
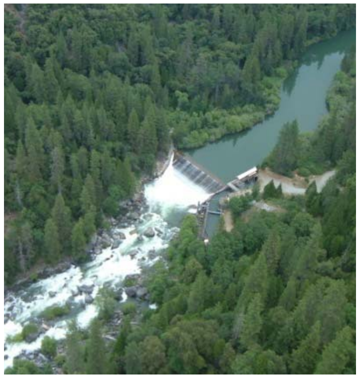


NORTHERN CALIFORNIA POWER AGENCY

OCTOBER SPECIAL FINANCE COMMITTEE

October 6, 2014

SEC RULE 15C2-12 CONSIDERATIONS: SELF-REPORTING

- Rule 15c2-12 prohibits underwriters from purchasing or selling municipal securities unless the issuer has committed to providing continuing disclosure, including financial and operating information
  - Also generally requires that official statements describe any instance in the prior 5 years in which the issuer failed to comply with any previous commitment to provide continuing disclosure

- SEC may file enforcement actions against issuers for inaccurately stating that they have complied with their prior continuing disclosure obligations
  - Underwriters for these bond offerings may also have violated anti-fraud provisions if they did not exercise adequate due diligence in determining whether issuers had complied
    - For instance, in July 2013, the SEC charged a school district and its underwriter with falsely stating that the school district had been providing financial information as required
    - Without admitting or denying guilt, the school district and underwriter consented to a cease and desist order and the underwriter agreed to pay interest of $279k plus a penalty of $300k

- Under the Municipalities Continuing Disclosure Cooperation ("MCDC") Initiative, the SEC will recommend favorable settlement terms if issuers and underwriters self-report possible violations involving materially inaccurate statements relating to prior compliance

- To be eligible for the MCDC Initiative, an issuer or underwriter must self-report by accurately completing a 2-page questionnaire and submitting it by <u>December 1, 2014</u>