

Mr. Ron Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC
20005

Re: Request for Comment on MSRB Rule G-23 on Activities of Dealer Acting as Financial Advisor

Dear Mr. Smith

Thank you for the opportunity to comment on this request.

In 2010, Congress adopted the Dodd-Frank Act which requires the Municipal Securities Rulemaking Board (MSRB) to protect municipal entity issuers. This is reflected in the MSRB's mission statement which is "To protect investors, municipal entities and the public interest". We believe the approval of MSRB Rule G-23 in 2011 by the MSRB Board was a great first step in protecting municipal entity issuers and public interest. We do not believe any change to the Rule's prohibition on role switching is warranted. Smaller and/or infrequent municipal entity issuers are less likely than larger and/or more frequent issuers to understand the conflict presented when their municipal advisor is also allowed to underwrite the same issue. We believe this Rule has been and should continue to be an important protection of municipal entity issuers as well as protecting the public interest.

Ehlers previously commented on the Rule in 2011 and we find that our comments still hold true. Fundamentally, the fiduciary duty a municipal advisor has to its municipal entity clients is too significant for any disclosure or consent provisions to cure and allow a municipal advisor to stepdown and switch roles to become the underwriter for the same municipal security transaction. We are not aware not aware of any problems that small and/or infrequent issuers have had with hiring municipal advisors and being able to sell their bonds since the 2011 amendments became effective. We believe that this is due to the creation of the role of municipal advisor as part of the Dodd-Frank Act and MSRB municipal advisor rules since 2011 that require a municipal advisor to know their client and recommend a suitable solution.

Prior to the changes in 2011, Rule G-23 allowed for role switching in negotiated deals if it was disclosed and allowed dealer-MAs to remain as MAs while bidding on competitive offerings if the issuer consented. Prior to 2011, we never saw an issuer who not did consent to switching roles or allowing the MA firm to bid. Ehlers opposes any changes that would provide underwriters with an exception to Rule G-23, whether that is any form of role switching, a competitive bid offering or size of issuance. Any changes to Rule G-23 would reopen the door to significant possible potential conflict and abuse. Prohibiting these activities is the only way to ensure municipal entity issuers and the public interest are protected.

Our experience in underwriter driven states is that without a municipal advisor acting in a fiduciary capacity to the issuer, underwriter compensation, other issuance costs and the terms of issues end up being heavily weighted to the benefit of the investor vs. the issuer. Rule G-23 as it is written does not impair dealer activities to underwrite bonds. Any loosening of the Rule would only give the underwriter the opportunity to underwrite more issues in conflict with protections to be afforded municipal entity issuers under the Dodd-Frank Act.

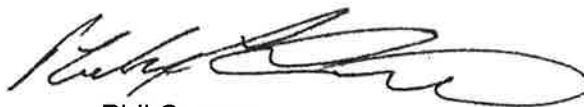
MSRB Rule G-23 is to prevent the underwriter from being engaged by a client in a manner unrelated to the underwriter role and then using that engagement relationship to secure their role as an underwriter. We would also suggest that the MSRB expand MRSB Rule G-23 to provide guidance to the underwriter on those activities that are outside and within the scope of the underwriter exclusion within the Securities Exchange Commission (SEC) Municipal Advisor Rule which was effective July 1, 2014.(1)

Specifically, the SEC MA Rule prohibits "(5) advice on bond election campaign". We however continue to see underwriters, through their associated firms, provide bond election advice for municipal security issuers even though we believe the SEC MA rule prohibits this type of advice. In all situations where we see this relationship, once the associated underwriter firm provides election advice, the underwriter firms ends up negotiating the security issue. We believe the MSRB should make it clear in MSRB Rule G-23 that election advice, like role switching, is prohibited.

Related to the election advice, the MSRB has been collecting information on bond ballot campaign contributions. MSRB Rules relating to political campaign contributions establish strict limitations regarding firm and individual campaign donations to elected officials but do not address donations to bond election campaigns. While violating these strict limitations results in a two-year lock-out, the MSRB Rules do not address bond ballot campaign contributions, which is as clearly pay to play activity. In these instances, it is clear that bond ballot campaign contributions is pay to play activity that helps either the MA or underwriter be hired. MSRB Rules should be clarified and strengthened to ensure that this abusive practice does not continue.

Thank you for allowing us to comment on this important topic. Our firm's sixty-four years as a financial advisor and GFOA's best practice concur that the underwriter and municipal advisor roles are separate, adversarial roles that cannot be provided by the same party. We hope this approach continues within MSRB Rule G-23.

Sincerely,



Phil Cosson
Ehlers Board Chairman

(1) See pages 165-168 of the 777-page SEC Municipal Advisor Rule.

(2) See page 167 of the SEC Municipal Advisor Rule.