

Newspoints

Deals, trends and people

FINANCIAL NEWS

Reaching the Apex

B.E. investment company in new hands following sale to Rice Financial Products

The gentlemen at Rice Financial Products Co. have taken what used to be the financial market's dirty little word—derivatives—and successfully used their expertise to build a black-owned finance firm that structures complex interest-rate swaps and other derivative products for state and local governments. But apparently that wasn't enough for CEO J. Donald Rice. Now the New York-based firm has expanded its business scope with a hefty acquisition.

Rice recently announced the purchase of one of the largest minority-owned 'broker dealers in the nation, Houston-based Apex Securities (No. 5 on the **BE INVESTMENT BANKS** list with \$508 million in senior managed issues). The terms of the deal were not disclosed, but Rice says it will greatly aid his company in procuring a larger piece of the municipal underwriting action.

The marriage of Rice Financial and Apex is the latest union among black-owned securities firms and indicates a sea of change in attitude among the group, which used to be fiercely independent. Increasing competition from minority- and majority-owned firms and a greater need for capital has forced many firms to merge or forge life-saving strategic alliances.

Over the last several years, many Wall Street brokerage houses have either voluntarily exited or been forced to leave the muni business amid a drying market. Yet the team at Rice says their departure simply creates a unique void that Rice Financial can fill. "There's still a significant opportunity for a full-service black-owned firm in the municipal marketplace," says Brian D. Nevel, who heads Rice Financial's derivative marketing efforts. "As other firms have departed the industry for various reasons, a well-man- aged firm can still enjoy a great deal of success."

So far, the track record for both firms has been impressive. Rice Financial has already executed over \$3 billion of derivative products since the firm opened its doors four years ago. Among its completed deals are a \$140 million interest rate swap for Dade County, Florida, and a

\$300 million derivative forward agreement completed for Alameda County, California. Rice says those deals only whetted his appetite for more. But his firm needed the ability to underwrite bonds if it wanted to expand.

"It was a strategic decision we made as a group because we knew' we needed a broker dealer. Based on the good relationship we had with the people at Apex, we thought the combination of these two firms made sense, so we started our conversations with the firm last fall," says Rice. "Apex

has extremely strong relationships in its region and underwrites about \$5 billion annually in the Southwestern market. We were not able to underwrite bonds before, so this vastly expands the breadth of what we can do for clients." Rice adds that former Apex chairman Rodney Ellis will become a minority partner in Rice Financial.

Headed by Ellis, Apex has been listed among the top 10 minority-owned investment

banks for the past five years. Last year, Apex served as either lead or co-manager on transactions totaling over \$4.7 billion.

"As the larger firms fight for increased market share, the smaller players are being squeezed pretty hard," says Michael Murray, vice president and senior trader at Rice Financial.

By combining Rice Financial's derivative expertise with Apex's client roster, the firm hopes to increase its bond underwriting pipeline, while having the acumen to implement municipal derivative products at the initial offering as well as servicing later needs to reduce cost of debt.

"Apex will help us strategically build our derivative business," Rice says. "We don't want to participate in the business. We want to be a dominant player."

— Kimberly Seals McDonald



Don Rice (center), with Michael Murray and Brian Nevel, saw Apex as a golden opportunity

NINETEEN 98

BLACK ENTERPRISE 100s

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BLACK BUSINESSESARCHITECTS OF THE
NEXT MILLENNIUM

B.E. INVESTMENT BANKS

THIS YEAR	LAST YEAR	COMPANY	LOCATION	CHIEF EXECUTIVE	YEAR STARTED	SENIOR-MANAGED ISSUES* (Millions of dollars)	CO-MANAGED ISSUES* (Billions of dollars)
1	1	UTENDAHL CAPITAL PARTNERS L.P.	New York, New York	John O. Utendahl	1992	2,100.000	4.600
2	5	JACKSON SECURITIES INC.	Atlanta, Georgia	Maynard H. Jackson	1987	1,100.000	5.000
3	11	THE WILLIAMS CAPITAL GROUP L.P.	New York, New York	Christopher J. Williams	1994	755.000	0.304
4	—	FIRST COMMONWEALTH SECURITIES CORP.	New Orleans, Louisiana	Norbert A. Simmons	1987	650.000	0.450
5	4	APEX SECURITIES INC.	Houston, Texas	Rodney Ellis	1987	507.750	4.255
6	—	SIEBERT BRANDFORD SHANK & CO. L.L.C.	San Francisco, California	Napoleon Brandford III Suzanne F. Shank	1996	345.040	16.900
7	3	M. R. BEAL & CO.	New York, New York	Bernard B. Beal	1988	150.000	26.150
8	6	BLAYLOCK & PARTNERS L.P.	New York, New York	Ronald E. Blaylock	1994	150.000	11.282
9	9	SBK-BROOKS INVESTMENT CORP.	Cleveland, Ohio	Eric L. Small	1993	115.000	2.666
10	10	POWELL CAPITAL MARKETS INC.	Roseland, New Jersey	Arthur F. Powell	1990	82.659	2.892
11	—	GILCHRIST & CO. INC.	Birmingham, Alabama	Harold Gilchrist	1983	72.000	0.555
12	13	THE CHAPMAN CO.	Baltimore, Maryland	Nathan A. Chapman Jr.	1986	50.000	2.700
13	7	PRYOR McLENDON COUNTS & CO. INC.	Philadelphia, Pennsylvania	Malcolm D. Pryor	1981	36.710	33.766
14	15	DOLEY SECURITIES INC.	New Orleans, Louisiana	Harold E. Doley Jr.	1973	**	3.505
15	2	RIDEAU LYONS & CO.	Los Angeles, California	Lemar A. Lyons	1986	**	1.400

*This is for all issues including, but not limited to, municipal, agency, corporate and mortgage-backed securities for the year ending December 31, 1997. ** These investment banks did not participate as senior managers for municipal, agency, corporate or mortgage-backed securities for the year ending December 31, 1997. Prepared by B.E. Research. Reviewed by Mitchell & Trus, LLP.