

1021 Main Street
Suite 2200
Houston, Texas 77002

713.654.8664 Direct
800.922.9850 Toll Free
713.651.9361 Fax

Terrell Palmer
Senior Vice President

terrell.palmer@firstsw.com

September 29, 2010

Via E-mail: rsmith@msrb.org

Ms. Leslie Carey, Associate General Counsel
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314

Dear Ms. Carey:

I represent as many as 30 municipal utility districts in the Houston area and other areas around the State. Many of my districts are early stage districts with assessed value and build-out percentage well below the minimum needed to receive a rating or bond insurance. Therefore, most of the districts will sell their bonds "non-rated." Non-rated bond sales have historically received only 2 bids (with one bid from FirstSouthwest). I am very concerned about the changes proposed by the MSRB regarding G-23 that would ban my firm from bidding and therefore, reducing the districts' bond sales to a single bidder. I believe this will cause a dramatic and immediate increase in interest rates and will translate to an increase in property tax rates of our district's residents.

During the most recent financial crisis, I witnessed this very type of increase when districts were receiving only one bid and saw rates increasing as much as 75 basis points solely because only one bidder was available.

I am very aware of the proposed changes to G-23, and I am in full support of most of the changes. However, not allowing financial advisors to bid on competitive bond sales will be detrimental to the special district market in Texas and would increase interest rates and therefore tax rates to our residents. I expect that this change would affect over 50 issues a year with issuance of over \$100 million. Eliminating financial advisors from bidding on their own districts would force our firm to seek a legislative remedy and allow our districts to sell bonds by negotiated sale and therefore all but eliminating competitive sales in the future.

September 29, 2010
Leslie Carey
Page 2 of 2

Please consider amending this section of the proposed changes to G-23 to allow for financial advisors to bid on their district's bond sales and if necessary, allow the financial advisor's firm to bid when the par amount of the sale is less than \$10 million.

Sincerely yours,



Terrell Palmer
Senior Vice President

cc: Mary L. Schapiro, U.S. Securities & Exchange Commission (Via Fax: 202-942-8808)