RE: **Comment on Proposed Amendment to SEC Rule 15c2-12**

As *[organization]* Oregon, I am submitting comments to express my community's deep concerns about the practicality and cost of the proposed amendments ("Proposed Amendments") to Rule 15c2-12 (the "*Rule*") of the Securities and Exchange Commission (the "Commission") set forth in Securities Exchange Act Release No. 34-80130, File No. S7-01-17, adopted March 1, 2017, and published in the Federal Register on March 15, 2017, that will require new categories of information to be disclosed to the capital markets within 10 days of the occurrence of the events.

Like most Oregon local governments, *[organization]* has long been a leader in promoting full and accurate disclosure of all material information to our investors. We support the SEC's overall goal of ensuring that investors have access to relevant information. We are concerned, however, that the Proposed Amendments as currently written will add considerably to the time and cost of complying with these disclosure requirements, without resulting in better information for investors.

Oregon local governments already disclose each of the types of information included in the Proposed Amendments to the Rule in our annual disclosure filings, which includes our Comprehensive Annual Financial Reports (CAFRs). Therefore, if the goal of the Commission is to promote providing quality information to investors, any amendments to the Rule should focus on enhancing the ability of investors to access the information provided through improvements to EMMA and to existing resources such as an issuer's publicly available web site.

Requiring issuers to report within 10 days of each and every occurrence that an issuer determines to be "material" is an impossible standard to meet. Each jurisdiction would need to fund and implement an array of information gathering processes to constantly monitor every corner of their operations, and to make continual decisions about the "materiality" of these operational events. The overly broad definition of "financial obligation," including categories such as "leases," "guarantees," and "derivative instruments", the lack of guidance on the term "financial difficulties" and the review of the materiality of individual events that may or may not need to be reported within 10 days would lead to huge increases in staff time and legal costs. The resulting costs are unreasonable compared to the structured and systematic way information is gathered, evaluated, and made available as part of the annual CAFR reporting process.

Incurrence of a "Financial Obligation"

As part of the determination of when to report a new "financial obligation," it is essential that the SEC provide state and local governments with more practical guidance on materiality rather than leave this up to each entity to figure out on a case by case basis. Investors would need consistency to make appropriate value judgements. The wording of the Proposed Amendments includes an "if material" qualification, but it does not establish key parameters – in rulemaking or guidance – for helping issuers and their counsel determine a materiality baseline.

[Organization] support voluntary disclosure of bank loans, private placements and debt-related derivative instruments. Two of our largest Oregon issuers, the State of Oregon and the City of Portland, have been national leaders in the voluntary disclosure of these financial obligations on the Electronic Municipal Market Access (EMMA) system. Nevertheless, our community believes that a number of the proposed additional "financial obligations" covered under the Proposed Amendments would be superfluous to investors and costly for issuers to monitor.

For example, renewal or adoption of "leases" is a very broad category that takes place hundreds of times each year for buildings and equipment in a state government and most large local jurisdictions. Given that communities report capital leases annually in their CAFRs, it appears to be overkill to have to report each new capital lease within 10 days of execution. Also, as written, the language of Proposed Amendment is unclear as to whether capital or operating leases, or both, are required to be reported as new material events. If the Commission does indeed want reporting on operating obligations, then this is substantial overreach, which we adamantly oppose.

Similarly, the definition of the term "guarantees" could benefit from having greater clarity about what is includable under the Proposed Amendment. For example, the State of Oregon provides guarantees for loans made to small businesses, to school bonds, and to various other programs that may have nothing to do with the underlying creditworthiness of the bonds they issue. Where is the line drawn on reporting each of these "guaranty" programs?

The concept of "derivatives" as obligations also needs clarification as to the level of disclosure that is actually required to be performed. If issuers determine that their derivative contracts are material to investors in their bonds, 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 of "financial obligation" includes "monetary obligation resulting from a judicial, administrative or arbitration proceeding" causes significant uncertainty in the issuer community and should be deleted or revised to include clear guidelines as to the materiality of the obligations that need to be reported upon.

In general, *[organization]* strongly believe that any amendments to the Rule should be limited to additional material event notification for those circumstances where the new material event category impacts the debt obligations held **in parity** to investor-held debt. If these additional types of financial obligations are included for event notification, the Rule, as amended, must be tightened significantly and provide clear and unambiguous materiality definitions that will allow issuers to quickly determine if filing of an event is required. Otherwise, the Commission will be imposing huge new and unnecessary burdens on our organization. Investors will be flooded with information that may or may not be relevant to their specific situation, but may obfuscate the relevant information needed to make investment decisions.

The capacity of the EMMA system to take on the additional volume of information should also be critically assessed. While the Municipal Securities Rules Board (MSRB) has done a great job on improving the EMMA system over the past few years, there is still much work to be done to make the system more functional for issuers and user-friendly to investors.

The Proposed Amendments to the Rule vastly understate the amount of time, effort and legal costs associated with complying with the Rule for most state and local governments. The uncertainties and ambiguities described in this comment letter are likely to increase exponentially if the Proposed Amendments are adopted as written. This is true for small governments in Oregon that do not have staff dedicated to debt management issues, as well as for the State of Oregon and some of the larger local governments in our state with disperse operations and a multitude of agencies and programs. While many of our larger issuers are in the market frequently and have systems in place to comply with extensive investor disclosure requirements, even they would be required to hire additional staff and consultants, and to engage bond counsel on a full-time basis, so as to constantly monitor governmental activities and to meet the never-ending material event review and reporting requirements under the Proposed Amendments to the Rule.

Suggested Revisions to the Proposed Amendments to the Rule

We strongly urge you to modify the language in the Proposed Amendments to the Rule in at least the following three ways:

1. Provide meaningful guidance for municipal issuers and their counsel so that *materiality* standards may be consistently applied for the obligations addressed in under the Rule. Define the term *financial difficulties* so issuers and their counsel have a clear idea of the level and types of financial difficulties that the Commission is concerned that investors need to know about within 10 business days as compared with what is already disclosed to investors annually in a CAFR.

2. Define the terms *lease*, *guarantee, and derivative instruments* so that issuers and their counsel have clear direction from the Commission of the specific categories and level of information needed for investors within 10 business days as compared with what is already disclosed to investors annually in a CAFR.

3. Revise the definition provided in the Proposed Amendment with regards to the term *financial obligation* as follows:

*(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) capital 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.*