



LOWER NECHES VALLEY AUTHORITY
MUNICIPAL • INDUSTRIAL • AGRICULTURAL WATER

February 22, 2011

VIA EMAIL: rulecommittee@sec.gov
Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-45-10

Dear Ms. Murphy:

The Lower Neches Valley Authority is an agency of the State of Texas, created in March 1933, as a "body politic and corporate vested with all the authority as expressly authorized in the provisions of the Texas Constitution, Section 59 of Article 16." The Authority has no power to levy taxes and operates as a non-profit organization, operating within the framework of a balanced budget, funded entirely from the revenues generated by the sales of water and its services.

The Authority is governed by a Board of Directors composed of nine voting residents of the district appointed to six-year terms by the Governor of the State of Texas, and serve without salaries. They are the Lower Neches Valley Authority. The Directors are responsible for making policies under which the Authority functions and for oversight of its operations. In financial matters, they rely on their hired CPA's, Bond Counsel and Certified Financial Advisors.

The Securities and Exchange Commission (SEC) has proposed a rule (SEC Rule 15Ba1 to 15Ba7) to determine who is treated as a municipal financial advisor under the *Dodd-Frank Act*. Additionally, SEC Release No. 34-63576 provided further clarification on the term "Municipal Advisor"; however, the SEC has interpreted the rule to include appointed board members as "Municipal Advisors".

The Authority disagrees with the SEC interpretation that appointed board members are municipal advisors, in that a government governing board, not employees of the District, comprised of unpaid voter appointed members, cannot serve as an advisor to itself. Additionally, appointed members of governing bodies, especially at the local level, are typically citizen volunteers who are interested in serving for the public good, and often have special expertise that is critical to the effective functioning of the governing body. Having the federal government impose requirements on appointed state and local governing board members could deter citizens from participating on these boards.

This proposed definition could adversely impact thousands of governing bodies and their appointed members. The Lower Neches Valley Authority disagrees with the SEC's proposed definition of municipal financial advisor, agrees with the recent letter to the SEC from the Texas Attorney General and urges the SEC to reevaluate their interpretation.

Sincerely,

/s/ Scott Hall

Scott Hall
General Manager

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