

April 7, 2016

Mr. Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005



RE: Proposed Regulation Regarding Bank Loans

Dear Mr. Smith:

Municipal Advisors (“MA”) do not have contracts without some termination date, and seldom do their contracts provide that their services must be utilized in every financial matter.

Local financial institutions typically seek business with local governmental units because: (i) it helps with their scoring on the Community Reinvestment Act (“CRA”); (ii) it provides for potential customers for cash management, depositing, and other services; and (iii) it demonstrates the commitment of the financial institution to the local community. Such financial institutions may also provide loans to the local governments because they are seeking tax exempt income and/or they view it as a way to secure the other local government businesses described above.

In the case of the local financial institution making a loan, they will often suggest that there is no need for a MA or even discourage use of one (this also may be suggested about use of an experienced bond counsel). In some cases, this may be correct – e.g., taxable loan of \$30,000 for a police car secured by title to the car.

A loan made by the local financial institution may not be known by the MA for months or, sometimes, until the next audit.

If MSRB deems loans of local financial institutions critical to investors to know immediately, then we would suggest one of two (or both) measures. First, seek appropriate regulation for reporting through the various financial institution regulatory agencies. Second, require that closing of such a loan be an immediately reportable Continuing Disclosure event, enforceable pursuant to the terms of a Continuing Disclosure Undertaking and not requiring monitoring by a Municipal Advisor, an Underwriter or any other party.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Philip R. McKenna', written over a faint, larger version of the same signature.

Philip R. McKenna
President
Kane, McKenna Capital, Inc.

cc: Susan Gaffney (nama@municipaladvisors.org)
Terri Heaton (theaton@springstead.com)