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NEWS AND TRENDS

Under New Name GBR Financial Starts Push to Grow Despite Tough Times

Municipal derivatives provider **GBR Financial Products Co.** is embarking on a significant expansion – defying market conditions that have made 1995 a particularly tough year for its business.

In a bid to bring in more business and gain greater recognition for the company as separate from Co-founder Grigsby Brandford and Co., GBR will start the changes tomorrow with a new name. And in the near future the company will recruit extra professionals.

As of tomorrow, the minority owned firm will be known as **Rice Financial Products Co.**

Over the next several weeks the firm will be adding "a couple more" people to the existing "half a dozen professionals," according to president and chief executive officer **Don Rice**.

The developments come even though it has been a tough year for the municipal market in general and derivatives providers in particular.

Last year's bad publicity about derivatives and then this year's tax reform worries have cut into business for many dealers.

But Rice is confident there is still plenty of room for his firm to grow.

"I don't want to speculate, but I'm sure no more than 10% of the issuers that can use interest rate swaps in the municipal market are using them," he said.

"So you can have a contraction of volume in the market as a whole and still get significant growth in derivatives."

The expansion at Rice Financial Products is intended to make the most of that opportunity.

"Our goal is to expand or marketing effort," Rice explained, talking about the two changes.

"What we are trying to achieve is a higher level of recognition for our derivatives expertise."

The new name does not reflect any change of ownership - Rice will continue to be the largest shareholder - and the firm will continue to work closely with Grigsby Brandford, who helped get the business off the ground, Rice said.

Rather, the move is intended to emphasize that the derivatives provider exists in its own right and to make it easier for the firm to seek out business on its own.

In February, the firm changed from GB Derivative Products Co. to GBR Financial Products – part of the continuing evolution of the firm reflected in tomorrow's further modification, Rice said.

The change also reflects GBR's expansion and its success in winning deals with big issuers, he added.

"We have been approved as swap provider for many of the nation's largest issuers," he said.

"We have regularly been awarded business in competition with the much larger firms due to our superior technical innovations."

Over the past 12 months, Rice said, the firm has carried out almost $2 billion in interest swap-based products, including 61 swaptions." amortizing swaps and swaptions, forward swaps, and what the firm claims is the first municipal flexible yield curve swap.

He also claimed GBR has been at the forefront of innovation in the municipal market.

Of the half-dozen most sophisticated deals reported in the Bond Buyer, he claimed: "We have done two or three of them."

Among GBR's deals have been:

- a swaption on $140 million of bonds in September to help the **Oakland- Alameda Joint Powers Authority** short-circuit the inefficiencies of the taxable municipal market as part of a deal to bring the **Raiders** back to Oakland.
- A StairStep swap on $40 million of bonds for Dade County, Fla., under which the municipality pays a floating rate and receives a fixed rate that increases each year.
- Executed in September 1994, a swaption allowing Dade to terminate the deal was added in late August. Even though GBR. Has used complex products , Rice said the firm's emphasis is on identifying issuer's financing needs and then creating a method of meeting that need.

Having survived a tough start- Rice said it would have been harder to pick a worse year to launch than 1994 - he is confident there is plenty of opportunity ahead, despite the obvious difficulties.

"I believe there's going to be a lot of contraction still in the overall municipal bond market, at least compared to the record year of 1992 and 1993." Rice said.

But he added: "When you took at how much interest rate swaps are used in the taxable market and how much they are used in he tax-exempt market, the penetration in the tax-exempt market is still very small."

He mentioned the current unusually advantageous opportunity -for fixed-to-floating swap, reported in The Bond Buyer on Sept. 17.

"If that were true in the taxable market it would be an absolute no-brainer," Rice said.

"You would have a huge rush of deals. Very quickly the rates would arbitrage themselves back.

"In the tax-exempt market that opportunity may hang around six months before it starts to fade away."