4.04 percent—a mere 0.10 percent away from the dealer's market appraisal, he would then receive only about 99% ($993.75 per bond) and suffer a loss of some $6,250 in capital plus whatever costs he incurred.

THE DECISION TO UNDERWRITE ALONE OR WITH OTHERS

In considering a bond underwriting, the dealer must appraise the state of the market, his own inventory position, the quality and acceptability of the bond itself, and other factors which may have an immediate bearing upon his bidding capabilities and then determine whether he will bid for the issue alone or ask another dealer or other dealers to join with him in a group—or syndicate—to spread the risk of the venture and to share price ideas and selling potentials. This sort of decision is faced every day and often several times a day by the investment banker.

Obviously, the size of the bond offering has a decided bearing upon the decision as to whether to bid alone or in concert with others acting as a syndicate, and, just as obviously, the size of the offering will have a material bearing upon the number of members in a syndicate. Whereas an investment banker may feel comfortable in bidding alone for a $500,000 issue, he may want, say, two joint partners in bidding for a $1 million issue, and he may form a group—or join a group—consisting of 100 or more dealers in bidding for a $50 million issue.

Thus, the system of syndicate bidding—or syndication—has grown in the municipal bond industry. By means of the syndicate arrangement, dealers of all sizes and of all geographical locations may be brought together in a group to participate in bidding for and offering bond issues of all sizes and types. At any one time a dealer may be a member of as many as 10 to 20 syndicates which, depending upon market conditions, may have undistributed balances varying from a few bonds to several million dollars worth of bonds. Without the syndicate method the full underwriting strength of the investment banking industry could not be brought to bear in an orderly fashion in the distribution of the myriad of issues of varying amount, quality, maturity range, and geographical diversity.

SYNDICATE MANAGEMENT

The organizer of the syndicate is termed the "manager." In many instances two or more firms may be "joint managers." The presence of joint managers may come about by reason of several factors. For example, if a municipality offers for sale a $20 million issue, two (or more) firms may commence the formation of a syndicate and determine to combine their efforts. Again, two complete syndicates may be formed but, during the process of determining the bid price, they may decide that they can have a stronger syndicate and make a higher bid if they merge the two syndicates into a single group prior to bidding.

Once a manager has formed a syndicate to bid for the bonds offered by a particular municipality, he will normally invite the same group to join him when that municipality sells a like amount of bonds at a subsequent sale. Although the members thus invited are at liberty, of course, to make other arrangements, there is a tendency to continue with the same group. Should this municipality at some other time