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August 25, 2014

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314

RE: Request for Comment/Revised Draft MSRB Rule G-42

Dear Mr. Smith:

Please find below our comments in response to the MSRB's request for comment regarding the revised draft of its Rule G-42. Columbia Capital Management, LLC is a registered municipal advisor.

Section b(i)(F)—Fee Disclosures

We object to the revised draft as written because it creates the appearance that the MSRB takes the position that one fee modality is less preferable to all others. Anytime a municipal advisor (MA) charges a fee to its client, it creates an adversarial relationship: the MA desires to maximize its fee revenue while the issuer or obligated party seeks to reduce its costs to zero. Every fee modality creates a set of incentives and disincentives for the MA. The revised draft rule appears to favor those fee arrangements that are non-contingent and not based on the size of the transaction. While we recognize contingent, size-based fees create a financial incentive for the MA to advise its clients in such a way that transactions are both complete and large, other fee modalities suffer from similar incentives adverse to the client:

- **hourly fees** create a financial incentive for the MA to extend the transaction and to perform work that might not be necessary to fully and fairly advise the client. Abuses of hourly fee structures in the legal profession, for instance, have been widely documented in recent years.
- **fixed fees** create a financial incentive for the MA to minimize the work effort necessary to complete the scope of services, which might lead to a lower level of service or analysis.
- **non-contingent fees** may misalign the interests of a client desiring to complete a transaction, especially a complex one, with an MA that is financially rewarded equally for either a completed or uncompleted transaction. We also note that many of our clients do not have routine operating budget authority for the payment of transaction professionals outside of bond proceeds.

The debate about the “correct” fee modality has been raging in the investment advisory community for years. We encourage the MSRB to avoid entering the fray in this space.

We are not opposed to required disclosures that generally address common fee modalities for MAs and their embedded incentives and disincentives.

Section c—Documentation of Advisory Relationship

We encourage the MSRB to indicate explicitly that these required agreements and disclosures may be made in one or more documents. Many issuers have standard forms of agreements that do not permit the inclusion of information required by the draft rule.

Section (f)(vi)—Municipal Advisory Relationship

We object to the striking of the word, “engages.” If a person provides “advice” he/she should trigger the MA duties at the time of providing that advice and should be considered an MA unless that person qualifies for an exemption or exclusion at the time such advice is provided.

Supplementary .07—Applicability of State or Other Laws

We suggest that the added language contemplates a situation where an MA **could** serve as a principal in a transaction for which it provides MA services, creating a conflict with new Section e(iii). We suggest the MSRB strike the added language to avoid any ambiguity with respect to the draft rule’s absolute prohibition of principal transactions in Section e(iii).

Supplementary .11—Excessive Compensation

For the reasons described above, we suggest the MSRB strike the phrase, “whether the fee is contingent upon the closing of the municipal securities transaction or municipal financial product.” Additionally we suggest the MSRB add, as an additional factor, a comparison of the MA’s fee to those of other professionals engaged on the transaction in question.

We appreciate your consideration of our comments.

Respectfully submitted,
COLUMBIA CAPITAL MANAGEMENT, LLC



Jeff White
Principal