

Bond Case Briefs

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Deutsche Bank Lent to Firm Alleging ‘Intimidation’ by Nuveen.

- **Preston Hollow claims Nuveen pressured lender over business**
- **Delaware judge says courts are reluctant to restrain speech**

Deutsche Bank AG was the primary lender to Preston Hollow Capital, the Dallas-based public finance company that’s suing the head of state and local debt investments at Nuveen LLC for allegedly engaging in “a campaign of intimidation” aimed at blocking banks from doing business with its smaller competitor.

The German bank’s ties to the upstart company, which extends loans for speculative projects that may otherwise borrow in the public market, was disclosed Tuesday at a Delaware Chancery Court hearing over whether Preston Hollow’s defamation lawsuit should be thrown out.

Preston Hollow accuses Nuveen’s John Miller of “trash talking” it and using hardball tactics to land low-rated bond deals for his Chicago-based company — one of the biggest investors in junk-grade municipal securities. Such bonds are frequently in short supply, making Preston Hollow’s lending business a potential rival for debt issues.

Miller and his team allegedly called Deutsche Bank in December, demanding that it unwind more than \$400 million in financing deals with Preston Hollow and pressuring the bank not to provide future loans, according to the initial complaint, which didn’t identify the lender.

Miller made good on the threat by moving \$500 million of tender-option bond financing and the revenues associated with it to another bank, according to the complaint. Such programs finance the purchase of higher-yielding long-term municipal bonds by selling tax-exempt floating-rate securities to money-market funds.

Preston Hollow claims Miller and his subordinates targeted its ability to compete with Nuveen, a financial powerhouse that oversees more than \$140 billion of municipal assets and is one of the largest investors in the \$3.8 trillion U.S. state and local debt market. Preston Hollow has extended about \$2 billion in loans.

Nuveen is urging Judge Sam Glasscock III to throw out the case, arguing that it’s allowed to push its bank partners to share investment opportunities and not support rivals.

There’s nothing improper about a larger competitor exercising its free-speech rights about a smaller rival’s operations, Peter Walsh, a lawyer for Nuveen, told the judge. “We are all competitors in the municipal bond market,” he said.

But Preston Hollow contends Miller is leaning on bankers and broker-dealers to “boycott” the bond firm, hoping to drive it out of business.

The case amounts to “a life and death struggle” for Preston Hollow, David Wollmuth, one of the

company's lawyers, told Glasscock. Financing from institutions such as Deutsche Bank is the firm's "oxygen" and Nuveen is trying to smother it, the attorney said.

Wollmuth asked Glasscock to let the suit proceed so Preston Hollow can get access to tapes of Miller's calls to enlist broker-dealers in the boycott. The details of Miller's "trash talking" may open up new claims in the suit, the lawyer said.

Preston Hollow has subpoenaed tapes of Miller's calls with traders at Goldman Sachs Group Inc. and JPMorgan Chase & Co., along with those of Deutsche Bank officials, according to court filings. Troy Gravitt, a Deutsche Bank spokesman, declined to comment.

Glasscock said he'd decide by next week whether Preston Hollow's suit will move forward, but warned Wollmuth he couldn't envision issuing an order stopping Nuveen's criticism of the bond fund's operations that would stand up on appeal. Delaware courts are loathe to put a "prior restraint on speech," the judge said.

The case is Preston Hollow Capital LLC v. Nuveen LLC, 2019-0169, Delaware Court of Chancery (Georgetown).

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