



## MEMO

To: A.J. Johnson, City Administrator  
From: Nancy A. Lueck, Finance Director *nl*  
Date: April 11, 2008  
Re: Additional Council Actions for Bond Issue

In connection with the upcoming bond issue, there are two additional items which require City Council consideration to comply with legal requirements. These are:

1. Approval by City Council of the recommendation by the City's financial consultant to use the Parity electronic bid system for the receipt of bids on the bond issues on May 1, 2008. A letter explaining this system is attached. The City has used this system for previous bond issues.
2. Approval by City Council that would allow Piper Jaffray to participate in the competitive sale process by submitting bids for the bond issues. As the City's financial consultant, Rex Ramsay, is associated with the Piper Jaffray firm, acknowledgement of this relationship and approval by City Council is required. A letter of explanation from Mr. Ramsay is attached as well as a consent form which must be authorized by the City. The City has authorized this participation for previous City bond issues.

Both of these items can be approved by Council motion. Please include these items on the agenda for the April 17, 2008 meeting. If there are any questions, please contact me.

**Lueck, Nancy**

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**From:** Ramsay, Rex [Rex.W.Ramsay@pjc.com]  
**Sent:** Wednesday, April 09, 2008 1:37 PM  
**To:** Lueck, Nancy  
**Cc:** danos.john@dorseylaw.com  
**Subject:** April 17th Meeting - Piper Materials  
**Attachments:** PARITY Letter.pdf; g23 letter.pdf

In anticipation of your meeting next Thursday, April 17th I have attached two PDF files which are letters that need to be placed on file with copies included in the Council's packet. The first letter deals with our recommendation that the City allow firms to submit their bids for the bond sale using the Parity electronic bid submission system. I believe the proceedings which John Danos has prepared for next Thursday's meeting will reference the Parity electronic system. The second letter deals with authorization being given to Piper Jaffray to participate in the competitive sale process. Authorization for Piper to bid may be granted in a simple motion by Council. Please let me know if you have any questions. Thanks.

Guides for the journey. Piper Jaffray & Co. Since 1895. Member SIPC and FINRA. Learn more at [piperjaffray.com](http://piperjaffray.com). Piper Jaffray corporate headquarters is located at 800 Nicollet Mall, Minneapolis, MN 55402

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For additional disclosure information see <http://www.piperjaffray.com/disclosures>

4/9/2008



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Piper Jaffray & Co. Since 1895. Member SIPC and NYSE.

April 9, 2008

Honorable Mayor and City Council  
City Hall  
215 Sycamore  
Muscatine, IA 52761

R.E. Electronic Bidding Procedure

Mayor and City Council Members:

With respect to the upcoming sale of bonds, we are recommending that you allow for the receipt of bids via an electronic bidding platform. We have chosen to recommend the use of the PARITY bidding system. This is allowed under Chapter 75.14 of the Code of Iowa. While you will “allow” for the receipt of bids via an electronic platform, the bidding terms will not “mandate” that potential bidders use the electronic system. It is our recommendation that bidders continue to have the option to submit either sealed or faxed bids.

There are specific issues that must be addressed to use Chapter 75.14 and use an electronic platform. There are two specific requirements of this Chapter. First, that the bidding procedure provides reasonable security and maintains the integrity of the bidding process; and second, that the procedure facilitates the delivery of bids by interested parties.

Taking the second requirement first, we recommend the use of PARITY as the bidding platform. PARITY is a service of i-Deal LLC, which provides a variety of services to securities bidders, including licensing the industry-leading software (BidComp) for the calculation of bids and also including providing the industry with bid summary sheets that the industry uses to consolidate the data into one simple platform for the calculation of the bid. When a bidder begins the process of calculating its bid, it goes to BidComp, which has all of the bidding parameters for a particular issue “built into” its software (i.e., discount, interest rate restrictions, form of award etc.). Bidders input the interest rate at which the bonds will be sold to other investors and the gross profit that the bidder wishes to attain on a particular issue. BidComp automatically calculates the bid that a particular bidder is working on. Once reviewed, a bidder can simply push a button to send the bid to PARITY, where it is time stamped and received as a valid and binding bid of that bidder. This process is far less cumbersome than the historic process, where bidders “call in” their bids to the offices of the Issuer and read them over the phone to the Issuer (or its agent). The “call in” process takes significant time to complete and has the potential for error in the process of reading and writing the bids onto the authorized bid form. By using PARITY, a bidder quickly sends the bid without a phone conversation, and does so without the risk of “transcribing” the bid onto paper. If the bid is inaccurate as submitted, it is entirely the fault of the bidder submitting the bid. It is clear that reducing the time commitment and improving the reliability of the bid submission process “...facilitates the delivery of bids by interested parties...”

Honorable Mayor and City Council

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Regarding the reasonable security and maintain integrity requirement. PARITY is an electronic bid submission system whose access is restricted by password to those authorized to use the service. Firms that use the IPREO Systems (which include, but are not limited to, BidComp and PARITY) have dedicated lines allocated between their trading operation and IPREO. PARITY and BidComp license the right to use the software to the bidders and restrict access only to those at a particular bidder who the bidder designates to have such access. No individual or agent from one firm can access the bid platform for another firm. When a bid is submitted through PARITY, no other bidding firm can "see" that the bid has been submitted, nor can they see the content of such bid. Further, at the appointed time, PARITY will no longer accept bids. Bidders who send bids after this time have them returned.

There is no way to absolutely assure you that, in the event of internet failure, power outages, telephone interruptions, storms etc. that bids will be received. This lack of ability to assure exists today. We do not believe that, in using an electronic platform for the submission of bond bids, the security or integrity of the process will deteriorate. It is possible that events beyond your or our control will alter our ability to receive the bids. This possibility exists whether you use an electronic bidding system or not. However, you should be assured that the ultimate award of the bid is made by the Board at its meeting that day and not by any electronic or other bidding means. You retain the decision as to whether to accept the bid and, if we encounter a situation where we question that every bid was received, you retain the right to reject all bids and re-bid at a later date. As we have always done, we will continue to monitor the bids that we expect to receive by tracking the receipt of the OS, the good faith process and by maintaining contact with the bidders personally, and, will follow up with bidders in the event that we do not receive a bid that was expected.

You should be aware that PARITY is in litigation with Grant Street Group (a competitor to PARITY) over patent litigation. A District Court recently awarded damages to Grant Street and issued an injunction against PARITY further infringement on Grant Street's patent. A Federal Court of Appeals has stayed the injunction temporarily while the appeal is resolved, however, this stay could be lifted at any time. PARITY has offered to indemnify you if Grant Street ever alleges that you, as a user of PARITY, infringed Grant Street's patent.

Our finding in this letter is restricted to findings with respect to The Code. We have made no effort to evaluate the risk with respect to the patent lawsuit and you should seek legal guidance with respect to the patent lawsuit and your use of the PARITY system.

Very truly yours,

Rex W. Ramsay  
Managing Director  
RWR:

C: John Danos  
Nancy Lueck



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Tel: 515-247-2356 | Tel: 800-333-6008 | Fax: 515-280-7567  
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April 9, 2008

Mayor and City Council  
City of Muscatine  
215 Sycamore  
Muscatine, IA 52761

Ladies and Gentlemen:

Piper Jaffray & Co. is full-service securities dealer, providing financial advisory and underwriting services throughout the United States. You have entered into an agreement to retain Piper to act as the financial advisor to the City with respect to the sale and issuance of your upcoming bonds. As financial advisor, Piper is responsible for the preparation and dissemination of the "official statement" and the coordination of all of the City's efforts to receive bids for the purchase of the Bonds. There are many different potential bidders who may want to submit bids for the Bonds.

Piper Jaffray & Co. is a potential bidder for the Bonds. Piper is a significant underwriter of municipal debt securities in the United States. However, since Piper is acting as financial advisor to the City, in order to comply with Rule G-23 of the Municipal Securities Rulemaking Board and in order for Piper to submit a bid to purchase the Bonds, Piper must be specifically invited to do so.

For approximately 30 years, Piper (and its predecessors) has acted as financial advisor to municipalities in Iowa. Over this time period, we have worked with many different bidders, without incident. Our fiduciary responsibility, when acting as financial advisor, is to secure the lowest available interest cost, whether from Piper or a competitor. We take that responsibility seriously.

Piper submits bids for Iowa bonds out of either the Minneapolis headquarters or our offices in Kansas City, MO. When acting as financial advisor, we require Piper to submit a bid only using the electronic bidding platform, so that there can be no discussion occurring on the day of the sale between us (your financial advisor) and our underwriting staff (as bidder) as to your issue. It is our goal, to avoid any real or perceived conflicts of interest.

Please let me know if you have any questions regarding this matter. If you would like to permit Piper to bid, please complete the enclosed authorization and return it by mail or fax to our Minneapolis office as well as to me.

Very truly yours,

Rex W. Ramsay  
Managing Director

**CONSENT TO ALLOW PIPER JAFFRAY TO SUBMIT A SEALED BID FOR  
THE PURCHASE OF THE BONDS WHICH ARE TO BE SOLD  
AT COMPETITIVE SALE**

RE: \$5,120,000 General Obligation Corporate Purpose Bonds, Series 2008A and  
\$6,560,000 General Obligation Refunding Bonds, Series 2008B

Piper Jaffray is acting as Financial Advisor to you, as the issuer of the above described bonds. Municipal Securities Rulemaking Board Rule G-23 states a broker-dealer that is serving as a Financial Advisor on a new issue that is sold via competitive sale may bid on or purchase the issue only if the issuer has consented in writing prior to the bid and to the dealers participation. "No broker, dealer, or municipal securities dealer that has a financial advisory relationship with respect to a new issue of municipal securities shall acquire as a principal either alone or as a participant in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from the issuer all or any portion of such issue, or act as agent for the issuer in arranging the placement of such issue, unless . . . (ii) if such issue is to be sold by the issuer at competitive bid, the issuer has expressly consented in writing prior to the bid to such acquisition or participation."

By acceptance hereof, the City hereby acknowledges Piper Jaffray's role as Financial Advisor for the above referenced issue and consents to Piper Jaffray submitting a sealed bid at the competitive sale for the Bonds.

PIPER JAFFRAY & CO.

By: \_\_\_\_\_

Dated: \_\_\_\_\_

MUSCATINE, IOWA.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_