



NICHOLAS CENTER FOR APPLIED CORPORATE FINANCE

DIVIDEND QUARTERLY

Current Student Robert
Trainer Interviews ACFIN
Board Member Doug Baird
Co-Head of Equity Capital Markets Banc of America

Can you tell us a little bit about your background and the progression from Dartmouth to Deutsche Bank?

When I got out of Dartmouth after completing my undergraduate degree in the mid 1980s, I took an investment banking job with Merrill Lynch in New York. I spent a couple of years in New York and spent a third year in London. It was around the time when London's financial markets were deregulated, so it was the beginning of what have become huge financial markets in Europe, and in London in particular. After that, I went back to Dartmouth for business school.

Were you in grad school in 1987?

I started in 1987, the year of the market meltdown. The signs of the recession were finally realized in 1990, therefore most of the people who graduated from MBA programs in 1989 and 1990 went to Wall Street and were downsized when the industry started its decline. Luckily enough, I took a job at a smaller firm called Alex Brown and Sons. After some M & A and corporate finance work, my time there was spent helping to build an equity capital markets desk at Alex Brown for growth companies. Alex Brown focused

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Mission of ACFIN

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

ACFIN NEWS

Special Thanks



Matthew Condon

Matthew Condon, ACFIN 2006,
for his generous gift to ACFIN

GE for its matching gift to ACFIN

Procter & Gamble for its
matching gift to ACFIN

Dilek Gurel, ACFIN 2006,
for her generous gift to
ACFIN

(Right) Dilek Gurel



Congratulations to:



Pablo Rieckhof, ACFIN 2005, for his new position as Senior Director at ACCION International, a leading worldwide non-profit organization in the microfinance industry.

Tom Heath for his new position as Managing Director- Financial Institutions Group, UBS Investment Bank, New York, NY.

UPCOMING EVENTS

ACFIN Board of Advisors/Alumni Reception & Meeting
Friday, November 2, 2007

Jingle Bell Run/Walk for the Arthritis Foundation
Saturday, December 8, 2007

Quick Links

ACFIN Calendar

www.bus.wisc.edu/acfin/events/

First-Year ACFIN Students

www.bus.wisc.edu/acfin/events/NewAdmits.asp

Latest News Links

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

About the Nicholas Center

www.bus.wisc.edu/acfin/about/

New Admit Weekend

by Rachele Roesler

On April 17, new Wisconsin MBA admits – the future class of 2009 – were welcomed to Madison during the New Admit Weekend sponsored by the Wisconsin MBA program office. Three ACFIN students joined the 30 new students and spouses who attended the weekend events. Armah Ngafua, Kevin Urbani, and Andrew Bruno joined their future classmates for an activity-packed weekend.

The weekend provided a taste of what life will be like for them over the next two years and included attending classes, time to meet and socialize with current students, tours of campus and Madison, the MBA art showcase, the MBA spring ball, a reception with the keynote speaker, a Badger Football scrimmage, and much more. Also included in the weekend was the opportunity to learn about the new admits' career specialization. Ngafua, Urbani, and Bruno joined current first-year ACFIN students for the Bagels & Finance session, "Current Perspectives on the Equity Markets," co-hosted by ACFIN Board member Doug Baird, Co-Head of Equity Capital Markets at Banc of America, and Professor Seward. This session provided not only valuable information on the Equity Capital Markets, but special insight into unique opportunities available for second-year ACFIN students.

We look forward to learning more about the ACFIN class of 2009 and their fellow Wisconsin MBA classmates. For more information about the New Admit Weekend, please visit the website: <http://www.bus.wisc.edu/mba/newad/>.

Interview with Doug Bard *(continued from page 1)*

on growth banking, primarily for growth companies of which the capital appetite is primarily equity. Since the 1990s was an era of equity formation and equity revaluations, I was at the right position at the right firm in the right market at the right time. It was really a spectacular professional experience.

How big was the firm by the time that it got acquired?

It was worth about \$2 billion when it was bought in 1997 by Banker's Trust. Although selling the firm was a difficult decision for the people who ran it, in hindsight, it turned out to be a brilliant choice. A firm like Alex Brown would have had an almost impossible time surviving the market meltdown since there weren't any equity or growth companies. Two years after Banker's Trust bought it; Deutsche Bank bought Banker's Trust. So after two quick acquisitions, I went from working in capital equity markets at Alex Brown to running U.S. capital markets at Deutsche Bank.

So tell me about Banc of America. I'm assuming there is probably a great opportunity for it to grow in the investment banking world. Can you tell me what drew you there and what you are looking forward to?

With a \$225 to 230 billion market cap, Banc of America is nipping at the heels of Citibank in terms of being the largest equity capital market. The equity markets valued it higher than any other bank in the world. It is a top-10 firm, as well as an important player in the investment banking practice by all measures. Although it is a business of existing scale, it can be and will be bigger. This is a big challenge for them. With such a terrific market presence in its retail, credit card and banking businesses, the next thing for them to master to drive up the value of the bank is investment banking. In my view, it is more fun working for firms that are growing and evolving versus firms that are trying to defend terrific businesses and franchises.

Can you tell me how you got involved in equity capital markets and why you chose that segment versus other areas of the bank?

That was largely due to Alex Brown. The whole organization was really geared toward equity capital markets and was a first-rate equity underwriting franchise. It is always nice to be in the area of what the firm does best, that is where the sun shines brightest. So when I was given the opportunity to get on the equity capital markets desk, it was an easy decision to make. I knew the people who ran it there pretty well and had a lot of respect for them; I was delighted to be working closely with them. For me there is no better way to get through a career in investment banking than in equity capital markets. You are sort of half banker, half trader; I sit on a trading floor but my clients are corporations. It is a neat place to be and I have a lot more left in me.

Let's talk about ACFIN a little bit. With your unique vantage point as an outsider with a successful career who knows what it takes to survive in the investment banking world, how do you evaluate the ACFIN program?

I think a lot of the ACFIN program. The notion of practical and real-world application of classroom learning is an awesome idea. There is a real divide between the purity of the theory of finance and the murkiness of its application. The attempt to try to bridge that is genius. I've been lucky to have a couple of consulting projects done by ACFIN teams and they have been great. I've benefited a lot from the conclusions and insights that were drawn by the teams and enjoyed immensely being a part of that. I know that students have an opportunity to wrestle with all the vagaries of an assumption, or a vacuum of data, or unexpected outcomes. That really is the way that finance is applied in the real-world. It is not the purity of a textbook question. ACFIN provides a highly unusual bit of training for students. I think highly of the program and applaud it.

Do you see any glaring spot where ACFIN needs to improve? As a future graduate, I want to see the program move up in the rankings and continue to increase our Wall Street connections.

It is difficult for me to highlight something I would view as a glaring weakness. It is difficult to have perspective when your shoulders are to the wheel and you are just driving, so I tell you that you will look back with a lot of fondness on how much you learned.

Making connections to Wall Street requires franchise building through generations of students. There is no brilliant quick fix other than doing what the school is doing, which is teaching you great stuff like in the Applied Corporate Finance program and having people like you become successful in your careers. You're building a long-lasting powerful brand and it takes time. The school has to be diligent and focused and it is. With time it will get there. In its own ironic way, forging your own individual dialogs with firms isn't bad either.

What are your recommendations for someone starting in the investment banking business?

My own view is that it is hard to start in the business as a specialist. If you had previous work experience that led you to realize you liked a specific area, that's different. But if you are just getting started, it is too hard and almost impossible to be able to make that decision. So, a strategy where you go in trying to get as broad an experience as possible is what you want to get out of an internship. When you are done, as you set about attacking the street for a permanent job, you can highlight any particular aspect of your summer and market yourself in that specific area.

Summer Internships

Andrea Rassbach

My summer internship was in the Sales and Marketing Finance group at Intel Corporation, where I worked in World Wide Commissions. Working as an analyst in this group not only gave me exposure to the global nature of Intel's business, but also allowed me to experience the front-line activities involved in maintaining Intel's leading position in semiconductor companies.

The first part of my project involved completing benchmarking research regarding Intel's commissions pay plan for sales employees. The Sales and Marketing Finance group strives to ensure that Intel is aggressively paying top sales performers, which will in turn contribute to improved sales force retention in an extremely competitive environment. I also designed financial indicators to measure and track the sales commission pay plan. This helped to ensure that all commission expenses are aligned with producing the most effective pay plan possible, which contributes directly to meeting revenue forecasts.

The Sales and Marketing Finance group at Intel gave me the opportunity to partner with Intel's global operations, and allowed me to better understand the financial controls involved in a large company.

Chris MacLeod

I spent my summer supporting Best Buy Mobile, which is a partnership between Best Buy and Carphone Warehouse, the leading independent retailer of mobile phones and services in Europe. Best Buy Mobile is one of the high-growth businesses within Best Buy, with a goal to achieve 10% of the U.S. wireless market share within five years from 2% market share today. Best Buy Mobile shares many characteristics of a startup which has provided a very exciting, fast-paced environment in which to work.

I had the opportunity to work on many engaging projects over the course of my internship. I was responsible for the business case and valuation of several capital investment projects across different functions, including IT systems upgrades, store and corporate capital investments, as well as a service that is slated to be tested this fall with the potential to add millions of dollars in value to Best Buy Mobile.

I was also responsible for producing the daily performance summary for cellular sales across the Best Buy chain for Best Buy Mobile leadership. My final project for the summer was to create a financial model for the launch of a new sales channel for Best Buy Mobile. In addition to the finance experience that I have been able to acquire at Best Buy Mobile, I had the opportunity to meet several members of the Best Buy corporate leadership team and gain a strong perspective on the challenges and opportunities facing both Best Buy and the retail industry as a whole. Overall, my internship at Best Buy was a great experience.



Robert Trainer

I was located in the New York office of Credit Suisse, working in the Global Industrial & Services coverage group within the Investment Banking Division. The firm did a wonderful job of staffing me on a wide range of deals during the summer. I worked on several live deals, as well as a few "pitches" for new businesses. The types of deals ranged from debt financing, equity financing, M&A advisory (both buy and sell side), as well as one hostile defense advisory. I was given the responsibilities of a full-time associate, which included financial modeling (LBO, merger consequences, operational models, etc.), drafting of pitch books and more. It was an excellent experience, and I look forward to continuing my career in Investment Banking after I complete my last year at Wisconsin.



Robert Trainer
Credit Suisse



1st Round

Consulting Projects Fall 2007

MASON WELLS

Founded in 1982 as a subsidiary of Marshall & Ilsley Corporation, Mason Wells became an independent firm in 1998. Mason Wells is a leading Midwest-based private equity firm that manages over \$500 million of capital through two funds: Mason Wells Buyout Funds and Mason Wells Venture Fund.

Mason Wells is in the process of adding The JC Flowers II LP, a new \$4 billion private equity fund and has tasked ACFIN to think of potential acquisitions/investments for the new fund. In particular, ACFIN was to complete the following tasks on behalf of the fund:

- To determine and report the trends of Private Equity; specifically in acquisitions, distressed securities and the buyout markets
- Identify attractive investment areas by analyzing industry trends with the emphasis on larger target companies
- Identify large acquisition targets for the fund

State of Wisconsin Investment Board

The State of Wisconsin Investment Board (SWIB) is a state agency that invests the assets of the Wisconsin Retirement System (WRS), the State Investment Fund and other state trust funds. About 90% of the assets managed by SWIB are from the WRS Trust Funds. The Department of Employee Trust Funds (ETF) determines the impact of investment returns on WRS based on the rate of return as of December 31. SWIB is directed by an independent Board of Trustees and staffed with professional money managers and support personnel.

SWIB had tasked ACFIN to develop a model that estimates the equilibrium metrics for a sub-industry. The project is limited to just a few sub-industries, such as one from financials, one from industrials and one from consumer discretionary. ACFIN followed the return on equity and the return on invested capital through time, along with six other metrics, for each of 10 sub-industries.

ROYALTY PHARMA

Royalty Pharma is a rapidly growing privately-held company within the biopharmaceutical industry that acquires revenue producing intellectual property in leading pharmaceutical and biotechnology products. Principally, the company acquires royalty interests in marketed and late stage development of biopharmaceutical products.

Royalty Pharma tasked ACFIN to construct a database of all biotech and pharma product approvals over the past four years, and then use the database to analyze data in an effort to identify specific attributes which contribute to a products success or lack of success.



Best Buy is interested in learning more about the use of real options in corporate decision making and tasked ACFIN to do the following:

- Assess the advantages and disadvantages of using real options versus more traditional valuations methods in corporate decision making
- Assess how prevalent the use of real options is in corporate decision making as well as why companies adopt real options as a decision making tool
- Assess the primary success factors in using real options to guide investment and acquisition decisions
- Indicate the key financial factors required when using real options as a valuation method
- Determine what other consumer retail companies use real options and why they use them
- Determine what other industries use real options and why they use them
- Assess the appropriateness and applicability of real options in specific areas of Best Buy



Medtronic is the world leader in medical technology providing lifelong solutions for people with chronic disease. The company offers products, therapies and services that enhance or extend the lives of 5 million patients annually with conditions such as diabetes, heart disease, neurological disorders, and vascular illnesses.

ACFIN was tasked with providing an outside perspective on how to calculate and use the cost of capital in business decision making. Medtronic was specifically interested in the following:

- What are the key assumptions (beta, market risk premium, etc) in calculating the cost of capital for Medtronic
- Should Medtronic use different cost of capital based on the business classification? What about the region/country, or the investment type (acquisition, new product launch, etc.)
- If so, how would Medtronic determine what cost of capital should be used for each specific sector when evaluating a project
- What is the cost of capital for Medtronic's key competitors
- Based on your calculated cost of capital and current Medtronic market value, what do you believe is the implicit earnings growth rate built into the market valuation



As leader in providing innovative solutions and technical support to the life sciences industry, Promega Corporation's 1,450 products enable scientists worldwide to advance their knowledge in life science research. Founded in 1978, Promega Corporation is headquartered in Madison, Wisconsin, USA, and has branches in 11 countries and over 50 global distributors.

The individual branches have historically been responsible for setting the price of products sold in their respective territory. As a result, global customers were often quoted different prices for the same product sold from different Promega locations. Promega has tasked ACFIN to come up with a model that would help determine a common price for each product where revenue is maximized for a given global sales account.

ACFIN was requested specifically to:

- Describe a model for setting revenue maximizing pricing policy for global accounts
- Document limitations of the model
- Test the model using products from at least one global account
- Comment on the relationship between historical sales data, revenue maximizing pricing policy, and competitor's response

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