

# THE BOND BUYER

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## FRIDAY

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### REGIONS

**THE DISTRICT OF COLUMBIA INTENDS** to sell \$535 million in baseball stadium construction bonds in mid-May and is also pressing forward with plans to sell \$210 million in tax-exempt subordinated zero-coupon bonds backed by tobacco companies' payments under the Master Settlement Agreement this summer, the city's treasurer said yesterday. **3**

**A NEW YORK APPELLATE COURT YESTERDAY** directed Gov. George Pataki and the state Legislature to provide in this year's budget between \$4.7 billion and \$5.63 billion of operating funds for New York City's one million-student school system. **32**

**MARK HILLMAN, WHO HAS SERVED AS ACTING TREASURER** of the state of Colorado since last June when elected Treasurer Mike Coffman left for active duty with the U.S. Marine Corps in Iraq, is expected to step down Monday in the wake of Coffman's return to office. **4**

### WASHINGTON

**VIRGINIA TRANSPORTATION OFFICIALS** now estimate that it will cost \$2 billion to build the first phase of a 23-mile extension of the Metrolink subway system to Washington Dulles International Airport — \$200 million more than the \$1.8 billion projection officials made last summer. **5**

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## Scripophily: Old Paper Finds New Fans

### Call it Antiquing For the Muni Set

BY MATTHEW JOHNSON

When Paul Kinney and an associate were handed a box by a senior broker at Dean, Witter Reynolds Inc. in 1978 to deliver to the firm's downtown Los Angeles branch, he peered in and found roughly 200 bearer bonds printed on paper of striking quality.

For the young trainee, who was then working at one of the firm's other branches in Southern California, it sparked an interest in a hobby he continues to pursue to this day.

"One of the senior brokers had just come back from an appointment with a client with a dress-box full of bearer bonds," Kinney recalled. "Our suburban branch didn't have a vault, so we had to drive it downtown."

"Having a dress box full of bearer bonds was kind of a dramatic thing. When you go back to stuff that goes back to the 19th century, you can really see a reverence for the people in their cer-



Paul Kinney, seen here with co-workers Sara McMeekin (left) and JoAnne Nishiyama (right), is the owner of more than 30 antique muni bond certificates.

tificate," he added.

Kinney's fascination led him to become one of many people around the country who pursue scripophily — the collecting of antique bonds, stocks, and other fi-

ancial instruments.

Today, only about 1% of municipal bond purchases are accompanied with a certificate, as

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## NASD to Target More Abuses

### Scope Still Includes Trade Reporting

BY LYNN HUME

WASHINGTON — NASD plans to continue going after municipal securities trade reporting abuses, but also will probably expand the focus of its enforcement efforts to areas such as excessive markups and abusive solicitation practices. James S. Shorris, NASD's new head of enforcement, said yesterday.

Shorris, 45, who was appointed executive vice president and head of enforcement yesterday, also made clear that the organization is not going to back away from taking enforcement action over faulty muni trade reporting, despite some complaints from broker-dealers that the self-regulatory organization has been heavy-handed in this area.

He made these remarks during a brief interview, in which he talked about having worked with municipal bonds during a three-and-a-half-year stint at Tacker Anthony Inc. in Boston, which merged with what is now RBC Capital Markets Inc. in March 2002. Shorris was senior vice president and deputy counsel at Tacker Anthony where he provided support to the firm's fixed-income department, including municipal securities.

He remembers filling out the quarterly G-37/G-38 forms that the firm sent to the Municipal Securities Rulemaking Board disclosing

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### THURSDAY'S YIELDS



The municipal bond market finished weaker yesterday as a number of investors put bonds out for the bid and Treasuries moved into the red after existing home sales unexpectedly surged in February, hinting at more Fed rate hikes beyond the one expected at next week's Federal Open Market Committee meeting. *Complete market coverage by Anastasiya Johnson appears on Page 2.*

## N.Y.'s ESDC Approves \$140M For Mets, Yankees Stadiums

BY ADAM L. CATALDO

New York's Empire State Development Corp. yesterday approved plans to sell \$140 million of personal income tax bonds to cover the state's share of funding for two New York City baseball stadiums for the Mets and the Yankees.

The ESDC action advances plans to build two new ballparks for Major League Baseball's New York Mets, which play in Queens, and the Yankees, which play in the Bronx.

The Mets plan to build a 42,500-seat stadium complex next to its existing Shea Stadium. The Yankees intend to build a 53,000-seat ballpark next to its Yankee Stadium. Last week, the New York City Industrial Development Agency gave its initial approval for a plan to issue nearly \$1.4 billion of tax-

exempt debt for both the Mets and Yankees.

The agency will issue \$632 million for the Mets, with \$528 million of that as tax-exempt and \$104 million as taxable debt. An additional \$930 million of debt will be sold for the Yankees, with \$866 million of that being tax-exempt and \$64 million taxable. The tax-

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Alternative Investments

## Old Paper, New Fans: Muni Dealers Flock to Scripophily

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many issuers began transitioning to electronic bookkeeping in the 1980s, according to **Jim Conmy**, a director of communications at the **Depository Trust & Clearing Corp.** in New York.

Like Kinney, who is now a senior vice president in personal wealth management at **UBS Securities LLC** in Pasadena, many who work in financial securities have become interested in scripophily.

"Getting interested in collecting bonds

in general comes from working in those days when we handled the real thing," said Kinney, who added that he has a "natural affinity" for municipal bonds.

Among the favorites in Kinney's collection is a 1969 Golden Gate Bridge and Highway District bond originally sold for \$1,000 for its lithographic image of the historic San Francisco bridge and bay.

Others are merely attracted to old bonds for their aesthetic or historical value.



St. Joseph Denver City Rail Road Company bond note that was issued July 23, 1866.



A 1969 Golden Gate Bridge and Highway District bond originally sold for \$1,000.

In 1990, **Bob Kerstein** was the chief financial officer of the cellular division of a large wireless telecommunications company when he attended a Civil War trade show and took note of some bonds issued by the Confederacy.

"I remember going to that show and saying to myself what a worthless piece of paper," said Kerstein, who lives in northern Virginia. "But then I looked at it again and said what a neat worthless piece of paper."

"It is kind of scary when you see it in writing and you go: Wow, there really was a Civil War, and they really did have to raise money, and that forces you to dig into it and find out what it was all about," Kerstein said. "I just got hooked from there."

Today, Kerstein owns what he says has become the largest Web-based an-

tique stock and bond selling business.

After AT&T purchased the cell phone company he worked for in 1994, Kerstein became chief information officer for Vancouver, B.C.'s professional hockey and basketball teams, helping them to become the first in their respective leagues to launch sites on the Internet.

In 1996, he purchased the domain name scripophily.com. Kerstein said his experience in Canada was instrumental in helping him to create the Web site.

The advent of the Internet in recent years has made it much easier for scripophiles looking for old securities to find them through Web sites like his.

While municipal bonds represent only a small portion of the antique securities available to scripophiles, they attract quite a bit of interest from buyers on the

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## Alternative

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site, according to the 54-year-old Kerstein.

While there are plenty of people out there looking to buy antique municipals, locating old certificates to keep his Chantilly, Va.-based business stocked is a "labor of love," according to Kerstein.

"I find them every place imaginable," Kerstein said. "We find people going through old archives, file cabinets, turning down homes and warehouses.

"People acquire old buildings and they find boxes in the back that have old bonds in them and because we are so prevalent on the internet, the people do a search for bond certificates and we come up," he added. "I wish there was a wholesaler. It is a long laborious process buying stuff — that is for sure."

Creating a system for authenticating the antique paper is another cause to which Kerstein has dedicated much of his time. He currently serves as the president of the Professional Scripophily Trade Association, which is primarily a group of dealers organized to promote the study and collection of antique stocks and bonds for collectors and researchers, and for the interpretation and preservation of financial history.

"We want to give the customers a group of people who are trusted sellers of the certificates so they are not buying duplicates and," Kerstein said.

Valuing antique municipals is another service that Kerstein offers his clients.

"Many times, companies come to us to see about what these are worth," Kerstein said. "It is naturally based on previous sales, historical significance, the artistic work on the bond," he added. "If it is signed by somebody famous it adds value."

Rarer bonds are often more valuable as well, according to Kerstein. The average cost for antique municipal paper is between \$20 and \$200, and some of the more unique paper can range up to \$1,000, he added. "It just depends on your budget, the rarity of the certificate and what we pay for it."

"Many different types of people buy municipal bonds," he said. "They buy them to decorate their offices. They buy

them as gifts. They buy them because of the historical significance of a particular area.

"Sometimes people buy them and donate them to the local museums ... and sometimes their family name is on the certificate or they had a relative who is affiliated with the bond's associated project," Kerstein added.

**Malcolm Epstein**, a 67-year-old collector who is a second-generation securities broker living in Jefferson City, Mo., only owns one antique municipal bond.

"I bought an older state of Missouri bond from the 1930s because that was when my father was a broker in Jefferson City," said Epstein, who works at **Smith, Moore & Co.** "He knew the governor, who was the signatory on the bond, because it wasn't really a big town in those days," Epstein said. "It is a nice-looking bond on top of that."

However, Epstein said he primarily collects railroad bonds because they have the best lithography. Many collectors are also attracted to municipal bonds for the elaborate and ornate lithographic designs on the old certificates.

Lithography is a printing process that is rarely performed today in which the paper is pressed with an intricate design cut from steel that retains ink in the areas where the image is to be placed while the other areas are treated to repel ink. Four companies historically known for printing high-quality municipal securities were the **American Bank Note Co.** in Pennsylvania, which is still in existence; **Chicago's Northern Bank Note Co.**, which was purchased in 1996 by

**CFC International Inc.**, **Jeffries Banknote Co.** in Los Angeles, and **Hamilton Bank Note Co.** in New York.

"Some of them are unbelievably beautiful," Epstein said. "I don't even know

tedious and time-consuming artisan form."

Other municipal scripophiles like to collect the antiquated paper to honor the issuers that they have worked with during their careers.

**Paul Donna**, a 38-year-old public finance investment banker at **Northland Securities Inc.** in Minneapolis, has purchased 12 antique municipal bonds, all of which originate from mid-western counties and cities that he has worked with over the his 17-year career in public finance.

"It is nice to get some that come from some of your clients that did some bonds a long time ago, and then frame them and put them on the wall," Donna said. "I have one from Lawrence County,

S.D., which is where Deadwood is. ... that is from the late 1800s. It is really cool." □



Photo courtesy of Paul Kinney

This Philadelphia water bond was issued in 1859.

that they could be reproduced anymore. I don't even know if that skill is even still available. It is quite an enormously

## Money Market Funds

### Tax-Exempt Assets Drop for 2d Week in a Row

Assets in tax-exempt money market funds fell for the second straight week, as they lost a net \$690.7 million during the week ended Monday, **iMoneyNet Inc.** reported.

Still, the decline paled in comparison to the \$3.27 billion outflow experienced the previous week.

A \$1.47 billion outflow from institutional funds was responsible for the recent week's loss, as retail funds took in a net \$775 million.

Total assets in the tax-free money market funds stood at \$352.65 billion on Monday.

The funds' weekly average yield rose six basis points to 2.55% during the week, after holding steady the previous week, the Westborough, Mass.-based fund tracker reported.

Assets in taxable money market funds rose \$8.89 billion during the week ended Tuesday. Retail funds had a net inflow of about \$4.77 billion, while institutional funds gained about \$4.11 billion after losing \$4.64 billion during the previous week.

Taxable funds' weekly average yield increased four basis points to 4.01%, after rising two basis points the previous week.

— *Matthew Johnson*

# INVESTORS:

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