

The Case for Selling Group Members

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The Senior Manager Pitch

Favorable price execution for a particular credit, be it secondary market or primary market, in the disparate municipal market, is often for securities that are actively marketed and sold.

Impressive Institutional Client Roster

A larger broker/dealer might present an impressive breadth of institutional customers, without communicating that only ~10% of the list represents truly active and ongoing core relationships, typically skewed to the largest professional customers. Typically, those relationships are not exclusive in any manner. Further, those types of customers often concentrate their demand on issues that provide the "cheapest" new issue pricing, with a fair portion of the 10% are fully expecting to be short term holders, hoping to leverage a "wide" new issue pricing purchase and a subsequent "tight" aftermarket sale. That is a well away from the intent of an issuer to place its debt with a consistently increasing number of interested buyers and holders of its credit, and at the best possible spreads.

So, although much of the order flow from what might appear to be buy/hold institutional customers, the kind of holders a municipality really wants, might actually be from opportunistic professional accounts looking to take advantage of underpriced new issues.

ABOUT ROCKFLEET

Rockfleet is an independent broker/dealer and municipal financial advisor, and is certified as a Woman-Owned Business Enterprise ("WBE") by numerous certifying agencies nationwide. It is certified as a "small business" by the State of California.

The firm's relationships with 2nd and 3rd tier investors assist issuers in obtaining the lowest cost financing possible, by expanding the investor base to generate greater demand. The firm's personnel dedicated to the underwriting, marketing and distribution of municipal bonds have 100+ years combined experience.

Rockfleet has been a member of the syndicate of over 1,400 negotiated and competitive transactions totaling over \$195 billion.

The firm has been appointed to 74 co-manager or selling group pools.

ROCKFLEET
Financial Services

The Senior Manager Pitch (cont'd)

Large Retail Sales Force

A larger broker/dealer may pitch that it has XX thousand financial advisors (retail brokers) that will actively market and sell municipal deals to individual investors. At best, only 10% are even somewhat materially active in the municipal bond (individual bonds for individual investors).

In the land of provide service/advice/product in exchange for commission, the number of financial advisors willing to market and place a municipal new issues for 1/4 or 3/8 or 1/2 per bond, as compared to the secondary market that affords markups of 3/4 to 2 points, is regrettably small.

The Case for Co-Managers and Selling Group Members

Service and Attention

Particularly in regards to the active marketing of a particular credit, the remaining 90% is served by a heterogeneous group of medium and small broker/dealers that prioritize services such as credit evaluation and security selection to segments of this group. These are the customers that might not purchase a particular deal without a substantive conversa-

Secondary Market Support

A more attentive style of marketing to these types of customers results in an institutional customer actively and consistently interested in a municipality well beyond the pricing period, the allotment period, and the brief flurry of aftermarket activity.

This means that a customer of this type, introduced to the value of the credit in such a manner, will tend to be a consistent and comfortable buyer in the second-

ary market. Consistent demand in the secondary market, particularly from a broad spectrum of customers, tends to result in tighter quality spreads (spreads to MMD or MMA scale). This potential improvement in spreads over time can provide a municipality the opportunity to price future deals at increasingly favorable spreads.

While a large broker/dealer might produce compelling "retail order" flow, an actual in-depth review is likely to display that the vast majority of "retail orders" are from institutional customers servicing individual investors and professional customers securing an allotment for an anticipated "flip" at tighter spreads in the secondary market.

Thus, the XX thousand financial advisors often has no bearing on the distribution success of a primary market deal, due to the compensation structure of such firms.

tion with a trusted broker/dealer relationship.

The small/medium broker dealer is best positioned to provide this type of service and attention. Larger broker/dealers are often too big and too busy, often at risk of treating deals in an assembly line fashion.

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Cathy Corrigan

Our Founder

Catherine Corrigan has been involved in financial services for over 30 years.

Her public finance experience began in 2000, when she joined the Municipal Securities Group of UBS (formerly PaineWebber). In 2004, she joined Siebert Brandford Shank & Co., L.L.C. as its Director of Operations and Chief Compliance Officer. She founded Rockfleet in 2009.

Ms. Corrigan has expertise in a wide range of functions, including operations, information technology, compliance, re-engineering, underwriting, trading, sales and marketing, and product management.

Ms. Corrigan is registered with FINRA as a Series 4, 7, 24, 27, 53, 63, and 79 and with the SEC and MSRB as a municipal advisor. She is a member of Mensa, and participates in the Municipal Bond Club of New York, the Municipal Forum of New York, and Northeast Women in Public Finance. Previously, she has participated in several SIFMA and SIA committees.

She is a current candidate for the Board of the MSRB and serves as Treasurer and Trustee of the Metropolitan Lighthouse Charter School in the Bronx, NY.

The Case for Co-Managers and Selling Group Members (cont'd)

Engaging a Heterogeneous Investor Base

The advantage of including a significant number of small to medium broker/dealers in an issuer's capital program is that the likelihood of expanding its investor base with true interested buyers is significant. The more dealers involved, the more heterogeneous the investor base and the more active the secondary market in the credit.

The argument for the value of a diverse number of broker/dealers is valid as one views the value of in-state dealers vs. out-of-state dealers, as well. Demand for quality paper is not confined to the state lines. While a locally-based broker/dealer may have valued relationships in the local investor community, the demand for paper from similar type customers in the other money center parts of the country is valuable in expanding the investor base for the credit. Thus, a New York based

broker/dealer with valued relationships in the local New York investor community or similar can be as valuable, or perhaps even more valuable in terms of diversification of the investor base, than the locally-based broker/dealer alone.

Institutional customers continue to seek to reasonably expand the number of broker/dealers that can provide them product and/or liquidity. Decisions to concentrate their business through a select number of larger dealers proved to be a liability during periods of rising rates and the subsequent illiquidity in the secondary market. Thus, many customers are actively seeking to support smaller broker/dealers by providing demand for quality new issues. Inclusion of smaller and medium broker/dealers in a capital program enables these customers to broaden their base of active relationships.

Underwriter Mix

In summary, Rockfleet and other co-managers and selling group members can play a key role in the successful distribution of an issuer's debt to a diverse and expanding universe of investors. And, the value of the firm extends beyond the confines of any particular order period but furthers the objective of establishing consistent demand for the credit over the course of time.

Rockfleet therefore recommends utilizing underwriters that would best add value to the financing and ensure the widest distribution, enabling an issuer to sell its bonds at the lowest possible interest rate. These underwriters would include a mix of:

- **National Firms.** The senior manager should have a high concentration of relationships with 1st tier investors, as

Jerome Doyle

Managing Director and
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Mr. Doyle is a twenty year veteran in the municipal securities market. He has held senior positions in institutional and retail trading, trading desk management, and distribution desk management, including Kidder, Peabody; UBS Financial Services, Inc.; and, Jefferies LLC.

He has built teams with the skill and expertise to target opportunities across the institutional market, the retail market, and the inter-dealer market; and to provide high quality service and fixed income expertise to financial advisors across multiple branch locations.

Mr. Doyle is registered with FINRA as a Series 7, 24, 53, and 63.

Underwriter Mix

Utilizing underwriters that best add value and ensure the widest distribution enables issuers to sell their bonds at the lowest possible interest rate.





The Case for Co-Managers and Selling Group Members (cont'd)

national and state-specific mutual funds and larger insurance companies clearly remain important components in any marketing strategy

- **Historically Disadvantaged Group-Owned Firms.** These co-managers typically have a high concentration of relationships with 2nd and 3rd tier

investors, including wealth managers, investment advisors, trust departments and smaller insurance companies who at times can be underserved at larger firms.

- **Local/Regional Firms.** These firms, servicing locally domiciled retail accounts, should be able to broaden the base of retail investors.

Designation Policy

Rockfleet recommends the following liability splits and designation policy:

- Senior manager – 50% liability;
- Minimum of three co-managers, ranging from 5-15% liability;
- 50% maximum designation per order for each member of the syndicate;
- Selling group members may be designated; and,
- One designee shall be a Small Business Enterprise, Woman Business Enterprise or Minority Business Enterprise – either a co-manager or selling group member* – with a minimum designation of 5%.

* The DASNY Personal Income Tax 2015A transaction required that 6% of designations be given to selling group members who were MWBEs or DVEs.

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