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Preston Hollow Subpoenas Goldman Sachs, JPMorgan in Nuveen Case.

- **Firm says threats made to cut off business with broker-dealers**
- **Biggest high-yield muni fund manager accused of intimidation**

Preston Hollow Capital LLC subpoenaed Deutsche Bank AG, Goldman Sachs Group Inc. and JPMorgan Chase & Co. for telephone recordings and communications with Nuveen LLC related to the Dallas-based municipal lender, according to filings in Delaware Chancery Court.

Preston Hollow has sued rival Nuveen, accusing head of municipal bond investments John Miller of threatening and intimidating broker-dealers to cut off business with Preston Hollow. The companies compete in the market for high-yield municipal bonds, which are in scarce supply as investors reaching for yield have flooded into the market.

Preston Hollow asked Deutsche Bank to turn over all documents and communications with Miller and five other Nuveen employees concerning the bank's tender-option bonds and funding arrangements with Nuveen, as well as all other communications related to Preston Hollow. The company also subpoenaed Goldman Sachs and JPMorgan for communications and documents about whether they considered serving as underwriters or placement agents on bond deals involving Preston Hollow, Howard University and Roosevelt University.

'Economic Pressure'

Preston Hollow, which lends directly to municipal projects that banks won't finance because they're too risky, has accused Nuveen of moving $500 million of tender option bond financing and the revenues associated with it from one bank to another as part of its pressure campaign. Nuveen and other firms use tender option bonds for leverage. Such programs finance the purchase of higher-yielding long-term municipal bonds by selling tax-exempt floating-rate securities to money-market funds.

Miller and his team allegedly made threats to dealers following Preston Hollow's exclusive purchase of Howard University and Roosevelt University bonds. The bonds were underwritten by Bank of America Corp. and Wells Fargo & Co., respectively. Preston Hollow alleges that three broker-dealers have refused to do business with the firm in the aftermath.

Chicago-based Nuveen, which oversees more than $140 billion of municipal bonds and manages the biggest U.S. high-yield municipal bond fund, generates millions of dollars in revenue for Wall Street municipal bond trading desks. By contrast, Preston Hollow has extended about $2 billion in loans to municipal projects.

Nuveen has moved to dismiss the case, arguing that it can urge its counterparties to share investment opportunities and not support a competitor in the design and execution of exclusive investments.

“The ability to choose with whom to do business is a fundamental economic right, which includes the right to select business partners based on whether they work with competitors and to use economic pressure to persuade third parties,” lawyers for Nuveen wrote in an April 10 brief in support of a motion to dismiss the case.

“Just because plaintiff does not like that conduct does not make it wrongful, even if negatively impacted plaintiff’s business.”

Nuveen sent banks letters on Feb. 22 saying they were free to do business with anyone, including Preston Hollow. Preston Hollow hasn’t identified any contract or investments it may lose, and so can’t show tortious interference with a contract, Nuveen’s lawyers wrote.

The case is Preston Hollow Capital LLC v. Nuveen LLC. Docket Number: 2019-0169 in Delaware Court of Chancery.

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