Catholic Finance
CORPORATION

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April 11, 2011

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Alexandria, VA 22314
Via email: commentletters@msrb.org

Re: MSRB Notice 2011-13 (February 14, 2011) Request
Municipal Advisors

Dear Mr. Smith:

The following comments are submitted by Catholic Finance Corporation ("CFC") to the Municipal Securities Rulemaking Board ("MSRB") relating to MSRB Notice 2011-13 (February 14, 2011) concerning the Application of MSRB Rule G-17 to municipal financial advisors. CFC appreciates the opportunity to respond to the request for comments by the MSRB.

CFC is a nonprofit corporation and has been determined to be an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code") under the group determination letter of the Internal Revenue Service to the United States Conference of Catholic Bishops by inclusion in the Official Catholic Directory. CFC was formed to provide financial assistance and financial advisory services to other entities within the Catholic Church. Some of the services provided by CFC are municipal advisory services to obligated persons.

This background is presented to provide the context for our comments which relate to nonprofit advisors, advisors created to provide services to a group of related nonprofit entities as obligated persons rather than the actual political subdivision issuing the municipal securities. Additional specificity or clarification in the rules is requested with respect to some unique aspects of municipal advisory activities of the above-described municipal advisors.

The discussion of disclosure of transaction risks should more specifically address transactions with multiple parties potentially subject to the same disclosure requirements or multiple transactions with the same parties and same risks.

The first paragraph entitled "Appropriateness" under "Fair Dealing" states that a municipal advisor recommending a transaction or product to a client must advise the client of material risks and incentives. Pursuant to the draft interpretive notice for underwriters in MSRB Notice 2011-12 (February 14, 2011), such notice must be in writing and described the officials to whom the disclosure must be made. Do the similar disclosure requirements under the draft

interpretive notice for municipal advisors carry implied requirements of being in writing, and to certain officials? Does the municipal advisor need to disclose the risks of a specific negotiated transaction recommended by an underwriter, itself required to disclose such risks? We request that, where an underwriter has proposed a specific transaction in a negotiated financing and has adequately disclosed the risks with that structure, the municipal advisor need not separately again disclose such risks. Likewise, when an advisor has a long standing relationship with a client which has experience with, and a thorough understanding of, the risks of a specific type of transaction, and the advisor has in the past disclosed the applicable risks, the interpretive notice should not require a formal disclosure again on similar subsequent transactions to comply with the rule.

The interpretive discussion of forms of compensation, solicitation and related conflicts should address the disclosures, if any, required in connection with soliciting municipal advisory services by an underwriter who links the engagement and fees with a separate engagement as underwriter on a different financing for the same client. Fees may be quoted on a composite basis or heavily discounted on one aspect of the representation in consideration of fees in the other engagement. The combined fees may also include services not covered by the rule. Thus, the municipal advisory services may be presented as free or at a very low cost.

The interpretive guidance on payments and gifts should specifically address the activities of nonprofit charitable entitles performing some municipal advisory work for clients it deals with in other capacities or for clients which are related entities. We are a non-profit entity with the specific exempt purpose of providing financial advice at no or reduced compensation to related non-profit corporations throughout the country. Further, we have also loaned proceeds of fund raising at subsidized interest rates to such related entities primarily for capital projects within their exempt purpose, participated in loans from other commercial lenders and provided collateral for conventional loans. Most of this activity is unrelated to municipal finance. Financial benefits, reduced charges for services and other items of value provided by a financial advisor, which is a 501(c)(3) charitable entity and which activities are within its exempt purposes, should be specifically exempted. While we do not believe that these activities are, or were intended to be, included within the scope of MSRB rules, dealing with kickbacks, gifts or gratuities, as a charitable organization, we are constantly concerned with compliance with legal requirements. Express requirements addressing the particular situation of nonprofit corporations in this area would be appreciated. Uncertainty may have a chilling effect on our charitable activities.

Furthermore, as a consequence of our successful implementation of our exempt charitable purpose, much of our work comes from referrals by entities for which we have done work. We do not believe referrals from previous or existing clients cause such entities to be considered to be soliciting business on our behalf. However, in light of our charitable activities, free services and other financial assistance to clients in the normal course of business, we would request further clarification that such charitable activities within our exempt purpose under the federal tax code do not result in characterizing clients giving voluntary referrals as paid solicitors.

We thank you for your thoughtful consideration.

Sincerely,

Michael P. Schaefer
Executive Director

cc Paul Tietz, Briggs and Morgan