

Buyout

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the company is not for sale. Officials would not even acknowledge that a buyout offer had been received.

Frank Medanich, the new chairman of the board, also said it was not a good time to discuss company business publicly. He added, "Perhaps we can when things settle down a bit."

The buyout offer from Rauscher Pierce came amid widespread speculation that First Southwest was ripe for the taking after McCulley's death. News of the chairman's demise, said one competitor, "spread like wildfire on the streets."

Robert Vanosky, executive vice president of Rauscher Pierce, said the offer was a direct result of First Southwest's having lost two leaders within a relatively short period of time.

"Events that are that significant generally leave open the possibility for change," he said.

Vanosky would not disclose details of the offer or discuss the future of First Southwest should the buyout succeed. There has not been any response to the offer, he said, and as far as Rauscher Pierce is concerned, the subject remains open for discussion.

"We have an offer on the table," he said. "They could choose to reject the offer."

Also headquartered downtown, Rauscher Pierce attempts to compete with First Southwest for municipal government business. But it also is a full-service brokerage firm and counsels the private sector on raising capital and investing.

Total revenue last year exceeded \$100 million compared to First Southwest's modest \$11.4 million.

Founded in 1933, the company originally was a partnership of businessmen John Rauscher and Charles Pierce. It was purchased in 1982, but continues to operate independent of its Minneapolis parent company, Inter-Regional Financial Group Inc.

A former Rauscher Pierce insider said the company lately has been trying to increase its expertise in municipal investment — First Southwest's specialty.

"It would be quite complementary to what they're already doing," said John Miller, who is now with a small brokerage firm called Service Asset Management Co.

Other local investment houses admitted that they, too, harbor desires for First Southwest's portfolio — estimated to include more than 500 separate government entities.

Don Buchholz, president of Southwest Securities Inc., said he even has mentioned to an acquaintance inside First Southwest that his \$50-million-a-year firm would be interested in a buyout.

As tightly held as First Southwest is, however, Buchholz speculated that a mechanism exists to afford the company first option on any stock held by a top executive who dies.

"They're going to be ready to sell before anyone buys them," he said.

City officials in both Dallas and Fort Worth expressed confidence that any instability within First Southwest would not affect the quality of services the company provides in guiding public investment and financing across the Metroplex.

In Dallas, for example, the company currently is helping arrange financing for the \$75 million expansion of the

Dallas Convention Center.

"It hasn't been a slow period," said Rob Dulaney, head of debt management for the city. "There's been a lot going on, and I've seen no breakdown in their performance whatsoever."

Some public officials, however, are having trouble staying abreast of the inner workings at First Southwest.

Fort Worth finance director Judson Bailiff said he talks with company representatives almost daily, and he was never informed that McCulley had died of cancer. He first learned about it this week from reading the news in a magazine.

Bailiff said he has grown accustomed to the company's strict policies of privacy.

"I don't know that I would have called up, either, and caused worry in my clients," he added. "But I'm not worried."

Another local client currently involved in a major project is Dallas/Fort Worth International Airport, which is trying to assemble financing for construction of new runways projected to cost \$400 million.

D/FW has had a relationship with First Southwest ever since Decker Jackson was instrumental in bringing Dallas and Fort Worth together to share the cost of building the airport in the late 1960s.

"I trust these people inherently," said Richard Williams, head of finance for the airport management.

After hearing about McCulley's death several weeks ago, Williams sought assurances from a high company official that rumors of a buyout were unfounded.

"He said the status was quo," Williams said. "I took that to mean that the people who own the stock are holding steady."