May 9, 2017

Brent Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

RE: Proposed Amendments to Exchange Act Rule 15c2-12 (File No. S7-01-17)

Dear Mr. Fields:


The District is a public K-12 educational entity serving the central part of the Salt Lake Valley, at the heart of the most populous area of Utah.

The District’s involvement in the municipal securities market is limited to the issuance of general obligation and, occasionally, lease revenue bonds, to provide funds for school projects, together with appropriate refunding transactions. Debt outstanding is approximately $186,000,000.

We view the Proposed Amendments as violative of the federal statute commonly referred to as the "Tower Amendment" and submit they are beyond the Commission’s legal authority to enact. The Commission is attempting to do indirectly what Congress has expressly forbidden it to do directly. This aside, however, the Proposed Amendments are overbroad and too vague to address the problem identified by the Commission in the Proposing Release without unduly burdening municipal issuers.

The Proposed Amendments and the Proposing Release do not account for the consequences of specific sources of security and payment applicable to a large proportion of municipal securities. In contrast to the corporate securities market, where the majority of obligations are general obligations of a corporate issuer, our municipal securities are payable from a specific revenue source. With respect to the District and many other governmental entities, a high percentage of issuances of municipal securities is payable exclusively from specific tax levies. Because the Proposed Amendments do not limit the “security holders” to whom the financial obligation may be material, it is unclear whether financial obligations of the District (such as a lease of school buses or a construction contract) that are wholly irrelevant to municipal securities payable exclusively from ad valorem taxes would nevertheless require an event notice under the Proposed Amendments.
While it may seem obvious that the above-described financial obligations would not be material to holders of securities payable exclusively from other sources of revenue, with the vast majority of municipal underwriters subject to a cease-and-desist order under the Commission’s Municipalities Continuing Disclosure Cooperative initiative, the District does not believe underwriters are likely to make that sensible determination when reviewing issuers’ description of past continuing disclosure compliance, as required by Rule 15c2-12, absent guidance from the SEC. Rather they will insist on a very conservative approach which will result in expense and a super abundance of irrelevant information uploaded to EMMA.

We note that the District voluntarily discloses on EMMA all direct purchases of general obligation debt.

The District requests the Commission abandon its attempt to “end run” the Tower Amendment. If that is not done, please clarify that the phrase “security holders” in the Proposed Amendments means beneficial owners of the municipal securities offered with respect to which a certain continuing disclosure undertaking is made. The District further requests the Commission define a “financial obligation” and acknowledge that a financial obligation payable exclusively from one stream of revenues would not be material to security holders of municipal securities payable exclusively from a distinct stream of revenues of the same issuer or obligated person.

While the District acknowledges the importance of disclosure to municipal securities investors, the District respectfully submits that the Proposed Amendments are too broad and vague and will unduly burden municipal issuers and obligated persons. We also believe the cost analysis accompanying the proposed amendment dramatically understates, possibly by orders of magnitude, the costs of compliance. Given our staffing levels, examination by outside securities experts of our “obligations” for materiality could cost hundreds of thousands of dollars, spent to no useful purpose. The District is concerned that even marginal impacts on its ability to carry out its purposes will have an adverse impact on the citizens of our community.

Accordingly, the District respectfully requests the Commission to abandon the proposed amendment. Failing that, please seriously consider the requests for guidance included in this letter and in the many other comments the Commission is likely to receive regarding the detrimental impact of the Proposed Amendments on municipal issuers, and find a more reasonable and sensible way to address the problem perceived by the Commission.

If you have any questions regarding the District’s comments, please feel free to contact us.

Sincerely,

Martin W. Bates, Ph.D., J.D.
Superintendent

Terry Bawden
Board President

cc: Honorable Orrin Hatch
cc: Honorable Michael Lee
cc: Honorable Jason Chaffetz
cc: Honorable Mia Love
cc: Honorable Chris Stewart