



**COMPETITIVE vs. NEGOTIATED SALES:**

**Summary of Conditions Favoring Each Method of Sale**

	<b>CONDITIONS FAVORING A COMPETITIVE SALE</b>	<b>CONDITIONS FAVORING A NEGOTIATED SALE</b>
<b>DEBT STRUCTURE</b>		
Pledged Revenues	General Obligation or Strong System Revenue	Project Supported Revenues
Security Structure (for Revenue Bonds)	Conventional Resolution and Cash Flow; Rate Covenant and Coverage	Unusual or Weak Covenants; Subordinated Debt
Debt Instrument	Traditional Serial and Term, Full Coupon Bonds	Use of Innovative Structuring, Derivative Products, Structure to Attract Particular Investors (e.g., Discount Bonds), etc.
<b>CREDIT QUALITY</b>		
Rating	'A' or better	Below Single 'A'
Outlook	Stable	Weak but Improving, or Under Stress
<b>ISSUER CHARACTERISTICS</b>		
Type of Organization	Broad-Based General Purpose Borrower	Special Purpose, Independent Authority
Frequency of Issuance	Regular Borrower in Public Market	New or Infrequent Issuer
Market Awareness	Active Secondary Market with Broad Investor Base	Little or No Institutional Awareness of Issuer; Historical Antipathy
Investor Comfort	Well-Known, Stable Issuer	Issuer Experiencing Significant Financial, Legal or Other Problems
<b>MARKET CONDITIONS</b>		
Interest Rates	Stable; Predictable Market	Volatile or Declining Market
Supply and Demand	Strong Investor Demand, Good Liquidity, Light Forward Calendar	Oversold Market, Heavy Supply
<b>POLICY CONSIDERATIONS</b>		
Participation in Sale of Bonds	Broad Market Participation Desired for Sale of Bonds	Desire to Direct Business to DBE or Local/Regional Firms
Stimulation of Investor Interest	Broad Market Participation Desired for Purchase of Bonds	Desire to Direct Business to Local/Regional Investors

Source: *A Practitioner's Guide to Effective Debt Management: Competitive v. Negotiated* (1994), Government Finance Officers Association, Chicago, Illinois.