



**Patricia W. Wilson**  
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Global Alternatives

VIA EMAIL (jpica@msrb.org)

September 1, 2009

Mr. Justin R. Pica  
Director Uniform Practice Policy  
Municipal Securities Rulemaking Board  
1900 Duke Street  
Suite 600  
Alexandria, VA 22314

Re: Additional Increases in Transparency of Municipal Auction Rate Securities  
and Variable Rate Demand Obligations

Dear Mr. Pica:

The undersigned are investment managers for affiliated investors who invest in Student Loan Auction Rate Securities ("ARS"). Many of the investments are issued by municipal issuers. Our affiliated investors hold approximately \$2 billion of ARS.

We write to applaud you on your recent proposed amendments to Rules G-8 and G-34. These proposed amendments will greatly improve the transparency in the ARS marketplace, if auctions are to be restarted. However, your changes to include significant additional information regarding the participants in the auction will be helpful only if the auctions ever restart.

We believe that the largest change that is needed, if the auctions continue in a "failed auction rate" or "maximum rate" mode, is to require the broker dealers to disclose the mechanics of how they determined the failed or maximum auction rate that is set during the period that the auctions are not functioning. Currently, and since February 2008, holders have not been able to determine if the interest rate that the auction agent or the broker dealer is stating is, in fact, the correctly calculated rate. As example, a common definition of a "failed auction rate" is stated below:

"Maximum Rate" means, with respect to the Bonds and with respect to any Interest Period applicable to the Bonds, the lesser of (a) either (i) the Applicable LIBOR Rate plus 1.50% (if both of the ratings assigned by Moody's and Fitch to the Bonds are "Aa3" and "AA-," respectively, or better), or (ii) the Applicable LIBOR Rate plus 2.50% (if any one of the ratings assigned by Moody's and Fitch to the Bonds is less than "Aa3" or "AA-," respectively), (b) the Net Loan Rate, and (c) the highest rate the Issuer may legally pay, from time to time, as interest on such Bonds.

Within this definition are three "defined" terms that would require an investor to reference the Indenture for the ARS. However, in some cases, the Indentures have been difficult to obtain, and even if they are now required to be included on EMMA, some of the defined terms, specifically,

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the "Net Loan Rate" include statistical information that is frequently not available to investors. Thus, an investor typically cannot check the calculations of the auction agent and is at the mercy of the quantitative staff of an auction agent or broker dealer. Therefore, we request that the actual calculation process, and an example relating thereto, be required inclusions on EMMA. This would lead to greater trust in the marketplace and increased credibility that broker dealers are accurately calculating the failed auctions and investors are being paid appropriately.

Therefore, we request that Rule G-34 include a new subsection under Section (c)(i)(A)(1)(b) that would include a requirement similar to the following:

Upon the occurrence of a failed auction, describe the step by step process of determining the "failed" or "maximum" interest rate (or such other similar termed new interest rate) for each reset interest rate. Describe the source of indices used and any formulaic inputs used to calculate the new interest rate. Provide an example with all formulaic inputs included.

We have tried to confirm that we are receiving the correct interest rate on our ARS with failed auctions and have found generally that the percentage of correct calculations is low. This highlights the need for additional disclosure to be made by the broker dealers who should also have an interest in knowing that the interest rate being paid on the ARS is accurate.

Thank you for the work that you are doing in bringing some meaningful transparency to this marketplace.

Please feel free to call me (847/402-7633) with any questions.

Sincerely,

By: 

Name: Patricia W. Wilson  
Company: Allstate Investments, LLC  
Allstate Investment Management Company  
Title: Senior Managing Director