

THE BOND BUYER

HJ Sims: Family-Owned Muni Firm Thrives After 80 Years

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Published March 16 2016, 11:28am EDT



William B. Sims, Managing Principal of HJ Sims and son of its founder.

It was 1935. In America, Amelia Earhart became the first person to fly solo from Hawaii to California while the first nighttime Major League Baseball game was played between the Cincinnati Reds and Philadelphia Phillies.

But not all was well.

Across the United States millions of people were out of work during the worst economic crisis the country had ever seen -- the Great Depression. There were no jobs to be had and the U.S. unemployment rate soared to almost 20%. Nearly 5,000 municipalities defaulted on their bonds during the depression.

That year, things looked very bleak indeed for the future of America.

Herbert J. Sims, however, saw an opportunity. The 24 year old, who had gone to work at Leberthal & Co. after graduating from Amherst College two years earlier, was less traditional than his contemporaries. Confident that a more hopeful era was on the horizon, Sims wanted to trade or restructure those bonds that had defaulted in the depression.

So he borrowed money from his mom and started his own firm, HJ Sims, a firm that would become a national player, underwriting and trading municipal securities and raising over \$19 billion for projects throughout the U.S.

Still family owned, the firm today employs over 130 people in offices across the U.S. and Puerto Rico. Headquartered in Fairfield, Conn., it has about \$1.8 billion of assets under management.

At the outset, Sims set about to refinance defaulted bond systems in the Southeast, becoming a middleman between New York insurance companies and issuers down South.

In 1937, the company used high-yield tax-exempt bonds to refinance county roads in Florida. In the 1940s, Sims was approved as a broker-dealer by the Securities and Exchange Commission and the Financial Industry Regulatory Authority. In 1948, the firm underwrote high-yield bonds to finance natural gas systems in Georgia.

Herbert J. Sims remained at the helm of the firm he founded for almost 50 years. He died in 1985.

William B. Sims is now Managing Principal of the firm that bears his dad's name.

After graduating from Yale, Bill Sims worked for Merrill Lynch as a sales liaison and then left to go on to graduate school, first at Stanford University and then back East at New York University, where he got his MBA going to school at night, after joining his father at the firm.

"As part of my graduate work in the 1970s I did a research paper on a theory that my dad had held in the 1930s -- that municipal utility revenue bonds were superior to muni general obligation bonds," he said. "I had to read through lots of Moody's reports and stacks of Bond Buyer's from the '30s. And,

actually, my dad was right: utility revenues were superior to full faith and credit pledges."

Sims said this theory was borne out over the credit crisis in New York City during the 1970s, in the recent Detroit bankruptcy proceedings, and possibly even in Puerto Rico, although the final chapter on that case has yet to be written.

In the 1960s, the firm branched out into hospital issues after passage of the Medicare act. In 1965, the firm underwrote the first municipal bond to finance a long-term care community. By the early 1970s, Merrill Lynch, Salomon Brothers and Eastman Dillon had joined with HJ Sims to finance over \$1.5 billion in hospital issues.

"While my dad was involved with the hospitals, I got into senior living in 1973," Bill Sims said.

In 1980, HJ Sims financed its first continuing care retirement community in Florida and by 1984 long-term care bond issues underwritten by the firm were being bought by bond funds and insurance companies.

While many things have changed over the years, Bill Sims sees some things remaining constant.

"The idea of finding credits and bonds that are undervalued, such as charter schools and senior living, is still the same," he said.

Of course, some things have changed in the high-yield arena.

"In the 1980s, casualty companies were into high-yield bonds. Now high-yield bond funds have mostly replaced them," he said. "Also, the trend toward negotiated from competitive issues seems to be accelerating."

He said his firm has made some changes, too.

"We are now selling a lot of bonds to individuals," he said, adding that "We also do subordinated debt as well as taxables, mostly to accredited investors via private placements."

Looking to today's best areas for investment, he sees good value in senior living, charter schools, energy and public-private partnerships.

The firm also has two subsidiaries, Braintree Capital Partners, which privately manages portfolios of high-yield munis for high net worth individuals, and Sims Mortgage Funding, which originates mortgages loans, insured by the Federal Housing Administration, for healthcare, hospital, senior housing and multi-family rental projects.

Looking ahead to the next 50 years, he sees the firm continuing to increase its sophistication with individual investors and with issuers rated A or below.

Elizabeth "Izzy" Sims, Bill's daughter, joined the firm in 2013, ensuring a smooth transition into the next generation of municipal finance experts.