BUSINESS

# After big finance left Philly, this banker stayed in business by going local

Michael Mufson joined investment bank Butcher & Singer in 1981. Comcast was a client. As the industry shrank, he and colleagues formed a firm so they could stay in Philadelphia.

Michael Mufson, Philadelphia-based investment banker, who cofounded Mufson Howe Hunter & Co. LLC.
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Philadelphia was America's first financial center. Even after securities traders moved to Wall Street, Philadelphia remained a lucrative base for U.S. investment bankers — Stephen Girard, Jay Cooke, J.P. Morgan's mentor A.J. Drexel, the Butcher clan — to raise capital for governments and industries, extract fat fees, and build firms that lasted for generations. They powered the city's growth by raising capital to build local companies like the Pennsylvania Railroad and Sunoco into national leaders.

As recently as the 1990s, Drexel's old firm launched junk-bond king Michael Milken and future private-equity billionaires such as Josh Harris and Marc Rowan. But their careers bypassed Philadelphia as they graduated from the University of Pennsylvania's Wharton School and went straight to the power centers of New York or Silicon Valley.

Like the Pennsylvania steel, rail, oil, publishing, and chemical giants they helped build, the banking pioneers' financial firms vanished in mergers or moved away.

Yet there are still Philadelphia investment bankers who prefer Walnut Street to Wall Street. Some make a living raising money and finding buyers for the modest-sized, family-owned companies that now form the backbone of the regional economy.

Michael Mufson, an accountant, joined Butcher & Singer, a Philadelphia investment bank funded largely by fees it earned trading securities for clients, in 1981. He left after its sale (it's now part of Wells Fargo) and later joined former colleagues to start their own small investment bank, Mufson Howe Hunter & Co. LLC., which currently employs 21 in Philadelphia and a few branch offices.

Mufson talked in a recent interview about the industry's downsizing and adaptation, and what it took to stay in Philadelphia through his own long career. Some responses have been edited for space and clarity.

## How does Philadelphia rank as a financial center today?

Private equity, bank headquarters, there's not so much. There are smaller cities, Cleveland for example, who have more.

## Why did you stay?

Here, the analysts go home at 7 p.m. In New York, investment banking is 24 hours, seven days a week. They don't go home. We don't make as much money. But we have a quality of life.

I always wanted to live in Center City and walk to work. When I was bringing up my kids, I always went home for dinner. Then back to the office after they went to sleep.

### How did you get started?

The first company I worked with for Butcher was Comcast in 1983. They were in Bala Cynwyd, and their office was as Spartan as could be — a worn-out rug and a fish tank.

Philadelphia took a long time to get cable TV. Finally in the 1980s, they set up four franchises, one for each quadrant of the city. Comcast wanted two of the four, and we wanted to finance them.

The city said it would give preference [to applicants who included] women and minorities. So I got a call: "Mr. Mo Cheeks [the Sixers' Hall of Fame starting point guard through the 1980s, later an NBA coach] is here." He came right in and asked, "Where do I put my check?" Comcast did very well with those Philadelphia franchises. Investors made their money back, several times over.

## Why did the old Philly firms sell to bigger, out-of-town rivals?

Technology, for one. In the early 1980s, we still did trades for 27 cents a share. With that money, trading desks could fund investment research, advertising, and take new companies public.

But then digital technology changed the world. Trading margins fell from over a quarter to a nickel. Now it's less than a penny.

And the 1987 crash hurt a lot. Butcher merged [with Wheat First Securities, now part of Wells Fargo]. They wanted me to move to Virginia I wasn't going to do that. My kids were in school.

### So what did you do?

We started a firm, our first. I was head of investment banking, with [ex-Butcher colleagues] Michael Foley as head of retail and institutional sales and Michael Howe, head of research. We raised money from institutions, some nice people who invested, here in Philadelphia.

Vernon Hill supported us with his bank, Commerce. He was a good adviser. We did a few underwritings. We did one with Janney. I got to know the people there.

After 2½ years, we were beating Janney out on business.

[Mufson accepted an offer to help Janney Montgomery Scott, the Philadelphia-based regional securities brokerage, to build its investment banking group, then did the same at Commerce; his partner Howe moved for a time to Jeff Yass' Susquehanna Investment Group, a Bala Cynwyd-based trading powerhouse.]

We built up Commerce Capital Markets to 48 people in Boston, Philadelphia, and New York. But then the 9/11 attacks stalled the business. And [then-New York Attorney General] Eliot Spitzer went after stock underwriters. Vernon said, "Business is down, and as a bank, I already have enough regulatory crap to deal with. Put the group down."

I left Commerce in 2005. Mike Howe left Susquehanna and rejoined me. Jim Hunter came over from Janney, and we started Mufson Howe Hunter.

## By then, big Philly firms like Comcast were banking in New York. What customers were left for you?

We began doing recapitalizations for large family businesses. Private equity was making dollars available to help families with their liquidity. They would sell 60% or 70% of the business to these investors [for cash up-front]. That's been our business: financing and selling multigenerational businesses.

We've done a lot of retail consumer businesses, some of them over 100 years old, like York Wallcovering. We've done a lot of building trades companies — Nemo Tile is an example — and manufacturing and distribution — like Unified Door in Pennsauken. We work with a lot of local investment groups.

## Private equity is notorious for stripping assets, stiffing creditors, mass firings.

You had some really bad people abusing the system. The easy part is raising the money. The difficult part is to support a business [in transition] to grow and maintain the culture. But when a company has moved off plan, someone has to take action. Sometimes it becomes a different kind of business.

I like to think of us like a bee, pollinating around.

## With lenders going digital, is it harder to find companies that need your help?

It's become more efficient. We used to have to call on 15 or 20 people to find investors. Now we have the technology to manage this whole crazy process, that we can offer deals to 150 private-equity groups in the U.S., Europe, or the Far East.

I compare it to art. You know why art is so well-priced today? Because the auctioneers can now open sales to the whole world.

## Is your generation the last of the local investment bankers?

There's always going to be demand for a bespoke bank that certain people will want to work with. We focus on business services, manufacturing, health care, information technology. Consumer products.

Last spring we helped I&I Sling in Aston; they make industrial hoists. We approached 130 [potential owners] and got 20 initial offers and four final bids. They one they picked [River Associates Investments, Chattanooga, Tenn.] wasn't the highest offer. It was the one they felt was the best fit.

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I write about people and money in our community and beyond.