



DIVIDEND QUARTERLY

Nicholas Center Chosen As First Partner School for Turnaround Professional Program

The Turnaround Management Association (TMA) selected the Nicholas Center for Corporate Finance and Investment Banking to be its inaugural Certified Turnaround Professional (CTP) Partner School. The CTP Partner School is a new concept that focuses on acknowledging and supporting the development of university-based curricula in the area of corporate renewal and turnaround management.

TMA (www.turnaround.org) is an international nonprofit association dedicated to corporate renewal and turnaround management. The 8,000-plus members are a professional community of turnaround and corporate renewal professionals who share a common interest in strengthening the economy through the restoration of corporate value. TMA introduced the Certified Turnaround Professional (CTP) designation in 1993 to provide comprehensive training for professional turnaround managers and to create an objective measure of the experience, knowledge and integrity that is necessary to conduct corporate renewal work. Recognition as the first CTP Partner School in the nation indicates to potential students and employers that the Nicholas Center curriculum is closely associated with the CTP's own professional Body of Knowledge. The CTP's Body of Knowledge provides a comprehensive outline of subject matter and topical content areas that all professionals practicing corporate renewal and turnaround management are expected to master.

(continued on page 3)

WHAT'S INSIDE?

Nicholas News	2
Meeting Warren Buffet	3
Spring Semester Projects	4-5
Summer Internship Map	6-7



Journey to Berkshire Hathaway's Shareholder Meeting with Warren Buffet

(See article, page 3)

Mission of the Nicholas Center

To offer students an opportunity to work directly on a variety of real-world corporate finance problems

To help students develop their leadership, negotiation, presentation, problem solving, communication and teamwork skills through critical analysis of corporate finance problems

To teach students how to apply technical and theoretical finance tools and concepts to analyze unstructured problems, improve decision-making and develop recommendations based upon their assessment of alternative courses of action

Nicholas Center NEWS

Special Thanks

For their generous monetary contribution to the Nicholas Center:



Bill Keitel



Nick Rauer

QUALCOMM
Samuel Luo
Sachin Tulyani
Bill Keitel
Michael Kenworthy
Necati Kocaman
MediaFLO USA
Nick Rauer

Alumnus **Jared Rodriguez** for sponsoring our first project with Advent Morro.

Alumnus **Tim Yarbrough** for hosting us in San Diego during our project presentation to QUALCOMM.

Alumnus **Scott Peck** for hosting an informal gathering and information session prior to HP interviews.

Debbie Schoonover and alumnus **Rachel Nielsen** for hosting an informal gathering prior to Best Buy interviews.

Congratulations to:



Supriya Amar and her husband Naveen Pruthi proudly announce the arrival of their baby son, Krish Pruthi, who was born on Tuesday, December 4. He weighed 7 lbs 13 oz and measured 20 inches.



Ben Morales - On his new position with United Health Group.

Executives in Residence

Ben Morales
Mike Leske
Kevan Wooden

Tim Krause
Barb Bolens

UPCOMING EVENTS

Name Change - Please take note that we have officially changed our name from the Nicholas Center for Applied Corporate Finance to the Nicholas Center for Corporate Finance and Investment Banking

Friday, September 19, 2008 – Annual GBA Golf Outing

Thursday, October 23, 2008 – Nicholas Center Board of Advisors Meeting & Alumni Reunion

Friday, October 24, 2008 – Nicholas Center Board of Advisors Meeting & Alumni Reunion

Saturday, October 25, 2008 - Homecoming

First Partner School for Turnaround Professional Program

(continued from page 1)

Through the successful fulfillment of rigorous course requirements and advanced classes from both the Wisconsin School of Business and the UW-Madison Law School, as well as the TMA Certification Review sessions, Nicholas Center students are prepared to sit for the three examinations that are required as part of the certification process. Once students pass all three exams and provide recommendations from three professional peers, they become a CTP-Designate (CTP-D). CTP-D is an interim step to obtaining full certification for those who do not yet meet the management or work experience requirement for full certification as a CTP.

As a CTP Partner School, students in the Nicholas Center for Corporate Finance and Investment Banking gain detailed knowledge of the turnaround profession by researching and writing cases specific to the turnaround industry. In some situations, the cases and research completed by the students can be developed into papers submitted to the TMA's annual Carl Marx Student Paper Competition. "Being named the first CTP Program Partner gives testimony to the renowned research and instruction in corporate restructuring led by the Nicholas Center's Academic Director, Jim Seward. We are preparing our graduates to lead in healthy and unhealthy business environments. There is a lot to be learned from analyzing companies in financial distress and bankruptcy," said Michael Knetter, dean of the Wisconsin School of Business.

Nicholas Center students Rodney Behm, Chad Heyda and David Nied began the certification process by completing the three-day CTP review session last month at the Fluno Center in Madison.



Shareholder Meeting with Warren Buffet

(continued from page 1)

by Andy Bruno (Nicholas 2009)

Our adventure to Berkshire Hathaway's annual shareholder meeting began with a seven hour car ride through the rolling hills of the Midwest, arriving in Omaha, Nebraska on Friday afternoon. The car was filled with eager Wisconsin MBA students thrilled to have the opportunity to listen to arguably the two greatest value investors of our time.

Friday night consisted of eating at Gorats, which is a popular steakhouse often frequented by Warren Buffet. Luckily we made a reservation in advance, otherwise there was no chance we would have been seated. The place was packed with people who would be attending the shareholder meeting the next day.

Saturday morning was the shareholder meeting, held at the Qwest Center. We woke up early to get in line, hoping to grab decent seats among the 30,000 plus who were expected to attend. Arriving at the Qwest Center at 6:00am with the doors opening at 7:00am, we found

ourselves not first in line, nor were we the last. We were in the middle of a long line that curled around the outside of the stadium. Fortunately, another student had awoken at the crack of dawn and was at the front of the line, which resulted in our Wisconsin MBA group sitting on the floor about 25 rows from the "Legend of Omaha."

I would recommend individuals who have a passion for valuation to attend this shareholder meeting. It was very educational, while very entertaining. Warren Buffet and Charlie Munger answered all the audience's questions, incorporating jokes to keep the audience entertained. In response to one question, Buffet did mention that the most important class MBAs could take was Valuation, which is one of the favorite classes in the Nicholas Center curriculum.

We ended the exciting day with dinner in the Old Market District of Omaha, which was a great way for all of us to end an eventful and memorable weekend.

Quick Links

Calendar

www.bus.wisc.edu/nicholascenter/events/

Nicholas Center Students

www.bus.wisc.edu/nicholascenter/prospective/MeettheStudents.asp

Latest News Links

www.bus.wisc.edu/nicholascenter/events/LatestNews.asp

Each academic year, Nicholas Center teams work on 12 to 16 consulting engagements. Engagements run for approximately seven to eight weeks.

Spring Semester Projects



Brady Corporation creates identification solutions for customers to comply with regulations, improve communication and enhance security. They requested that the Nicholas Center review their valuation model. Brady had used it in the same form for quite some time with only minor modifications. As a part of this review, they wanted an in-depth review of their cost of capital. Specifically, they wanted to know when and where they should use different cost of capital calculations with a proposal on how to implement changes to the cost of capital. In addition, they wanted to know what the cost of capital was for their competition. After getting this basic information regarding the model, the Nicholas Center students were to make recommendations for changes to the dividend policy, share repurchases, acquisitions, and capital investment policy. Finally, they wanted a calculation of the implicit earnings growth rate built into the market valuation.

Andrea Atehortua and her team first attacked the cost of capital calculation by looking at the cost of equity and Beta values for Brady Corporation. The team found a couple of useful items during this phase of the project. For example, recommendations regarding enhanced treatment of exchange rate risk and comparable acquisition analysis were suggested. The results of the project were presented to the CFO and Treasurer of Brady. The model the team developed will help Brady account for these risks in future acquisitions.



Plexus Corporation creates solutions to customer problems in the Electronic Manufacturing Services industry. They support a variety of market sectors with complex high-tech products for major technology companies. They came to the Nicholas Center for help in determining the cost of capital for overseas acquisitions. Particularly, they were concerned about an acquisition where there is a large difference in the cost of capital between the two companies. Additionally, they wanted the Nicholas Center to determine the cost of capital for acquisitions in developed and developing countries.

Tim Duanmu laid out the strategy for uncovering the answers Plexus desired. First, the team calculated and reconfirmed the domestic cost of capital that Plexus was using. Next, they calculated the cost of capital in Germany, representing a developed country in the team's model, and the

cost of capital in a developing country, Malaysia. The model they developed accounted for exchange rates, inflation, and the stock exchanges in foreign countries. The team utilized a wide breadth of contacts to gather the necessary information, from an alumnus in an investment bank in New York, to personal friends in Turkey. They presented their final results to the CFO, CTO, Controller, and the treasury department.



National Financial Realty, Inc. Contributory Partnership is a highly complex structure that required a detailed analysis of its impact to corporations' financial statements. They required a review of the accounting rules that applied to a partnership and any regulatory issues involved. As part of the analysis, an Excel template was created to tie the income statement to the balance sheet and finally to the statement of cash flows. Lastly, the team provided an analysis of the ROE/ROA for presenting to a Big Four accounting firm.

Scott Davis and his team first took a step back to question what the key aspects of the problem were. They determined that the big picture of National Financial Realty's dilemma involved the formation of partnerships, tax law, and banking. They then had to research the necessary tax codes and regulations. As part of the research, they contacted the CFO of Johnson Bank, the State of Wisconsin Division of Banking, and multiple Wisconsin professors with specialties in tax code and banking. Through the process, they learned a great deal about the banking environment and the regulations involved in the industry. In the end, the recommendation given to National Financial Realty was not favorable. The team found many regulatory issues the partnership had to address and saved them a great deal of time, research, and money.



Advent-Morro Equity Partners is an equity firm in Puerto Rico with \$110 million in capital under management in three funds. The firm has a joint venture with Advent International Corporation based out of Boston. Advent-Morro believes that the U.S. Hispanic markets continue to have viable private equity investment opportunities. They came to the Nicholas Center looking for validation that there are potential opportunities in areas such as healthcare, technology, financial services and consumer goods.

The project had two stages to complete. First, the team needed to research background information in the private investment trends in U.S. Hispanic businesses, to identify other private equity firms that compete in this space, to study exit and investment strategies for these firms, and to report on considerations for management team, market opportunity and financial considerations. In the second stage, the team had to recommend businesses in which to invest, report on the growth prospects, define specific industries, and identify exit strategies, potential returns and legal and regulatory limitations.

John Wakefield and his team started with a basic understanding of demographics in the U.S. They used the U.S. Census from 2002 to find geographies and industries that have high Hispanic interest. After finding this key information, they used the Top 500 Hispanic Business list to identify attractive targets. These targets had a combination of high-growth potential in high-growth industries, Mexican management, and strong revenue and EBITA results. The team recommended four companies in different industries; Centinel Bank of Taos, David Montoya Construction Inc., Prime Choice Foods Inc., and Mercom, an IT company.



Calavo Growers, a public company trading on Nasdaq, was originally founded in 1924, when a group of grower-hobbyists banded together to form the California Avocado Growers Exchange. Nearly 84 years later, Calavo is the leading packer, grower and shipper of fresh avocados and related food products in the United States and worldwide.

Calavo requested that the Nicholas Center analyze a potential Chilean acquisition target. The team specifically looked at:

1. The Cost of Capital of Calavo and the potential target
2. The value of a 50% stake in the target company
3. How Calavo should pay for the acquisition, stock or debt
4. If this deal would add value for shareholders
5. How to best integrate the target into Calavo
6. Our view of some sort of performance feature, since Calavo believes a significant amount of the value is dependent on their forecast of future years' earnings.

The team was confronted with the more complicated issues of M&A, specifically the cyclical industry of produce growers and acquiring a private company from an emerging country.



Enstar is a publicly held insurance company based in Bermuda. The company acquires and manages insurance and reinsurance companies in "run-off," and provides management consulting and other services to the insurance and reinsurance industry. The company primarily focuses on the financial services industry in a global market which would complement its operating businesses, investigating opportunities in the United States and worldwide.

Enstar requested that Nicholas analyze a wide range of capital forms that the company could potentially raise to prepare itself for future acquisitions. The selected form of capital needed to be of a certain minimum amount, and must fit the following criteria:

- Avoid current shareholder dilution
- Ability to retire the capital in the short-term
- Minimize risk to Enstar
- Minimize the public investor relations burden
- Minimize or eliminate negative effects on stock price



Mason Wells is a leading lower middle-market private equity firm. Based in Milwaukee, Wis., the firm was founded in 1982 as part of the Marshall & Ilsley Corporation and became an independent firm in 1998. Mason Wells currently manages approximately \$500 million of capital and looks to invest in family-owned, privately-held companies or corporate divisions with headquarters in the Midwestern U.S. Mason Wells focuses on companies with \$25 - \$250 million in sales and \$5 - \$30 million of EBITDA, with an industry focus on the engineered products and services; specialty packaging and paper; and outsourced business services sectors. A key component in every Mason Wells investment is gaining economic and voting control. In most instances, Mason Wells looks to partner with the existing management team to continue to operate the business post-acquisition.



Mason Wells asked the Nicholas Center to develop a list of potential acquisition targets within the analytical instruments and services sector. Mason Wells considers this sector to be attractive and growing because of high R&D intensity and low competitive import susceptibility. Such acquisitions are believed to provide the firm with high gross and EBITDA margins with low capital expenditures. The Nicholas team provided investment risks and rewards as part of an overall investment thesis. Finally, the team identified several macro trends and drivers, both positive and negative, for the Mason Wells team to consider while investing in this sector.

Summer Internships

Kevin Urbani, Hewlett-Packard

My summer internship was in the Imaging and Printing Group (IPG) at Hewlett-Packard in Boise, ID. I had two projects over the summer. My primary project was on the Finance Strategy and Transformation team. On this team, I was responsible for finalizing the data collection template, maintaining the database for the team and analyzing the data for potential areas to improve IPG. This task required me to contact finance department vice presidents from around the world to learn about their departments and uncover opportunities for improvements. I now have a broad understanding about the role of finance at HP.

My other assignment was to generate reports for the month-end close. These reports provided a concise picture of the previous month's actual performance and a forward look at the rest of the fiscal year. As situations arose, I had opportunities to correct problems to the reports and to increase the usefulness to the end users, the IPG Financial Planning and Analysis team. I experienced the integral role of finance in planning future performance for the company.



Kevin Urbani
Hewlett-Packard

Andy Bruno, FT Partners

I interned in San Francisco as a Summer Associate for Financial Technology Partners, an investment banking firm specializing in the financial technology sector. The firm did an excellent job incorporating me into their day-to-day business, which included staffing me on multiple deals and involving me in the business development side of their investment banking practice.

I worked on several live deals, as well as a few "pitches" for new businesses. Deals were primarily sell-side M&A advisory and capital raises. I had the responsibilities of a full-time associate, which includes financial modeling, drafting of pitch books, and more.

The summer has been an excellent experience, both personally and professionally. I look forward to the remainder of my internship where I will continue to learn and build on my knowledge of both the investment banking industry and financial technology sector.



Deanna Olson
Best Buy

Deanna Olson, Best Buy

During my 12-week internship with Best Buy, I was able to really get a feel for what a Senior Financial Analyst does on a day-to-day basis. My position was in the Properties Group, supporting the Real Estate team. My work was focused on helping the team to decide which possible locations for new stores would add the most value to Best Buy.

I completed many projects and ad hoc requests during the summer, but there were three major initiatives I was able to support during my time with the company. In the New Store Opening Audit, I helped my team review new stores opened during Best Buy's 2007 fiscal year to determine if they had performed as our model predicted in terms of revenues and expenses. With this information in hand, I helped the team to determine what changes should be made in the predictive modeling process going forward so that they have a more accurate forecast for the profitability of new stores. This will help the team to be

more accurate in their assessment of possible new store locations. A second project I worked on was helping the Environmental Affairs team assess the financial impact of rolling out Best Buy's consumer electronics recycling program nationwide.

Finally, as part of the Summer Interns project, my team and I helped Best Buy create its own Eco-Labeling program to inform consumers about how Best Buy is going green, about Best Buy's consumer electronics recycling program, and to better educate the consumer so that they can determine which products they buy are most energy efficient when they are shopping our stores. I have really enjoyed my time at Best Buy. The people I met were smart, helpful, patient, and dedicated to doing great work for the company. The company's culture was relaxed and fun, and the internship program is well-organized and well-respected within the firm. I would highly recommend an internship at Best Buy to any student.



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