National Association of Municipal Advisors
P.O. Box 304
Montgomery, Illinois 60538.0304
630.896.1292 • 209.633.6265 Fax
www.municipaladvisors.org

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Ms. Lisa Good
Executive Director
National Federation of Municipal Analysts
PO Box 14893
Pittsburgh, PA 15234

Dear Lisa:

The National Association of Municipal Advisors (NAMA) is pleased to deliver these comments to the National Federation of Municipal Analysts (NFMA) on its March 3, 2015 draft of *Recommended Best Practices in Disclosure for Direct Purchase Bonds, Bank Loans and Other Bank-Borrower Agreements*. NAMA is America's leading organization of municipal securities industry professionals who provide Municipal Advisor services to State and local governmental entities and instrumentalities and to other issuers and borrowers in the municipal securities market. The NAMA membership is comprised of independent firms which, together with employees of banks, broker dealers and other professional service firms, provide Municipal Advisor services and are registered and in good standing with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board, public finance academics and retired individuals who remain interested in the municipal securities industry. NAMA, known as the National Association of Independent Public Finance Advisors at the time, was one of the organizations which contributed to the development of the 2013 *Considerations Regarding Voluntary Secondary Market Disclosure about Bank Loans*.

In general, NAMA favors more thorough and timely disclosure in both the primary and secondary markets for municipal securities. NAMA members understand that thorough and timely disclosure plays a crucial role in the efficient functioning of the market. NAMA supports efforts by the Government Finance Officers Association (GFOA) and other obligor organizations to promote superior disclosure practices. NAMA member firms routinely advise their clients on the importance of disclosure, and many assist their clients fulfill their disclosure obligations. To underscore this commitment, NAMA perennially holds sessions on disclosure practices at its annual conferences. NAMA members understand and appreciate that "buy-side" members of the NFMA who are employed by investment companies represent the predominant investors in our clients' securities, and that such investment companies have fiduciary duties to their shareholders.

In order to correspond to the terminology in the Recommended Best Practices (RBP), the comments shall use the same generic bank loan definition to apply to various types of borrowing arrangements outside of the mainstream public market. Other definitions used in the RBP have been preserved as well. To distinguish from bank loans, these comments shall define either competitive or negotiated public offerings of bonds by means of an official statement as "public bonds."

GENERAL COMMENTS

The principal shortcoming of the RBP is its failure to distinguish between cases where obligors have only bank loans outstanding and those where obligors have a combination of bank loans and public bonds outstanding. NAMA suggests adding a statement to the effect that the RBP is limited to, or at least focused on, the latter case.

NAMA questions why the RBP points out that "bank loan agreements may have terms ... that permit the transfer of the agreement to another party without the obligor's consent." Yet public bonds have that very same characteristic. Many, if not most, bank loans are indeed negotiable securities, as set forth in the statutes under which the bank loans was issued. The extent to which such bank loans are negotiable, as a practical matter, may be limited in cases where the bank has executed an investor letter.

ADDITIONAL INDEBTEDNESS PROVISIONS

NAMA suggests that the source of much of the ire among NFMA members lies in public bonds' additional indebtedness provisions. These provisions restrict few obligors from incurring bank loans featuring the risks outlined in the RBP. To date, the market has not extracted any measurable penalty when obligors issue public bonds following bank loans. Nevertheless, NAMA firms advise their obligor clients that the marketability of future issues of public bonds could be compromised if prior bank loans were to feature these risks or if obligors had failed to disclose the bank loans in an acceptable manner.

Taken at face value, NAMA can readily agree with the statement that "bondholders need to evaluate the obligor's entrance into any agreements that can affect their security to determine whether it changes their view of credit quality." But those bondholders had already conceded their opportunity to perform such an evaluation when they accepted the additional indebtedness provisions of the public bonds.

Documents relating to many public bond issues contain provisions limiting the amount of additional indebtedness obligors may incur. NAMA members' representation of obligors' interests in connection with public bond issues would typically include the minimization of such constraints, though not to the point of adversely affecting the bonds' yield. NAMA agrees with the contention in the RBP that "the additional debt introduced by the bank loan [or any other form of additional debt, for that matter] can weaken the metrics used to examine an obligor's debt position." However, NAMA points out that investors "signed up for" the obligor's ability to incur additional indebtedness when they purchased public bonds containing those arguably liberal provisions. NAMA suggests that if the "buy-side" were genuinely concerned about liberal (or absent) additional indebtedness provisions, it would have been demanded a lower price (higher yield) upon the initial sale.

Even if documents relating to public bond issues contain provisions limiting the amount of additional indebtedness obligors may incur, those provisions do not impose any limits on the structure of such additional indebtedness or on other characteristics. This lack of constraints in their public bond documents has afforded obligors the flexibility to include, for example, mandatory

tender provisions or additional events of default in bank loans in order to increase the availability of bank credit, reduce the yield on a bank loan or for use as a bargaining chip for relief on other provisions demanded by the bank.

NAMA favors thorough and timely disclosure of bank loans, as described in greater detail below. However, NAMA would not favor any limitations on obligors' ability to incur additional indebtedness beyond those already specified in documents relating to their outstanding indebtedness.

DISCLOSURE CONTENT

NAMA generally agrees that the content of bank loan disclosure should be sufficient to enable the user to evaluate the types of risks outlined in the RBP. As suggested by the RBP, obligors should have the flexibility to provide relevant bank loan documents in their entirety or summaries, provided that those summaries address the risks outlined in the RBP.

Some redaction in bank loan documents may be necessary because they may contain, as the RBP points out, confidential or competitive information. NAMA agrees that "obligors should be mindful of how the withheld information affects the investor's ability to assess risk," but decisions regarding the extent of any redaction need to rest with obligors. One NAMA member firm which has experience with disclosure of clients' bank loans has found redaction to be very limited.

TIMELINESS

NAMA agrees that timely disclosure is in order, and that including information on the bank loan in the next scheduled continuing disclosure report or next official statement is clearly inadequate. On the other hand, NAMA sees no reason to disclose the incurrence of a bank loan prior to its closing. While bondholders would receive advance notice of the possible issuance of public bonds through the release of a preliminary official statement (POS), such investors would risk having made a decision without the public bonds having actually been sold. When public bonds do close, sometimes covenants and other provisions change prior to the bond closing, especially in the high-yield market segment, even though the POS would have been "deemed final" under SEC Rule 15c2-12. NAMA believes that the ten business day limit for reporting material events under SEC Rule 15c2-12 would be appropriate for this sort of disclosure.

DISCLOSURE PROCEDURE

NAMA agrees that the posting of a material events notice on EMMA is the appropriate method to disclose the incurrence of a bank loan. Further, NAMA agrees with the contention in the RBP that disclosure only to rating agencies, or to rating agencies sooner than to the market in general, does not show adequate respect to investors which have put their money at risk through their investments in obligors' public bonds.

Thank you for your consideration of these comments. Please address any questions to Shelley Aronson, a NAMA Director at Large, at (215) 568-9303 or via e-mail to aronson@firstriver.com.

Cordially,