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## Business Day

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### *Deal Gives Trading Firm a Technology Foothold*

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By ANDREW ROSS SORKIN

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**Broadview International**, the boutique investment bank that specializes in technology mergers, has brokered another deal — this time for itself.

After years of off-again-on-again negotiations with suitors like **Goldman Sachs** and **UBS**, Broadview is planning to announce today that it has agreed to be sold to **Jefferies & Company**, the 40-year-old trading firm that in recent years has sought to transform itself into a full-service Wall Street firm.

Terms of the deal have not been disclosed, but perhaps its most important term is that it may keep Broadview from becoming extinct. The firm has been des-

perately seeking a merger partner or a cash infusion after suffering through the market slump as one of the last privately held independent investment banks focused solely on technology companies.

“Every discussion until this one, there was contention among the partners,” Paul F. Deninger, Broadview’s chairman and chief executive, said yesterday. “The deal that got done is the right one.”

The transaction is the latest expansion for Jefferies, which is run by a cadre of former Drexel Burnham Lambert employees who have been aggressively building the firm’s investment banking practice through acquisitions and a talent raid of big Wall Street firms during the market’s slump. For example, Jefferies hired more than 20 bankers from Robertson Stephens

after it collapsed in July 2002.

In particular, Jefferies, which was once based in Los Angeles, has focused on building a business around what Wall Street describes as the “middle market” — deals worth \$1 billion or less, which in normal times would be passed over by the likes of Morgan Stanley and J. P. Morgan.

“If we’re going to be a leader in the middle market, we needed a technology solution,” said Richard B. Handler, the chairman and chief executive of Jefferies.

Sandy Robertson, a founder of Robertson Stephens, which along with Hambrecht & Quist, Montgomery Securities and Alex. Brown was among the Four Horsemen firms in California devoted to technology

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# *A Trading Firm Gains A Foothold in Technology*

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deals, said: "There is a hole in the marketplace where the Four Horsemen have gone. Jefferies has a chance to fill it. They always had great trading and great distribution. Now they got the whole puzzle."

Mr. Handler, a former Drexel banker himself, has been overseeing the firm's expansion into investment banking and its specific focus on industries like aerospace and military, business services, health care, media and, now, technology.

Last year, Jefferies acquired Quarterdeck Investment Partners, a boutique investment bank that has ties to aerospace and military industries. The firm has gone on a hiring spree, recruiting bankers like Raymond Minella, a former Merrill Lynch executive who advised Kohlberg Kravis Roberts & Company on its acquisition of RJR Nabisco.

Jefferies's investment banking business has steadily risen over the last several years, growing to \$140 million in revenue last year from \$90 million in 2000.

Indeed, the investment banking business is seen as the cornerstone of the firm's growth potential. "We see the greatest growth opportunity for JEF in investment banking as the capital markets continue to improve," Colin Clark, an analyst at Merrill Lynch, wrote in a note to investors this fall referring to Jefferies by its ticker symbol.

Mr. Deninger of Broadview, which is based in Fort Lee, N.J., and has offices in Silicon Valley, Boston and London, said he chose to sell to Jefferies over any other bank because "most of the banks wanted to turn us into something we weren't," referring to other suitors' plans to refocus

the group on bigger clients like Intel instead of smaller emerging companies. "Jefferies loved us for who we are rather than who we could be."

Mr. Handler said that he had "kicked the tires" of several possible acquisition targets in recent years but decided on Broadview because of "their desire to build in partnership rather than just cash out." He said that while "we're not calling the technology bottom by doing this deal," he said he did feel that the technology market was picking up.

More important, he said, smaller growth companies and their venture capital investors have largely been underserved. "No one is claiming that space," he said. "Those clients are screaming out for us."

Indeed, Bill Ford, a partner at the private equity firm General Atlantic Partners, said that there was a void among banks in the representation of certain "segments of the technology industry."

In mergers and acquisitions, the number of transactions completed by Jefferies and Broadview, in total, would rank ninth among all financial advisers for the first 10 months of 2003, according to Mergerstat.

Over the last five years, Broadview, which has 150 employees, has completed 321 mergers and acquisitions transactions worth a total of \$54.3 billion, including 96 transactions among publicly traded companies.

Among its coups was the sale of the chip maker Burr-Brown to Texas Instruments for more than \$7.6 billion in June 2000.

Mr. Deninger acknowledged that just staying alive had been difficult for the last couple of years. "It's been hard," he said. Of course, he added, "If you like mountain climbing, it can be fun."