

## SEC Settles Illinois Enforcement Action; Cites Importance of Disclosure Controls and Procedures

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On March 11, 2013, the Securities and Exchange Commission (the “SEC”), in an administrative proceeding, accepted a settlement offer made by the State of Illinois (the “State”) and entered a cease-and-desist order (the “Order”) against the State. The SEC concluded that the State had acted negligently, in violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (the “Securities Act”). The Order concerned disclosures relating to the State’s pension liabilities in official statements and preliminary official statements used for numerous bond offerings in the 2005-2009 period. The bonds being offered were general obligation bonds, backed by the full faith and credit of the State. The Order stated that “the State omitted to disclose . . . material information regarding the structural underfunding of its pension systems and the resulting risks to the State’s financial condition.”

### Practice

- Disclosure Counsel