

# Comment on Notice 2016-11

from Courtney Tobin, Sycamore Advisors, LLC

on Wednesday, June 8, 2016

Comment:

We are writing this in response to MSRB Regulatory Notice 2016-11, Request for Comment on a Concept Proposal to Improve Disclosure of Direct Purchases and Bank Loans. Our firm has worked with a number of municipal and nonprofit clients over the past 4-5 years who have ultimately selected a Direct Purchase with a bank as the lowest cost, most effective financing structure to meet their specific needs. We have encouraged our clients to file evidence of Direct Purchase loans and the corresponding loan documentation on EMMA, and many of our clients have established strong, long-term banking relationships through the use of these types of loans.

If more consistent disclosure of direct bank loans is the MSRB's goal, we do not believe creating an additional disclosure document for direct purchase bank loans and placing an additional regulatory requirement on Municipal Advisors is the best way to achieve this goal. First, any additional indebtedness incurred, such as a direct purchase bank loan, will be reported on the municipality's CAFR, which is already required to be filed with EMMA under a CDUA if the municipality has outstanding bonds. Additional regulation would be duplicative because the information is already being provided to the market. Second, the criteria for "Additional Indebtedness" is, or should be, clearly delineated in bond documents for investors to review before they purchase bonds. If debt can be issued that is senior to, or on parity with, the bonded indebtedness, that will be part of the bond documentation, which is available to investors in a POS and/or OS prior to the sale of the bonds. Third, if the MSRB is concerned about the lag in time between the bank loan and the CAFR reporting, a mechanism already exists for requiring disclosure of bank loans - the CDUA. The MSRB could simply add disclosure of any Direct Purchase bank loans to the annual financial and operating reporting requirements municipalities already make under the CDUA.

Finally, requiring disclosure only if a municipality uses a Municipal Advisor may prompt some municipalities to elect not to use an MA; these may be smaller or less frequent issuers who could benefit from advice on comparing open market and directly placed bank loans.

Thank you,

Sycamore Advisors, LLC