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Nuveen Improperly Tried to Destroy Rival, Judge Concludes.

The Chicago-based bond market powerhouse "was not simply attempting to achieve a competitive edge. . . .It meant to use the leverage resulting from its size in the market to destroy Preston Hollow."

(Bloomberg) — U.S. bond-market powerhouse Nuveen LLC wrongfully interfered with the business of Preston Hollow Capital LLC by organizing an intimidation campaign to coerce broker-dealers from doing business with its smaller rival, a judge ruled.

Delaware Chancery Court Judge Sam Glasscock III found that Chicago-based Nuveen misused its market power as one of the biggest buyers of state and local government bonds to freeze out the smaller firm from doing business with Wall Street banks and brokers.

"Nuveen was not simply attempting to achieve a competitive edge," Glasscock said Thursday in a 59-page ruling. "It meant to use the leverage resulting from its size in the market to destroy Preston Hollow."

Still, Glasscock declined to issue an injunction barring Nuveen from further wrongdoing because the company has agreed to stop the boycott and not disparage its rival.

Preston Hollow sued separately for damages in Delaware Superior Court. That suit is still pending.

"We respectfully disagree with the court's finding that Nuveen tortiously interfered with Preston Hollow's business," Jessica Greaney, a Nuveen spokeswoman, said in a statement.

The judge's ruling is the latest twist in a high-profile fight in the normally staid bond market. Preston Hollow sued last year, complaining Nuveen used its "unfettered power" to strong-arm banks into blackballing it.

Jim Thompson, Preston Hollow's chairman and chief executive officer, said the firm wasn't concerned with Glasscock's refusal to issue an injunction to prevent Nuveen from starting another disinformation campaign.

"The court's stern language will serve as the injunction we sought, as we are confident Nuveen will follow the court's admonition that it would be "exceedingly unwise for Nuveen to mount a similar campaign of malicious behavior," Thompson said in an emailed statement.

The judge heard testimony at a trial last year 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 is best-known for making $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 Preston Hollow.

Testimony in the case showed Miller and other company officials disparaged Preston Hollow, including claims that the company's "unethical practices" caught the attention of states attorneys general. Glasscock said that amounted to a single letter from one city attorney.

"Miller's testimony that this lie was 'a little bit of a shortcut,' does not keep it from constituting a knowing misrepresentation intended to interfere with Preston Hollow's business."

Miller still has the company's support, Greaney said.

"John and his team remain motivated by a desire to protect client investments while also supporting a fully transparent municipal-bond market for all participants," she said.

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