Proposed amendments of SEC Rule 15c2-12 will require information be disclosed within 10 days of the event in the following situations:

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

*(f) * * **
(11) The term financial obligation means a (i) debt obligation, (ii) lease, (iii) guarantee, (iv) derivative instrument, or (v) monetary obligation resulting from a judicial, administrative, or arbitration proceeding. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/proposed.shtml*);
- Send an email to *rule-comments@sec.gov*. Please include File No. S7-01-17 on the subject line; or
- Use the Federal Rulemaking Portal (*http://www.regulations.gov*). Follow the instructions for submitting comments.

GFOA General Comments:

- The GFOA has a long history of encouraging transparency in the municipal marketplace and urging our members to disclose material events to investors. Accordingly, the GFOA supports the SEC's recent initiatives to ensure that municipal securities information is available to investors. However, the SEC should be aware of the considerable amount of time and costs associated with adopting multiple changes to Rule 15c2-12 as proposed, as they would be burdensome to issuers, add complication for investors and the general public, and ultimately increase costs to taxpayers and investors.

- State and local governments already disclose all of the information proposed in this amendment to 15c2-12 in annual disclosure filings and comprehensive annual financial reports (CAFRs). Many state and local governments also voluntarily disclose this information on their investor information websites, and through voluntary disclosure filings in EMMA. If the goal of this amendment is to provide

quality information to investors (as opposed to sheer volume of information) then we believe the focus should be on enhancing investor access to information through improvements to EMMA and to existing resources such an issuer's publicly available web site.

- The required determination of "materiality" coupled with the vast definition proposed for "financial obligation," uncertainty about the defined scope of "leases" "guarantees" and "derivative instruments" and lack of definition with regard to "financial difficulties" would create significant burdens and costs to state and local governments.

Incurrence of a "Financial Obligation"

- Establishing materiality is important in order to ensure that relevant information is passed along to investors. That decision is best made by an issuer on a case by case basis, along with advice of counsel. While the proposed wording includes a "if material" qualification, the proposed rule does not establish key parameters – in rulemaking or guidance – for helping issuers determine a materiality baseline.

- We support voluntary disclosure of bank loans, private placements and debt-related derivative instruments. That said, we believe that a number of the proposed additional "financial obligations" covered under Rule 15c2-12 would be information that is both superfluous to investors and costly for issuers to adopt. "Leases" for example, are transactions that take place many times per year in many jurisdictions and are commonly related to the ongoing operations of a government. It remains unclear whether the language refers to capital or operating leases (or both). GFOA opposes the inclusion of operating obligations as a material event. Similarly, "guarantees" could benefit from having greater clarity about what is includable under the proposed rules. The concept of derivatives as obligations also needs clarification. If an issuer determines their derivative contracts are material to investors, then only specific information of interest to investors – and not all aspects of these voluminous contracts – should be disclosed. Finally, the last clause of the proposed definition "monetary obligation resulting from a judicial, administrative or arbitration proceeding" causes significant uncertainty in the issuer community and should be deleted.

- We recommend that the additional event notification be limited to material debt obligations held in parity to investor-held debt. If the commission insists on including other types of financial obligations for event notifications, definitions should be tightened and clear unambiguous materiality definitions should be developed that will allow quick determination of required events. In addition, the actual capacity of the EMMA system to realistically take on the additional volume of information should be critically assessed.

Activities that Reflect "Financial Difficulties"

- The lack of clarity and guidance in several of the terms provided in the proposed amendments are of great concern to state and local finance officers. In addition to unclear guidance on materiality and terms provided under the scope of the proposed amendments, the term "financial difficulties" is left undefined. Jurisdictions would have to engage counsel and incur significant costs to determine what within this area would be material.

- The SEC has significantly underestimated the time needed by issuers to prepare documents and comply with the requirements. Numbers noted in the regulation are understated and do not accurately reflect the amount of time and costs associated with 15c2-12 compliance for most state and local governments. The uncertainties and ambiguities described in this letter are likely to increase costs to issuers exponentially. This is true for both small governments that do not have staff dedicated solely to debt management issues, and for large governments that are in the market frequently and have extensive disclosure requirements. Furthermore, if the proposed changes are finalized, the additional requirements of Rule 15c2-12 will require governments to engage bond counsel and consultants more frequently to assist with due diligence and prepare documents.

Suggested Revisions

We strongly suggest in the alternative that the SEC consider modifying the language in at least the following four ways:

1. Provide meaningful guidance for issuers and their officials to determine *materiality* for the obligations addressed in this proposal
2. Define the term *financial difficulties*
3. Define the terms *lease, guarantee, and derivative instruments*
4. Revise the definition provided for the term *financial obligation* to:

*(f) * * **
(11) The term financial obligation means OBLIGATIONS THAT ARE HELD BY THE ISSUER IN PARITY TO BONDHOLDERS. THESE OBLIGATIONS MAY BE (i) debt obligation, (ii) lease, (iii) guarantee, (iv) derivative instrument, ~~or (v) monetary obligation resulting from a judicial, administrative, or arbitration proceeding~~. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

Conclusion

- We strongly suggest that the SEC weigh the cost of compliance to the issuer – costs ultimately borne by residents of the issuing state or local jurisdiction – with the benefit to the investor.

- It should be clear to the SEC that the GFOA continues to support robust issuer disclosure practices. This is done through development of GFOA best practices, numerous training programs, and engagement with the investor community and others in the municipal marketplace. Additionally, the GFOA has strongly supported the MSRB's efforts to improve the functionality of EMMA. Allowing investors and underwriters a more straight-forward presentation of data to determine compliance helps all parties, including issuers, to ensure that timely and appropriate disclosures are made. Careful consideration should be paid to ensure the functionality of the submission tools available to the issuer community and the suggested disclosure.

- We respectfully request that the SEC consider these comments and other comments from the issuer and broader market community, revise the amendment at the very least to clearly define concepts included as "financial obligations" and provide another opportunity to comment before finalizing.