## Public Finance Issuer Advisory

#### Mechanical Aspects of Municipal Bond Sale Practices

This memorandum is intended to advise state and local government bond issuers to review certain mechanical aspects related to their municipal bond sale procedures to ensure that local and state governments issue bonds in the most effective way possible. It should be emphasized that the objective of this advisory is to educate and inform issuers of current marketplace developments and opportunities with respect to certain administrative tasks associated with municipal bond issuance. It is not to advocate nor promote a particular set of practices, policies or positions, as issuers should have the flexibility to select practices that are suitable for their local framework and operating environment.

#### Expanding Access of Investors to the Marketplace

Logistical considerations and administrative procedures can have a significant impact on an issuer achieving its objectives. Issuers may benefit from examining procedures and policies from the perspective of systems modernization, efficiency and flexibility and of maximization of access to the investor marketplace, as certain administrative procedures may result in additional cost and inconvenience. It is important to note that issuers should assess all of the available alternatives in order to determine the best practices for their particular situation.

##### 1. Electronic Submission of Bond Sale Bids

There has been a growing movement from physical to electronic submission of bond sale bids in today's marketplace. Electronic submissions enhance the underwriters' ability to prepare bids responsive to the issuer objectives, especially in response to material changes during the time-sensitive process preceding a bond sale. This is especially true when there are material changes just prior to the submission deadline in a competitive sale environment. The ease and convenience of electronic bid submissions may also lead to additional bids for an issuance of bonds.

Widespread adoption of electronic communication technologies creates the opportunity for achieving increased efficiencies in this marketplace. It is important to note that, even when the bids are received electronically, there may be situations in which bid submission by other methods, including hand delivery, facsimile, or other electronic method, is desirable and should also be accommodated.

##### 2. Uniform Continuing Disclosure Language in the Sale Documents

Uniform and/or consistent continuing disclosure language in the official statements and notices of sale reduces the need for interpretation and may be an advantageous marketplace development. Additionally, issuers should ensure that such disclosure is consistently applied across all disclosure and sale documents.

##### 3. Physical Delivery of a Good Faith Deposit Check

An oftentimes burdensome requirement calls for physical delivery of a good faith deposit check with an original signature to accompany an underwriter's bond sale bid. The resulting expense and capital commitment of delivering such a check is incorporated into the cost of the bid. A common result of this onerous requirement is the choice of some firms to not submit a bid in the first place.

As such, it is important for issuers to contemplate whether such a requirement offers commensurate benefits. On an absolute dollar basis, the financial impact with respect to the delivery of a good faith check may be more significant in larger issues because of the higher capital commitment involved. Therefore, there may be more cost-effective alternatives that provide both security to the issuer and a lesser burden and capital commitment for underwriters. Acceptable alternatives include surety bonds and a provision to allow for submission of a good faith deposit post-sale. The use of surety bonds is also a common choice when bids are received electronically.

##### 4. Use of Technology to Compare Bids

As noted above, use of electronic communications and other technology provides the opportunity for increased efficiencies in the marketplace. An issuer's ability to most effectively evaluate a set of bids for a given financing could be enhanced by use of software specifically designed for such task.

#### Conclusion

In summary, local and state issuers should review existing municipal bond sale mechanical and administrative practices and procedures in the context of their local framework. Removing unnecessary restrictions may result in less administrative and servicing burden to the issuer, financial savings by lowering the cost of funding, and broader access to institutional and retail investor segments.

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