Ceresney, director of the SEC's Division of Enforcement. "Our MCDC initiative is one piece of our efforts to ensure that issuers meet their obligations going forward."

LeeAnn Ghazil Gaunt, chief of the SEC Enforcement Division's Municipal Securities and Public Pensions Unit added, "An important component of the MCDC program is that it provides issuers who were already under investigation the opportunity to accept the standard terms and resolve their enforcement matters in a fair and efficient manner. We are pleased that King's Canyon has taken advantage of the program and we continue to encourage all eligible issuers and underwriters to do so while the MCDC terms are still available."

The SEC's order instituting settled administrative proceedings finds that in three bond offerings between 2006 and 2007, Kings Canyon contractually agreed to disclose annual financial information and notices of certain events pertaining to those bonds. When it conducted a $6.8 million bond offering in November 2010, Kings Canyon was required to describe any instances where it had failed to materially comply with its prior disclosure obligations. In the 2010 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." Because Kings Canyon failed to submit some of the contractually required disclosures relating to the 2006 and 2007 offerings, the November 2010 bond offering document contained an untrue statement of a material fact.

Without admitting or denying the SEC's findings, Kings Canyon consented to an order to cease and

desist from committing or causing any future violations of Section 17(a) of the Securities Act. It also agreed to adopt written policies for its continuing disclosure obligations, comply with its existing continuing disclosure obligations, cooperate with any subsequent investigation by the Enforcement Division, and disclose the terms of its settlement with the SEC in future bond offering materials.

The SEC's investigation was conducted by Monique C. Winkler and was supervised by Cary Robnett. Both are in the SEC's San Francisco Regional Office and are members of the Enforcement Division's Municipal Securities and Public Pensions Unit.

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