

# The Bond Buyer

The Authority on Municipal Bonds Since 1891

Vol. 295 No.28594

New York, N.Y.

## McLiney & Co. Brings Brokerage Business Where Wall Street Does Not: Small Issuers

By John Racine

KANSAS CITY ---- When Eddie McLiney joined the family brokerage six years ago. His first transaction was so small it looked more like the bonus of a neophyte Wall Street investment banker than a bond deal.

This did not stop McLiney & Co. from completing the \$30,000 issue for a little-known town. So how was the firm compensated for a deal whose closing required several trips along the blue highways of Missouri? "The fee was \$1,000," said Mr. McLiney, a third-generation investment banker who has since done dozens of similar deals. "I learned a lot doing that one."

His younger brother, Mark McLiney suffered similar culture shock when he left the personal banking department of Chase Manhattan Bank in New York to come home.

"It was an adjustment from looking at \$800 million deals and coming back to \$80,000," he said. "I had to adjust my decimal point."

But big numbers have never been a goal for McLiney & Co., which has made a successful business out of going where Wall Street and most other regional firms will not.

While other firms may keep score of their progress by doing big deals, founder George McLiney says his firm has discovered success - and 25 years of profits with Missouri issuers like the cities of Cooter, Homestown, Purdy, and the Halfway school district.

"We want them [clients] to know that if it takes extra work, so what. We'll do it," said the senior Mr. McLiney. "You can't do it over the telephone, you've got to be there."

It was January 1966 when George McLiney left George K. Baum & Co. to open his firm with \$50,000 of borrowed collateral for capital, \$1,000 of loaned operating cash, and a few pieces of borrowed office furniture.

Flipping through a dog-eared directory from the 1960s, Mr. McLiney recalls his former competitors --- many of them small firms like his own --- that have since vanished from the bond industry.

### No Plans to Quit

"If somebody had showed me in 1965 the names of the firms that were going to go out of business, there's no way I would have started my own firm," he said. "There was no guarantee we'd last 25 years. I feel like an old ballplayer. I've got no complaints."

But like the resilient towns, schools, and water districts they have served. McLiney & Co. is still in business with no plans to quit

soon. Now that three of his four sons have joined him, George McLiney may see the family business reach its fourth generation.

"I've gone through so many cycles in this business that I wonder if I'll make it through the next," he said. "If we go out of business. It'll be our choice."

Despite the recession squeezing the securities industry. McLiney & Co. plans to continue making money on 30-bond deals when Wall Street has difficulty profiting on deals with considerably more zeros.

How do they do it?

"Low overhead, that's the key," says George McLiney, whose penny-wise philosophy is evident in the firm's sparse fourth-floor offices. Desks borrowed when the firm opened are still on loan. Remodeling is not a priority, as evidenced by outlines on office walls where pictures once hung. And, one of Mr. McLiney's sons confides, only recently did his father put a new curtain in his window in advance of a reporter's visit.

"For every dollar you spend, you have to earn another one," George McLiney said over lunch at the Kansas City Club. A popular lunch spot of the city's bond elite.

But others say there is more to the McLiney secret than economy. They say the firm has a sterling reputation dating back to before the Depression when George McLiney Sr. headed the public finance at George K. Baum.

"The McLineys have an outstanding reputation in the business," said Joseph Sack, vice president and director of regional services at the Public Securities Association. "They always have had."

### Special Niche

The value of that asset is not lost on Joey McLiney, the youngest of the brothers, who returned from a job as an international commodity trader to run the family trading desk.

"Whatever we do," he says, "it's our name on it."

Competitors say the firm also serves a niche of the market that would otherwise be ignored or hard-pressed to find such a hands-on advisor.

"If you take a town of 500, where are they going to go for their financing?," asks Don Roberts, vice chairman at George K. Baum, the largest regional based in Kansas City. "They can turn to McLiney...what they do is a real service."

There is plenty of opportunity for McLiney

& Co., considering nearly three-fourths of the 932 cities in Missouri have populations of less than 1,000.

The firm does scores of non-rated issues. too small to register on databases or require CUSIP numbers. In fact, the largest issue they handled was a \$5 million hospital district bond.

McLiney & Co. declines to say what the volume of bonds they handle each year is, but competitors believe the total of small issues for everything from streets and sidewalks to painting the town water tower is in the millions.

Even though small issues can be lucrative. McLiney has little competition except for bankers from Zahner & Co., another Kansas City regional.

### Non-Rated Issues

"We'll compete against them on small issues of down to about \$250,000 in size," said Jack Dillingham, a vice president at Zahner. "To them [McLiney] that's a nice issue."

McLiney & Co. apparently has little trouble selling those non-rated issues, largely because none of the bonds they have handled ever defaulted.

"We stay on top of them. We call them when a payment is due," said Eddie McLiney, who drives thousands of miles every year to meet with clients. "We may have had some technical defaults when a local official put the debt service money in the wrong account, but no missed payments."

They say the fact that bonds are non-rated has not affected demand from clients, including individuals.

Mark McLiney says the firm has a simple philosophy: Satisfy the customer. He relates the story of a regular client, a doctor, who purchased \$5,000 of general obligation bonds for a tiny Missouri town.

Three months later, the doctor and his wife decided to pass through the town they had invested in while heading to Arkansas for a weekend getaway.

What they found was characteristic of many small, rural Missouri cities: a one-gas-station town with little activity.

"The doctor's wife began to cry when she saw the town," Mark McLiney said with a smile. "They wanted to know if he could get this money back, even though it had been three months."

The firm obliged. □