

# CCA ITEMS OF INTEREST

November 2010

We are in the business of sharing information and knowledge. We hope that you will find a few items of value in this brief missive. Right click your mouse to open the underlying hyperlinks.

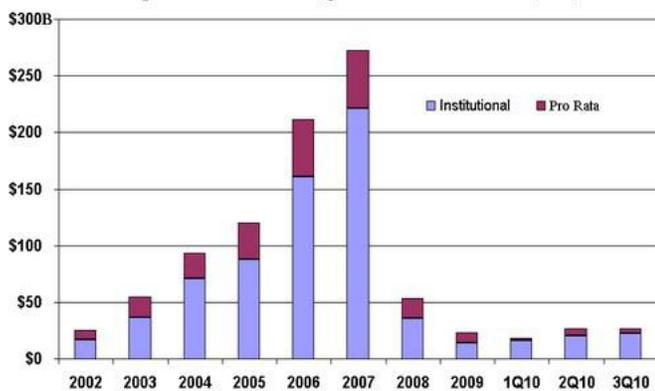
SELECTED METRICS								
	Index or Yield <sup>1</sup>	Net Change <sup>1</sup>				Year to Date	Last Year YTD	Source
		Last Qtr.	Qtr. Ave.	1 Yr. Ago				
S&P 500	1183.26	7.41%	5.05%	14.19%	Worldwide M&A Volume <sup>4</sup>	\$2,019.4B	+21%	Thomson Reuters
MSCI World Index	1616.41	9.59%	5.45%	5.46%	Venture capital funding <sup>5</sup>	\$16.7B	+30%	PWC MoneyTree Report
3-month LIBOR <sup>2</sup>	0.2888%	-17BP	-3BP	+1BP	Worldwide IPOs <sup>4</sup>	\$207.3B	+151%	Thomson Reuters
10-year U.S. Treasury <sup>3</sup>	2.63%	-31BP	No Δ	-78BP	Worldwide debt offerings <sup>4</sup>	\$4,628.9	-10%	Thomson Reuters
Moody's Aaa bonds <sup>3</sup>	4.75%	+5BP	+19BP	-78BP	PIPE financings <sup>5</sup>	\$23.5B	-32%	PrivateRaise
Moody's Baa bonds <sup>3</sup>	5.78%	-7BP	+10BP	-49B	Business bankruptcy filings <sup>5</sup>	43,106	-5%	Amer. Bankruptcy Institute

<sup>1</sup>As of or for the period ended 10/29/10    <sup>2</sup>The Wall Street Journal    <sup>3</sup>Federal Reserve Board    <sup>4</sup>YTD 11/11/10    <sup>5</sup>YTD 9/30/10    <sup>6</sup>YTD 10/31/10    <sup>6</sup>YTD 11/11/10 vs. 2009

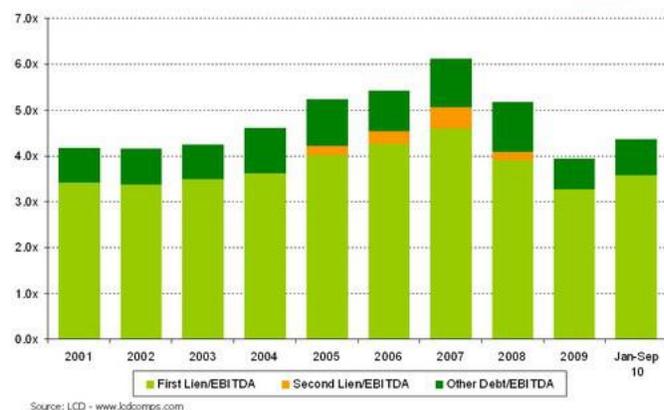
## Mergers & Acquisitions

- LBO loan volume remains low, as well as amounts of leverage acceptable to lenders, compared to the frothy levels that reached a peak during 2007. EBITDA capitalization multiples may seem comparable or even high compared to those seen in recent years because, in many cases, they are calculated in relation to depressed levels of EBITDA. Some LBO sponsors may be willing to pay higher multiples because of lower required rates of return and/or higher earnings growth expectations.

Sponsored Leveraged Loan Volume (US)



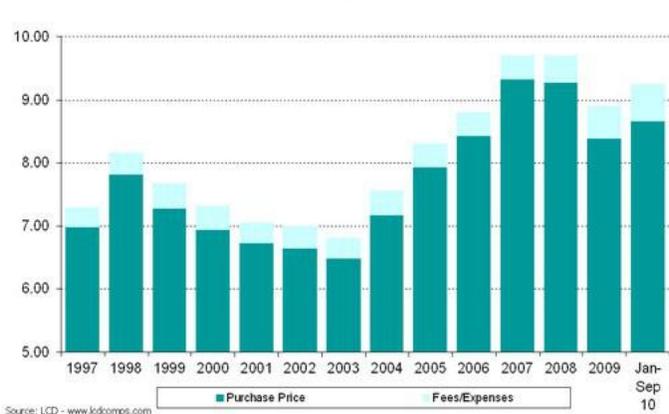
Annual Pro Forma Debt/EBITDA Ratios of LBOs



Avg. Equity Contribution to LBOs



Avg. LBO Purchase Price as Multiple of Pro Forma Trailing EBITDA



### Private Equity

- Since inception IRRs through 12/31/09 of buyout funds vintage years 1995 through 1999:
  - 1<sup>st</sup> quartile 19.7%      2<sup>nd</sup> quartile 9.0%      3<sup>rd</sup> quartile 0.6%
  - These funds should have run the full cycle, with substantially all of their portfolio companies achieving whatever exit strategy is attainable
  - Lack of high correlation of returns is justification by PE managers of rationale for carried interest
  - [http://www.preqin.com/docs/samples/2010\\_Preqin\\_Performance\\_Monitor\\_Sample\\_Pages.pdf?rnd=1](http://www.preqin.com/docs/samples/2010_Preqin_Performance_Monitor_Sample_Pages.pdf?rnd=1)
- Second quarter results for the State Street Private Equity Index, released on 10/22/10, are summarized below:

STATE STREET PRIVATE EQUITY INDEX AS OF JUNE 30, 2010			
Strategy	Number of Funds	Commitments (\$Billion US)	Since Inception IRR
Buyout	849	\$1,191.5	11.42%
Venture capital	793	256.6	8.71%
Mezzanine and distressed	217	201.1	11.17%
Total	1,859	1,649.2	10.96%
U.S.	1,510	1,238.3	11.18%
Europe	205	317.3	12.13%
Rest of the world	144	93.6	3.32%

### Business Financing

- SBA Growth Capital Program provided a record level of \$1.59B in financing during fiscal 2010
  - 21 new SBIC licenses were issued during fiscal 2010—a 130% increase over the previous 4-year average
  - [http://www.sba.gov/idc/groups/public/documents/sba\\_homepage/news\\_release\\_10-60.pdf](http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_release_10-60.pdf)

### Pink Sheets to Change Color

- It is anticipated that by early next year the largest marketplace for U.S. equities will be rebranded, with its name expected to be changed from Pink OTC Markets Inc. to OTC Market Groups Inc.
  - Over 80% of market maker quotes in OTC securities are published on the Pink OTC Markets platform, vs. 20% on the OTCBB™
- What are the differences between the OTCQX®, OTCQB™, Pink Sheets®, and OTC Bulletin Board?

OTC MARKET COMPARISON				
	Pink OTC Markets			OTC Bulletin Board
				
# of securities	105	3,815	5,416	53 (quoted on OTCBB only)
Quality control listing process?	✓	✗	✗	✗
Shells & financially troubled companies permitted?	✗	✓	✓	✓
Reporting standards	SEC, IFRS, or alternative	SEC	SEC, IFRS, or alternative	SEC
Electronic trading platform?	✓	✓	✓	✗
FINRA regulates trading?	✓	✓	✓	✓
Market maker quotes	49,712			10,555

Source: Pink OTC Markets Inc.; data as of 4/5/10

- Learn more about the basic flavors of the OTC market at <http://www.otcmarkets.com/otcqb/learn/otc-market-tiers>

**NASDAQ Overview****NASDAQ INITIAL LISTING COMPARISON**

	<b>Global Select Market</b>	<b>Global Market</b>	<b>Capital Market</b>
# of companies	1,374	1,047	492
Financial requirements	4 alternative standards based on pre-tax earnings, cash flows, market capitalization, revenues, and/or total assets	4 less stringent alternative standards (vs. Global Select Market) based on pretax income from continuing operations, stockholders' equity, market capitalization of listed securities and/or total assets	3 less stringent alternative stds. (vs. Global Mkt.) based on stockholders' equity, market capitalization of public stock, operating history, market value of listed securities, and/or net income from continuing operations
Bid Price	\$4/share	\$4/share	\$4/share
Publicly held shares	1,250,000	1,100,000	1,000,000
Round lot shareholders	450 or 2,200, depending on above	400	300
MV of public shares	\$45,000,000	\$8 - \$20MM, depending on above	\$5 - \$15MM, depending on above
Market makers	3 or 4, depending on above	3 or 4, depending on above	3
Corporate governance	Yes	Yes	Yes
<a href="http://www.nasdaq.com/about/nasdaq_listing_req_fees.pdf">http://www.nasdaq.com/about/nasdaq_listing_req_fees.pdf</a>			

**Financial Reporting**

- The timetable for convergence between U.S. GAAP and IFRS continues to be pushed back to 2014 or 2015—perhaps [http://www.cpa2biz.com/Content/media/PRODUCER\\_CONTENT/Newsletters/Articles\\_2010/CPA/Oct/IFRS\\_US.jsp](http://www.cpa2biz.com/Content/media/PRODUCER_CONTENT/Newsletters/Articles_2010/CPA/Oct/IFRS_US.jsp)
- IFRS FAQs [http://www.ifrs.com/ifrs\\_faqs.html#q19](http://www.ifrs.com/ifrs_faqs.html#q19)
- Learn more than most people would care to know about the similarities and differences between U.S. GAAP and IFRS in the 244-page publication by PWC that you can download at <http://www.pwc.com/us/en/issues/ifrs-reporting/publications/ifrs-and-us-gaap-similarities-and-differences-september-2010.jhtml>

**Professional Fees**

- The Bankruptcy Reform Act of 1978 was intended to facilitate the rehabilitation, rather than liquidation, of bankrupt companies by, among other things, enabling them to retain the professionals needed to assist in the process. By allowing firms to charge rates commensurate with those charged for comparable services outside the bankruptcy settings, bankruptcy ceased to be the backwaters of the legal and accounting professions. The full disclosure required in bankruptcy fee application provides a means for assessing the going rate for professional services. Perusal of recent fee applications by major law firms and Big Four accounting firms in the Southern District of New York revealed the following:

<b>RANGE OF HOURLY RATES IN A SAMPLE OF RECENT BANKRUPTCY CASES</b>					
<b>Attorneys</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Accountants</b>	<b>Minimum</b>	<b>Maximum</b>
Paraprofessionals	\$105	\$320	Paraprofessionals	\$75	\$125
Associates	\$275	\$750	Staff & senior accountants	\$155	\$460
Partners	\$485	\$960	Managers & senior managers	\$285	\$700
			Partners & principals	\$388	\$820

*Source: bankruptcy fee applications*

- Hourly charges can certainly add up. Professional fees on the Lehman Brothers case have topped the \$1 billion mark through September 2010. Is that excessive? By some benchmarks it is not. The company reported assets of \$639 billion—roughly 6 times that of WorldCom and 10 times that of Enron. Who has received the most fees to date?

<b>FEES IN THE LEHMAN BROTHERS CASE THROUGH SEPTEMBER 2010</b>		
<b>Firm</b>	<b>Fees Received</b>	<b>Activity</b>
Alvarez & Marsal LLC	\$356.4 million	Restructuring adviser
Weil, Gotshal & Manges LLP	\$237.0 million	Lehman bankruptcy counsel
Milbank, Tweed, Hadley & McCloy LLP	\$71.2 million	Attorneys to official committee of unsecured creditors
Jenner & Block LLP	\$57.8 million	Court-appointed examiner
Jones Day	\$38.3 million	Litigation counsel

*Source: The New York Times*

## Litigation

- Federal securities law class action litigation fell to its lowest semi-annual level since the first half of 2007  
[http://www.cornerstone.com/files/Publication/a4e3e805-e0c7-4c6f-9f1c-3cee924a6b19/Presentation/PublicationAttachment/28990788-04f9-4ffd-938f-419be91146b6/Cornerstone\\_Research\\_Filings\\_2010\\_Mid\\_Year\\_Assessment.pdf](http://www.cornerstone.com/files/Publication/a4e3e805-e0c7-4c6f-9f1c-3cee924a6b19/Presentation/PublicationAttachment/28990788-04f9-4ffd-938f-419be91146b6/Cornerstone_Research_Filings_2010_Mid_Year_Assessment.pdf)

## Articles

- “The Cost of Going Public Within the United States” <http://www.stockexchangelistings.com/2010/09/the-cost-of-going-public-within-the-united-states/>
- “Shopping Used Private Equity” [http://money.cnn.com/2010/08/06/pf/private\\_equity\\_drean.fortune/index.htm](http://money.cnn.com/2010/08/06/pf/private_equity_drean.fortune/index.htm)
- Are Fairness Opinions Really Fair? <http://69.175.2.130/~finman/Publications/JAF/2009/Shaked.pdf>
- “The Impact of the Crisis on . . . Investment Banking Fees” <http://www.efinancialnews.com/story/2010-09-16/the-impact-of-the-crisis-on-investment-banking-fees>
- For your kids: “Best Jobs in America” <http://money.cnn.com/magazines/moneymag/bestjobs/2010/>
- For you (if the kids ever get off your payroll): “Retirement Calculator” <http://moneycentral.msn.com/retire/planner.aspx>
- Have fun estimating your life expectancy with the Life Expectancy Game <http://www.northwesternmutual.com/learning-center/the-longevity-game.aspx>

## Upcoming Seminars

- R. G. Quintero & Co. CFA Review:
  - Weekday, weekend, and intensive-review CFA examination prep courses for Levels I, II, and III
  - Midtown Manhattan and Stamford, Connecticut beginning January 2011 (July 2011 for the December CFA Exam)
- Offered at various dates throughout the United States through Center for Professional Education, Inc., (800) 544-1114:
  - Business Combinations & Consolidations (emphasis on applying FASB 141R and 142)
  - Due Diligence: Steps to Securing a Good Deal
  - Fair Value Accounting: Impact of FAS 157 and Beyond
  - Fair Value Accounting: Valuation Techniques
  - Financial Restructuring & Bankruptcy
  - Mergers & Acquisitions: A Current Guide to Deal-Making
  - Stock-Based Compensation (FASB 123R)
- In-house programs, offered at leading financial institutions, CPA firms, and law firms:
  - Fair Value Accounting Applications for Private Equity Firms
  - Financial Restructuring
  - What Attorneys Should Glean from Financial Statements
  - Call us at (212) 327-0200 for further information or visit <http://www.rgquintero.com/5873.html> to see a list of our most frequent course offerings

## Our Services

- Chartered Capital Advisers:
  - Valuations of businesses, intangible assets, goodwill, stock options, and other financial instruments
  - Transaction advisory services and fairness opinions
  - Litigation-support services
- R. G. Quintero & Co.:
  - Bankruptcy, insolvency & financial restructuring services
  - Forensic accounting
  - Litigation-support services
  - Financial training

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## Postscript

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