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## **Texas School Asks UBS for Refund After Energy Boycotter Label.**

- **School had to reissue debt after hiring UBS on bond deal**
- **Texas attorney general's office warns of lawsuit against bank**

Weeks after a Texas school district dropped UBS Group AG as its municipal-bond underwriter because state Republicans labeled it unfriendly to the oil industry, it's now demanding the bank cover the costs of having to redo the sale.

The Normangee Independent School District was forced to redo an \$18 million bond sale that had already been underwritten by UBS Financial Services after the bank's parent company in August was added to a list of firms that the GOP state comptroller considers to "boycott" the fossil fuels industry.

The district is demanding UBS refund it for the costs it incurred after it had to resell the debt as a result. Municipal-bond yields surged dramatically and made it more expensive to reissue the debt. But the school district blames UBS — not the Republican attorney general's office that is enforcing the law. In fact, the attorney general's office is representing the district in its effort to recoup the costs incurred from having to resell the debt, according to a document provided through a public records request.

"NISD resold the bonds and hired a different underwriter, at a loss to NISD," Lauren Downey, assistant attorney general and public information coordinator, said in the Oct. 12 dated document. "In the event the OAG is unable to successfully negotiate a resolution with UBS, our office anticipates filing suit."

UBS was set to receive compensation of \$222,747.04 in connection with the bond sale, according to initial sale documents. It's unclear how much money the school district is seeking to recoup.

Under a 2021 GOP law, companies must verify that they don't engage in what the legislation describes as boycotts of the oil and natural gas industries if they want to work with state and local municipalities. Republicans in the state and nationwide have lashed out against ESG investing strategies, enacting new laws like the one in Texas.

The school district had accepted a bid by UBS to manage the bond deal sold via auction Aug. 8, before that blacklist was published, according to bond documents. But bond deals in Texas typically close weeks later and UBS was added to the list before the sale was finalized. The attorney general's office told the district it wouldn't approve UBS's purchase of the debt, so the district was forced to reissue the bonds in mid-September with RBC Capital Markets as underwriter.

Benchmark 10-year munis yielded about 2.8% on Sept. 15, compared with about 2.2% on Aug. 8, the date of the original bond sale.

It's unclear how much money the school district is seeking to recoup from UBS. Mark Ruffin, the

district's superintendent, did not respond to a request for comment. Representatives for the Texas attorney general's office did not respond to a request for comment.

A spokesperson for UBS said in a statement that the company has met with the comptroller and reiterated the importance of the energy industry and Texas to the bank. UBS said it provided more information showing, "it is both our policy and practice to do business with energy companies, including those in the fossil fuel industry."

It's just the latest example of UBS's lost public finance business in the state. Last week, UBS was left out of the group poised to handle the biggest-ever municipal-bond transaction from Texas. Board members of the issuer, the Texas Natural Gas Securitization Finance Corp., announced a newly configured underwriting syndicate for the \$3.4 billion transaction that didn't include UBS.

## **Bloomberg Green**

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