

May 15, 2017

The Honorable Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

**File No. S7-01-17 – Comments on Proposed Amendments to Municipal Securities
Disclosure**

Dear Secretary Fields,

On behalf of the American Association of Port Authorities (AAPA), I am pleased to submit comments on the Securities and Exchange Commission's proposed amendments to the Municipal Securities Disclosure Rule (Rule 15c2-12) under the Securities Exchange Act of 1934 (Exchange Act).

AAPA is the unified and collective voice of the seaport industry in the Americas. AAPA empowers port authorities, maritime industry partners and service providers to serve their global customers and create economic and social value for their communities. Our activities, resources and partnerships connect, inform and unify seaport leaders and maritime professionals in all segments of the industry around the western hemisphere. These comments are on behalf of our U.S. members.

AAPA believes the proposed changes will have significant, unintended consequences for issuers of debt. The port industry and our partners are concerned about their ability to meet the new, broader compliance requirements, including the proposed 10-day reporting limit. Ports often have significant real estate holdings and equipment that are leased to a variety of private entities. These leases may be long-term or short-term and are frequently amended to adjust to changes in business and operations. Ultimately, the proposed changes will make our infrastructure development projects more expensive and impede our ability to generate economic returns for the nation.

There is a lot at stake. U.S. seaports represent a vital economic engine of our national economy; responsible for over 23 million U.S. jobs and \$321 billion in federal, state and local tax revenue. U.S. deepwater ports also generate \$4.6 trillion in total economic activity, or 26 percent of the nation's economy. Within these numbers are many complex partnerships and financial agreements.

Our review of the proposed changes identified three broad areas of concern. These include the content, reporting requirements, and ambiguity around materiality.

Content. The requirement to report is broad and subjective. The definition of “financial obligations” includes business and legal obligations that are not generally considered to be indebtedness. The SEC’s release suggests that it intends an expansive interpretation of an already broad definition of “financial obligation,” intending to cover short-term debt obligations and even operating leases. For example, many leases and legal or administrative proceedings are part of normal business operations. Many port issuers have significant numbers of leases both as lessee and lessor that are part of their core business and should not be considered as indebtedness or financial obligations.

Reporting. GAAP based financial statements provide significant information on all expenses and liabilities that affect investors. The proposed rules duplicate some of this information, and are inconsistent with the GAAP approach to “long-term debt.” Having a second standard for reporting “financial obligations” will cause confusion and errors. The proposed rules inappropriately seek to address problems with some issuers’ lack of timely financial statements and place an unfair burden on all issuers. Additionally, the finance staff responsible for filing material event notices is generally different from the staff that is responsible for other legal requirements or for lease administration. Issuers would need to create new positions and procedures to approve and amend any normal business agreements to comply with the ten-day notice requirement.

Materiality: The subjectivity of materiality leaves significant risk to the issuer. Significant effort will be required to determine which events are material. For risk avoidance, issuers may file significantly more reports than required. Faced with a tight timeline, issuers may file entire business agreements rather than risk trying to summarize the material terms of lengthy business agreements.

The ports that comprise the membership of AAPA want to provide accurate and complete financial information to bondholders without enduring excessive requirements or having to publish so much information that the critical issues are obfuscated by the quantity of material provided. We request the SEC reconsider their proposed changes and work with AAPA and other stakeholder groups to implement rules focused on the disclosure of bank loans rather than the broadly defined financial obligations in the proposal.

AAPA appreciates the opportunity to provide comments to the proposed amendments to the Municipal Securities Disclosure Rule. Please do not hesitate to contact me if you would like to further discuss these issues. The AAPA looks forward to working with you to successfully address these complex financing issues.

Sincerely,



Kurt J. Nagle
President and CEO