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Nuveen's Bond-Market Power Was Misused, Preston Hollow Founder Says.

- **Judge urged to find Nuveen tried to freeze out smaller rival**
- **Wall Street bond traders deny boycotting Preston Hollow**

Nuveen LLC's role as one of the biggest players in the U.S. municipal-bond market gave the company "unfettered power'' to strong-arm banks into blackballing rival Preston Hollow Capital LLC, the smaller firm's founder said.

Jim Thompson, who founded Preston Hollow in 2014, urged a judge at the end of a trial Tuesday to find Nuveen wrongfully schemed with banks' bond traders to freeze the Texas-based firm out of the high-yield market and stifle competition.

"Over the years, they've just done what they want,'' Thompson, who is also Preston Hollow's chief executive officer, told Delaware Chancery Court Judge Sam Glasscock III. "We're here asking the court to stop it.''

In its defense, Nuveen played down its influence and tried to show that it didn't get any agreements from Wall Street banks to stop doing business with Preston Hollow.

Glasscock, who heard the case without a jury, indicated he wouldn't rule on Preston Hollow's accusations until both sides submit final written arguments, sometime after the end of August.

Preston Hollow alleges Nuveen misused its market power as one of the biggest buyers of U.S. state and local government bonds to organize a boycott of the lender. Preston Hollow is asking the judge to stop what it describes as a campaign to badmouth it and interfere with its business relationships.

The judge heard testimony that Nuveen executives, including muni-bond titan John Miller, threatened to pull tens of millions of dollars in business from banks that underwrote offerings with Preston Hollow and financed its loans. Miller is co-head of Nuveen's fixed-income unit and oversees more than $160 billion in municipal bond assets.

Preston Hollow has made $2 billion in loans to finance hospitals, real estate developments and student housing. Nuveen, which had almost $1 trillion in assets under management as of March 31, is the investment manager of TIAA, best known for offering financial products to teachers.

At trial, Preston Hollow's lawyers played tapes of calls Miller made to bond traders at Goldman Sachs & Co. and Deutsche Bank AG in which he threatened them with loss of Nuveen's business if they continued to do deals with the targeted firm.

Miller was also accused of ordering subordinates to call major players in the muni-bond market to pressure them to avoid Preston Hollow.

"It's clear as day from the calls there was an agreement between Nuveen and Morgan Stanley to not

do business with Preston Hollow,'' Cliff Weiner, a Preston Hollow executive, told Glasscock.

But Bernard Costello, head of Morgan Stanley's municipal bond-trading desk, testified in a video deposition that there was never an agreement to boycott Preston Hollow and said the Wall Street firm continued to do business with the company despite Nuveen's request.

Nuveen's lawyers argued that if the bond firm sought to organize a Preston Hollow boycott, it didn't do a very good job. They played snippets of video depositions in which a parade of bond traders from Goldman, JPMorgan Chase & Co., Bank of America Corp., the Royal Bank of Canada and other companies denied agreeing to Nuveen's demand to cut out Preston Hollow or work with each other to do so.

Nuveen presented evidence to show that six out of a dozen Wall Street bond dealers who allegedly colluded to withhold business from Preston Hollow actually underwrote exclusive deals with the Dallas-based firm in the first six months of this year.

Thompson disputed that number in his own testimony.

Another three firms also accused of being part of the boycott worked with Preston Hollow on other types of deals this year, Nuveen contended.

Preston Hollow, which has worked with 44 bond dealers since 2017, won't be put out of business despite the opposition from Nuveen, said Ed Snyder, a professor of economics and management at the Yale School of Management, who testified as an expert witness for Nuveen.

"There are still a lot of options'' to engage in bond deals with scores of other underwriters who didn't get a call from Nuveen, he said. "Issuers have a lot of options too."

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

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