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Tender Offers Are Here To Stay – What Do I Need To Know? - Orrick

Municipal tender offers have rapidly increased in volume since 2020, and 2023 is anticipated to be the highest volume year for voluntary municipal tender offers. As reported by the Bond Buyer, 2021 and 2022 each saw about $4 billion in municipal tender offers. As of July, about $14.1 billion has been tendered or invited to tender this year. In the current interest rate environment, municipal issuers increasingly use tender offers to generate debt service savings, especially since advance refundings were eliminated by the Tax Cuts and Jobs Act in 2017. Many issuers are navigating these transactions for the first time.

Here’s an overview of the basic structure, documentation and timeline of a tender offer to help issuers determine whether this financing structure could help them achieve their financing goals.

What is a tender offer?

In a tender offer, a bond issuer makes a public offer to bond holders to relinquish or “tender” their bonds for cash or to exchange their existing bonds for new bonds. The tendered bonds are then purchased by the issuer and canceled or exchanged for new bonds and then canceled.

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Orrick, Herrington & Sutcliffe LLP

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