



# UNITED INDEPENDENT SCHOOL DISTRICT INFORMATIONAL ITEM

**TOPIC:** Compliance with Securities Exchange Commission (MCDC) Initiative

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**APPROVED FOR TRANSMITTAL TO SCHOOL BOARD:** \_\_\_\_\_

**DATE ASSIGNED FOR BOARD CONSIDERATION:** November 19, 2014

## INFORMATIONAL REPORT:

The Securities Exchange Commission has proposed a Municipalities Continuing Disclosure Cooperation (MCDC) Initiative for municipal issuers to self-report certain potential violations. Staff will present United ISD's stance on this initiative.

# United Independent School District

Securities Exchange Commission  
Municipalities Continuing Disclosure  
Cooperation (MCDC) Initiative  
What It Means to United ISD



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## What is the MCDC?

An offer for municipal issuers and their underwriters to self-report (or others) certain potential violations of the securities laws in exchange for lighter potential punishments, in contrast to harsh penalties threatened later for those issuers that do not self-report by the deadline.

SOURCE: TASMO Webinar

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## What is the MCDC?

The MCDC focuses on representations in an Official Statement regarding compliance with continuing disclosure agreements (CDAs) such as:

“Over the past five years, the Issuer has complied with its obligations under its Continuing Disclosure Agreements.”

SOURCE: TASBO Webinar

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## What is the MCDC?

- The question presented by the MCDC: do any statements made in Official Statements regarding the issuer’s or obligor’s compliance with CDAs in the five years preceding the date of the Official Statement violate the antifraud provisions?
  - Such statements must be “material” to constitute a violation.
- If the answer is “possibly,” the SEC expects the details to be reported.

SOURCE: TASBO webinar

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## How Could We be in violation?

- When you issue municipal bonds in an amount of \$1,000,000 or more, an underwriter, by law, may not buy your bonds in a competitive bid or negotiated sale unless you enter into a Continuing Disclosure Agreement—a “CDA”.
- In the CDA you promise to provide annual financial information (usually audited financial statements) and operating data of the type in the official statement (tables), within 180 days after the fiscal year end, as well as notice of 14 events, within 10 business days of occurrence, to the MSRB’s EMMA System. If you cannot file your audited financials on time, you must file a “failure to file notice” explaining why and when you will file.
  - The rule does allow for “draft” or unaudited numbers to be submitted until the final audit is complete. If nothing is filed, then a notice is required.
- If you violate your CDA and did not adequately disclose the violation in your official statement, you may fall under MCDC

SOURCE: TASBO webinar

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## THE MCDC Initiative Deadlines

- The Deadline for Underwriters to self-report was 12:00 a.m. on September 10, 2014
- The Deadline for United ISD and other municipal bond issuers to self-report has been extended to 4:00 p.m. central time on December 1, 2014

SOURCE: TASBO webinar

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## Which Districts Does it Affect?

- If your district issued municipal bonds in amounts more than \$1,000,000 through a competitive or negotiated sale to an underwriter in the last 5 years.
- UNITED ISD BONDTRANSACTIONS the last 5 years:
  - June 2014 issued \$100 Million in bonds
  - August 2013 issued \$12 Million in refunding bonds
  - February 2013 issued \$22.6 Million in refunding bonds
  - April 2012 issued \$45.9 Million in refunding bonds
  - July 2011 issued \$34 Million in refunding bonds
  - December 2009 issued \$17.4 Million in Qualified School construction bonds (private placement-an offering document was not provided)

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## What is United ISD doing to comply?

- Through our Financial Advisors and Bond Counsel, we are verifying with our underwriters from our bond transactions to confirm if they “self-reported” any United ISD transactions to the SEC in September.
- **Our opinion is that United ISD has complied with our obligations under our Continuing Disclosure Agreements (CDA). Therefore, staff feels that we do not need to self-report under this initiative to the SEC for the December 1<sup>st</sup> deadline**
  - However, to ensure continuance compliance with CDA, staff is developing disclosure procedures, controls and training of relevant personnel and has contracted with financial advisors to assist in disclosing.

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**QUESTIONS?**

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