

March 16, 2017

New Hampton Community School District  
Attn: Board of Directors, Jay Jurrens & Bob Ayers  
710 W Main  
New Hampton IA 50659-1004

RE: Electronic Bidding Procedure

Dear Board, Jay & Bob,

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. Bidders may also 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, most go 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...”

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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 the ability to receive 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 a situation is encountered where we question that every bid was received, you retain the right to reject all bids and re-bid at a later date.

Very truly yours,

*Via Email*

Matthew R. Gillaspie  
Managing Director