

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 78054 / June 13, 2016**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 32147 / June 13, 2016**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17288**

**In the Matter of**

**SCHOOL BUSINESS  
CONSULTING, INC. and  
TERRANCE BRADLEY**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 15B(c) AND 21C,  
AND RULE 15Bc4-1 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AND SECTION  
9(b) OF THE INVESTMENT COMPANY ACT  
OF 1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND A  
CEASE-AND DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15B(c) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Rule 15Bc4-1 of the Exchange Act, and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against School Business Consulting, Inc. (SBCI) and Terrance Bradley (collectively “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings Pursuant to Sections 15B(c) and 21C, and Rule 15Bc4-1 of the Securities Exchange Act of 1934, and Section 9(b) of the Investment Company Act of 1940, Making Findings, Imposing Remedial Sanctions, and a Cease-And-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offers, the Commission finds<sup>1</sup> that:

#### Summary

1. This matter involves improper conduct by School Business Consulting, Inc. ("SBCI") and its principal, Terrance Bradley. SBCI provides general consulting services to school districts in California. As part of those consulting services, SBCI makes recommendations to its school district clients on the selection of municipal advisors.
2. In 2010 SBCI entered into a contractual arrangement with the municipal advisor Keygent LLC ("Keygent") and Bradley began to serve on Keygent's Advisory Board. In this role as a member of Keygent's Advisory Board, Bradley introduced Keygent to school districts that were seeking to hire a municipal advisor. Among the school districts Bradley solicited on behalf of Keygent were many of SBCI's own school district clients. When Bradley solicited SBCI's clients for Keygent, he verbally advised school officials of his relationship with Keygent and recused himself from the school districts' formal interview process.
3. In connection with the municipal advisor hiring process for five of those SBCI clients, Bradley improperly provided Keygent with confidential information about the hiring process, including advance notice of the draft interview questions, the specifics of some competitors' proposals, and other information. SBCI and Bradley did not have authority to share this information with Keygent and the school districts were unaware it had been provided. Each of the five school districts subsequently hired Keygent as a municipal advisor.
4. As a result of the conduct described herein, SBCI willfully violated Section 15B(a)(1)(B) of the Exchange Act, SBCI and Bradley willfully violated Sections 15B(a)(5) and 15B(c)(1) of the Exchange Act and Rule G-17 of the Municipal Securities Rulemaking Board ("MSRB"), and Bradley was a cause of SBCI's violation of Section 15B(a)(1)(B) of the Exchange Act.

#### Respondents

5. **School Business Consulting, Inc.** is a California corporation formed in 2010 and located in Fresno, California. SBCI provides consulting services to school districts throughout the state. In February 2014 SBCI registered with the SEC as a municipal advisor and soliciting municipal advisor under the temporary registration rules but has not registered under the final registration rule, which was effective July 1, 2014, and has never registered with the MSRB.
6. **Terrance Bradley**, age 72, of Fresno, California, has been the President and sole shareholder of SBCI since its formation and is its sole employee.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## Other Relevant Entity

7. **Keygent LLC** is a California limited liability company located in El Segundo, California. Keygent is registered with the Commission and the MSRB as a municipal advisor.

## Facts

### SBCI Provides Consulting Services to California School Districts

8. Terrance Bradley was employed by a California school district for 26 years and served in various administrative and business office roles, including as the district's Superintendent for 7 years before retiring in 2009. Bradley is well known among school district officials throughout California as a result of his many years in the field. After retirement, Bradley formed SBCI in 2010 to provide business consulting services for school districts.

9. SBCI's consulting work with school districts sometimes included assistance with finance and budgeting matters, which involved assisting clients with hiring financial professionals such as municipal advisors. Bradley was often involved in drafting the request for qualifications ("RFQ") document that districts send out in which they seek proposals from candidates for open municipal advisor positions. Bradley also drafted interview questions and helped the school districts to review proposals received from the candidates. At issue here is the conduct of SBCI and Bradley in the municipal advisor hiring process for certain of SBCI's consulting clients.

### SBCI Served on Keygent's Advisory Board and Solicited New Clients for Keygent

10. In September 2010 Keygent, a registered municipal advisor whose advisory business focuses solely on advising school districts and community colleges that issue bonds in California, retained SBCI to serve on Keygent's Advisory Board, for which Keygent paid SBCI \$2,500 monthly. SBCI served on Keygent's Advisory Board from September 2010 through June 2014. The Advisory Board contract stated that SBCI was to "advise senior management on strategy, new business development, public policy, and research." Through this arrangement, Keygent gained access to Bradley's extensive contacts in California to pursue new municipal advisory clients. Keygent provided Bradley with names of school districts that it identified as having refinancing opportunities and asked Bradley to facilitate introductions. Bradley, in turn, contacted the school districts, recommended Keygent and its services and suggested setting up meetings with Keygent personnel.

11. Among the school districts Bradley solicited on behalf of Keygent were many of SBCI's own school district clients. For some of these, Bradley reviewed Keygent's pitch books before Keygent sent them to the school districts. Bradley also sometimes separately recommended to his clients that they meet with Keygent to discuss Keygent's ideas for possible bond refinancing.

## Bradley Improperly Provided Confidential Information to Keygent

12. During the municipal advisor hiring process for five SBCI school district clients, SBCI improperly provided confidential information to Keygent. California law does not mandate that school districts use a bidding process when hiring financial professionals but many choose to do so in order to interview multiple candidates and make the best hiring decision. Bradley drafted, or assisted in drafting, the RFQ documents used by the five school districts at issue here to commence the municipal advisor hiring process. For each of those school districts, candidates for the municipal advisor position were expressly directed not to make contact with anyone at the district other than the single official specified in the RFQ. The purpose of this limitation was for the school districts to be able to control the information disseminated to the candidates and to make sure all competitors were on an even footing in the process.

13. Despite this instruction, Bradley provided confidential information to Keygent which could have given Keygent an advantage in the competitive hiring process for five school districts. The following are examples:

- Bradley gave Keygent advance copies of draft interview questions on several occasions, and Keygent also provided input in the initial drafting of the questions on one occasion so they were aware going into the interview what could be asked;
- For one school district, Bradley gave Keygent a draft of the district's RFQ document and then incorporated a change to the document suggested by Keygent which was designed to require a known competitor to disclose in its proposal potentially negative information concerning a past legal issue;
- For two of these school districts, after they received the proposals from the municipal advisor candidates, including Keygent, Bradley shared information about competitors' proposals with Keygent, including, in one instance, a chart with all of the other candidates' fee proposals and, in another instance, a copy of the entire proposal submitted by one of the candidates;
- Bradley discussed with Keygent how to answer certain interview questions and suggested topics they could discuss at the interview to preempt other candidates' proposals.

14. None of the five school districts were aware that Bradley had shared this information with Keygent, nor was Bradley authorized by the school districts to do so. Bradley did not share this information with any of the municipal advisor candidates except Keygent. Although Bradley informed school district officials of his relationship with Keygent and recused himself from four of the five school districts' interview process, he continued to recommend Keygent and each of the five school districts ultimately hired Keygent as municipal advisor after the interviews.<sup>2</sup> Bradley was aware that the school districts intended to control the flow of information during the hiring process through an individual other than Bradley, and that Bradley was providing Keygent with information to which it would otherwise not be entitled.

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<sup>2</sup> One of the school districts insisted that Bradley attend the interviews after he had informed officials that he felt he had a conflict.

## Violations

15. Municipal advisors include financial advisors who assist municipal entities with bond offerings, reinvestment of bond proceeds and the structuring and pricing of related products. See Commission Report on the Municipal Securities Market (July 31, 2012) at 45, available at <http://sec.gov/news/studies/2012/munireport073112.pdf>. In 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which included provisions for the registration and regulation of municipal advisors. The adopting release for the registration rules notes that the municipal advisor registration requirements and regulatory standards were intended to mitigate some of the issues observed with the conduct of some municipal advisors, including undisclosed conflicts of interest and failure to place the duty of loyalty to their municipal entity clients ahead of their own interests. See Registration of Municipal Advisors, SEC Release No. 34-70462, 78 Fed. Reg. 67468, 67469 (September 20, 2010). The registration requirement also applies to entities that solicit municipal advisory business on behalf of other municipal advisors. See Exchange Act, Section 15B(a)(1)(B).

16. As described above, SBCI was engaged in the “solicitation of a municipal entity” as that term is defined in Section 15B(e)(9) of the Exchange Act because it received direct compensation from Keygent and the solicitation of school districts on behalf of Keygent was for the “purpose of obtaining or retaining an engagement . . . in connection with . . . the issuance of municipal securities.” Accordingly, SBCI should have registered as a municipal advisor pursuant to Section 15B(a)(1)(B) of the Exchange Act from the time it began soliciting for Keygent. Bradley, as SBCI’s principal and sole employee, caused SBCI’s violation.

17. Section 15B(c)(1) of the Exchange Act, as amended by Section 975 of the Dodd-Frank Act, imposes upon municipal advisors and their associated persons a fiduciary duty to their municipal entity clients, and prohibits them from engaging in any act, practice, or course of business that is not consistent with their fiduciary duty. It is well settled that fiduciaries must act in utmost good faith, use reasonable care to avoid misleading clients, and fully and fairly disclose conflicts of interest. SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180, 194 (1963).

18. MSRB Rule G-17 states that, in the conduct of its municipal securities business, every broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice. Negligence is sufficient to establish a violation of MSRB Rule G-17. See In the Matter of Merrill Lynch, Pierce, Fenner & Smith, Inc., Exchange Act Release No. 40352, 1998 WL 518489, at \*13 (Aug. 24, 1998). Section 15B(c)(1) of the Exchange Act requires that municipal advisors shall not act in contravention to any MSRB rule in the provision of advice to or on behalf of a municipal entity or in undertaking a solicitation of a municipal entity.

19. Similarly, Section 15B(a)(5) of the Exchange Act states that municipal advisors shall not engage in any fraudulent, deceptive, or manipulative act or practice, while undertaking the solicitation of a municipal entity.

20. As a result of the conduct described above, SBCI violated Section 15B(a)(1)(B) by failing to register as a municipal advisor. Furthermore, SBCI and Bradley willfully violated Section 15B(c)(1) of the Exchange Act by breaching their fiduciary duty, willfully violated Section 15B(c)(1) of the Exchange Act by violating MSRB Rule G-17, and willfully violated Section 15B(a)(5) of the Exchange Act. Bradley was a cause of SBCI's violation of Section 15B(a)(1)(B) of the Exchange Act.

#### IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Sections 15B(c) and 21C of the Exchange Act as to SBCI, and pursuant to Section 21C and Rule 15Bc4-1 of the Exchange Act, and Section 9(b) of the Investment Company Act as to Bradley, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Sections 15B(a)(1)(B), 15B(a)(5), and 15B(c)(1) of the Exchange Act, and MSRB Rule G-17.

B. Respondent Bradley is hereby:

- (1) barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and
- (2) prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by Bradley will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Bradley, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent SBCI is censured.

E. SBCI shall pay a civil money penalty in the amount of \$30,000 and Bradley shall pay a civil money penalty in the amount of \$20,000 to the Securities and Exchange Commission, of which \$6,250 shall be transferred to the Municipal Securities Rulemaking Board in

accordance with Section 15B(c)(9)(A) of the Exchange Act, and of which the remaining \$43,750 shall be transferred to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made by SBCI in the following installments: \$15,000 due ten (10) days from the date of the Order, and \$15,000 due twelve (12) months from the date of the Order. If any payment from SBCI is not made by the date the payment is required by this Order, the entire outstanding balance of its civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payment shall be made by Bradley in the following installments: \$10,000 due ten (10) days from the date of the Order, and \$10,000 due twelve (12) months from the date of the Order. If any payment from Bradley is not made by the date the payment is required by this Order, the entire outstanding balance of his civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SBCI or Bradley, respectively, as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to LeeAnn Ghazil Gaunt, Chief, Municipal Securities and Public Pensions Unit, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, MA 02110-1424.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall

not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Bradley, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Bradley under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Bradley of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields  
Secretary