



Rhode Island
Health And Educational
Building Corporation

July 24, 2012

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

Re: Draft Rule G-11 | Amendment to Limit Dealer Consents to Changes in Authorizing Documents for Municipal Securities

Dear Mr. Smith,

Thank you for the opportunity to comment on the proposed G-11 Amendment which will limit the ability of dealers to consent to changes in the authorizing documents and will have an impact on existing bondholders. In reviewing the Discussion of Comments and other background information provided in the notice, the MSRB is correct in its evaluation that the practice of having an underwriter, who has no prior or future economic interest in the bonds and may hold them only temporarily, provide consent to changes impacting bondholders may be unfair and deceptive. This practice in the municipal market cannot simply be justified because it is convenient, has been used for a number of years, and that there has been no significant resistance related to it.

Many authorized documents outline the process and percentage of bondholders which are needed to consent to changes. As noted in the Request, issuers are able to obtain consent from bondholders of newly issued bonds at the time of issuance if it meets the provisions of the authorizing documents. There is no need for the underwriter to perform any role in giving consent and the Amendment should be implemented. The Amendment and Exception to G-11 are sufficient so that it will not overburden issuers and will protect investors by ending a practice based more on convenience than sound market policy.

In regard to the specific matters that the MSRB is seeking comments on:

- The MSRB is correct in prohibiting dealers from acting in capacities such as auction agents and from providing consents to changes in authorizing documents. The exception provided in the Amendment adequately provides the means to modify the authorizing documents while still protecting the rights of the bondholders.
- While the Draft Rule G-11 will help to protect investors, it will also require that consent provisions in the authorizing documents be more detailed and clearer. Issuers and investors will both benefit from more certainty in the market.
- In some cases it may more be more complex for an issuer to modify authorizing documents especially as it relates to older outstanding bond issues however there are options which can allow the changes to be completed.

The trustee, as representation of the bondholder, can consent to changes as long as a legal opinion is provided concerning the impact of the change.

Older issues can be refunded as a standalone transaction or combined with a new money issue with the new issue's authorizing documents having the desired covenants changes.

- There are clearly advantages in being able to identify the beneficial bondholders however the current system of DTC and bonds held in the "street name" of brokerage firms makes it difficult. Even when there is a trustee serving as a representation of the bondholders, there seems to be difficulty in maintaining current records of bondholders after the initial offering.

However, given current technology and web based sites like EMMA, investors, issuers, underwriters and the legal community could work to develop a system of notification and requests for consents to amendments of the authorizing documents from beneficial bondholders which would be especially beneficial when amending older bond documents when a new financing is not involved.

The MSRB should continue its examination of the practices that have developed in the municipal marketplace and modify them as it has done in the Amendment to G-11. Practices which have developed more out of convenience than sound policy cannot continue if the municipal market is to remain efficient and transparent.

Sincerely,



Robert E. Donovan
Executive Director