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Office of the Treasurer

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September 8, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-15-09

Dear Secretary Murphy:

I am pleased to have this opportunity to provide feedback to the Commission on the amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, proposed in Release No. 34-60332.

As Treasurer of the State of Connecticut, my office has responsibility for the State's issuance of debt obligations and management of its $16 billion debt portfolio, including ongoing compliance with the State's continuing disclosure obligations under its continuing disclosure agreements entered into pursuant to Rule 15c2-12. I am strongly supportive of enhancing transparency and disclosure in the municipal securities markets. However, I am also mindful of the practicalities of compliance and the ramifications of noncompliance for both large and small issuers. The Commission bases its recommendations on the amendments to Rule 15c2-12 on what it sees as increased default risks in the municipal market and the desire of investors and analysts for more information. I will note that while the municipal market is substantially larger than when Rule 15c2-12 was first adopted, the default experience has been very low, and a large part of the defaults that have occurred are, as the Commission notes in the Release, conduit financings of private parties. Although the proposed changes are in general a step forward, some of the proposed amendments are not necessary and may be burdensome on municipal issuers.

The Commission proposed amendments to require official statements and continuing disclosure with respect to variable rate instruments, including annual audited financial information and material event notices, is good practice. It has been the State's long-standing practice to use official statements and enter into continuing disclosure agreements with respect to its variable rate debt, even where not strictly required by Rule 15c2-12. The proposed change will not be an undue hardship on issuers that do not already comply.

The Commission's proposal to require material event notices be filed within a ten business day deadline does not allow sufficient time for proper disclosure in many circumstances. For example, in the case of a credit downgrade of a bond insurer, which was a frequent occurrence over the last two years, the flow of information and the evaluation of its effect on a large issuer has been an involved and time-consuming process. As the Commission has noted, rating changes are not within the issuer's control and it would be unfair to penalize an issuer for actions outside its control within a rigid ten-day requirement. Issuers in general do not ignore the existing timeliness requirement, and the Commission has not shown the necessity for creating a hard, one-size-fits-all deadline. If such a requirement were imposed, issuers would incur significant expense to establish time-sensitive surveillance systems necessary to comply with the requirement in all cases.

Currently, material event disclosures are required for specified events if they are material. The Commission proposes to require certain events be disclosed whether or not they are deemed material. The Commission suggests that the change would not greatly alter current practice, and that the events it addresses will generally always be material anyway. Given this, there is a risk that dividing event notices into two categories may introduce confusion where none now exists and, as a result, we believe the change is unnecessary.

Currently, disclosures are required for adverse tax opinions or events affecting the tax-exempt status of bonds. The Commission should not expand the material event to include the initiation of random audits or routine reviews by the Internal Revenue Service. The IRS has increased its program of random audits, and routine reviews do not indicate that a particular bond issue is problematic in any way. The steps and procedures for such reviews vary from case to case, and absent any consistent dividing point between the imitation of an audit and an adverse tax ruling, an adverse tax ruling should be the clear point of disclosure. The random audits have the valuable result of increasing the knowledge base the IRS has concerning diverse, sometimes complex financing transactions and improving its experience and expertise. However, notice of reviews would unnecessarily alarm investors.

The Commission proposes to add to the list of events to be reported: (1) tender offers, (2) bankruptcy and similar proceedings of an obligated person, (3) a merger or similar transaction involving an obligated person, if material, and (4) the appointment of a successor or additional trustee, or the change of name of a trustee, if material. We support additions to the list of events to be disclosed that are material. If the Commission is to adopt a requirement, the Commission should focus its rules on information that is in the hands of the issuer. For example, many of the investment banks that were involved in the sale of auction rate securities have offered to repurchase such securities from their customers at various times and under various conditions. In this scenario, only public tender offers by issuers should trigger a material event notice. In practice, issuers will use every avenue at their disposal to communicate such offers, and as a result, this requirement would not represent an additional burden. Similarly, the succession of a trustee or name change is not a material event. We are not aware of a widespread problem of bond owners unable to determine the identity of an issue's trustee, and in my

experience, bank reorganizations have resulted in organizational name changes and these are not always apparent to the issuer. In addition, I would note that a trustee name change could very reasonably take more than ten days for an issuer to discover and provide the appropriate notice.

We are also mindful that every dollar spent by municipal issuers should be spent wisely, and every additional dollar spent is a dollar not available for critical governmental services. I suspect that the Commission has underestimated the true costs of some of these proposals. As a result, I would urge the Commission to weigh carefully whether each of its proposals are truly beneficial.

Finally, the Municipal Securities Rulemaking Board's expansion of the EMMA system has already significantly improved municipal disclosure from the standpoint of both issuers and investors. Nonetheless, as have stated previously, once EMMA has been in place for a time, the Commission should be sure to check back and reevaluate the effectiveness of municipal market disclosure practices.

Thank you for this opportunity to provide feedback. Please feel free to contact me if I can be of any further assistance.

Sincerely,

Denise L. Nappier
Treasurer