

THE BOND BUYER

THE DAILY NEWSPAPER OF MUNICIPAL FINANCE

Tuesday, June 2, 1998

To Strengthen Derivatives Operations, Rice Financial Purchases Apex Securities

By Lynn Sherman, The Bond Buyer Wire

As part of an overall expansion strategy, swap-provider **Rice Financial Products** Co. said yesterday that it is buying Houston-based **Apex Securities** Inc., a full-service public finance firm.

The purchase – for an undisclosed amount – represents the combination of a specialized derivatives player with a municipal boutique, as well as the joining of two sturdy minority firms.

“Our two firms represent an extremely strong combination,” said **J. Donald Rice Jr.**, president and founder of Rice Financial in an interview yesterday. “[Apex has] an extremely strong franchise in Texas and across much of the southwest-ern United States.”

Apex senior-managed municipal offerings totaling \$225 million from 1992 to 1996, according to Securities Data Co., while Rice Financial said it has executed more than \$3 billion of derivative products for municipal entities since its inception in 1994. Because municipal swaps are privately negotiated, there are no databases of market activity.

Market participants said Apex will provide Rice with crucial sell-side associations while Rice Financial’s derivatives business offers wider profit margins than broker-dealer operations.

“The broker-dealer side of the business is highly regulated and of the business is highly regulated and spreads are very thin but Apex brings client relationships and that is important,” said **Peter Shapiro**, managing director with **Swap Financial Group**, an adviser and arranger of municipal derivatives transactions.

As part of the initial acquisition and the larger expansion strategy – which may include additional purchases down the road – Apex plans to increase its staff of about 20 by as much as 20-percent.

“Initially, we will be working together to quickly and substantially increase our bond underwriting and sales capacity,” said **Rodney Ellis**, head of Apex. Ellis is also a Democratic state senator representing Houston.

To that end, **Peter Barbera**, a former principal with Alex. **Brown & Sons**, has been hired for Apex’s sales and trading desk.

We expect to announce the addition of several other experienced Wall Street professionals to our staff in the next few weeks,” Rice said.



While industry observers acknowledge the two businesses appear complementary, they suggested the move may also be part of a larger effort by Apex to continue strengthening its operations after the 1996 resignation of its president and chief executive officer, **Richard Ramirez**, who had been with the firm for eight years.

“Apex gets access to capital and distribution – a much stronger base in terms of resources,” said Ramirez, who left Apex to work for **A.G. Edwards & Sons**, and now works for **Chase Securities of Texas** Inc.

Rice Financial Products will continue to operate under that name as a supplier of interest rate swaps while Apex will market under the name Apex Securities, a division of **Rice Financial Products** Co.

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