

DEALS: A CASE STORY OF A NEW UNDERGRADUATE CLASS

Karl Egge: Macalester College, St. Paul, United States of America

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Contact: Karl Egge, Macalester College, ADDRESS, St. Paul, MN ZIP CODE, United States of America, (T) 651-696-6743, (F) 651-699-0067, Email: Egge@Macalester.edu

ABSTRACT

This paper describes an experimental new course taught Spring 2006 to 35 undergraduate students within the economics department at a highly ranked liberal arts college in the U.S. Of the 27 course meetings 25 former students of the professor (alums of this college) from around the globe each served as guest professors for a day. The goals were surpassed as the guest professors shared unique experiences, students were exposed to a broad set of firms and industries, substantive job-internship networking doors were opened, seniors were heavily recruited for jobs, the buzz about the course was high, and the alums felt more connected to their school.

INTRODUCTION

The course was conceived as a way to combine the energy of change-making entrepreneurship with situational finance. It was designed to be a substitute for a once-a-year entrepreneurship class (Startups) the author had taught for 20 years, and also a substitute for a finance class he usually taught (Capital Markets). Its conception and execution were designed with several goals in mind:

- Cover the key material at the confluence of standard undergraduate courses in new business and financial institutions.
- Reap the unique knowledge of guest speakers who also were former students having them focus broadly on their business and narrowly on one transaction (“Deal”) they had worked on.
- Help forge a nexus between the economics department and the college on the one hand, with alums (who might assist current students with their careers and might become more involved with the school in any number of leadership roles) on the other.
- Serve as an experiment or model for innovative new ways of teaching/learning about entrepreneurship, corporate finance, private equity, and investment banking.
- Since the author/professor was going to begin a phased-in retirement plan June 2006 after a 36 year career at this college, he wanted to conduct a fun, different, creative, and exciting class for his finale.

This paper overviews the course, provides information about the speakers and the students, and then comes a discussion of lessons learned. The conclusion concerns advice for others.

COURSE DESIGN

Student Evaluation: There were 5 criteria used to determine a final grade for the course:

1. Once a week students working in different teams of 2 would turn in a 2-page write up about a current-events deal taken from either a current *Wall Street Journal* article or from something on the web site, www.deals.com. This was a 2-page, single-spaced write up summarizing the nature of the deal, why it was selected over other deals available to write up, and linked to what had been covered in class. The professor graded approximately ½

- of these on a random basis. Students could work with 1 partner on only 3 write-ups, and then had to go with someone else.
2. After each class presentation the students had to write up a 2-page, single-space paper about that day's presenter. Summarize his background, his business, the deal he talked about, and relate it to other speakers and/or current events. The student teaching assistant graded these. The best paper turned in by the students that day was sent on to the speaker so they could read how the students interpreted them. At the end of the semester the best papers for each of the 25 speakers were bundled into a soft cover book titled "*Deals*," which was presented to each student and to each speaker. Again, the students could only use the same partner 3 times and then was required to move on.
 3. Class participation. The professor daily kept tabs on who participated meaningfully in class that day. This might be from asking questions to answering questions. Just speaking in class was insufficient.
 4. Final paper. Each student (again working in teams of 2) had to write a 5-10 page term paper summarizing a major deal that that took place or was taking place in the world during the 1st 5 months of 2006. Citations were required, and linking of that deal to knowledge acquired from the class was required. The professor graded these.
 5. Final exam. This was a 10-question, short-essay exam based on 40 "target" questions given the students a week prior to the final. All target questions came from information and comments provided by the guest speakers

Typical day in class: For this course each alum guest professor was asked and most complied with providing advanced reading material relevant to his/her class. For example, if the topic for the day concerned how a consultant retained by a private equity firm turned around a weak, long-term portfolio company in the car wash manufacturing industry, then the speaker might have sent in advance for the class to read an offering memoranda generated by the investment bankers trying to sell (harvest) the deal. Thus, in advance of the guest professor's presentation the students had an idea of the deal and background on the industry and players in the deal. The typical guest professor had a power point presentation that took up about ½ of the 1.5-hour class. This was followed by discussion and question and answers.

A standard presentation began with the teacher's biography since graduation from this college through to his/her current job. They then would talk about the industry and firms they currently were in, and the roles they played within their firms. This would be followed by the deal, or in many cases several deals. Towards the end of the presentation most would switch gears and share advice and life lessons learned with the students.

Nearly every guest professor at least went to lunch following class with a pre-assigned group of students from the class – typically 5. In addition, many of the guest professors had dinner the night before or after his presentation with another set of students from the class. Typically the dinners included other faculty from the college and/or administrators from the school.

Grading and Assignments: We used Moodle, a course software program. Students in the class could access it using their student ID's plus a unique password. There they would find the power point presentations of those speakers who made them available to the class, any unique required reading for various speakers, and an on-going list of "target" exam questions from the author. They would upload their daily speaker write-ups as well as their weekly papers on a deal they had researched. We would grade these and provide comment back to the students, again through the Moodle system. Students also could monitor their marks on these assignments.

PROFESSORS AND STUDENTS - BACKGROUND

Guest Professors: Table I concerns background information about the guest professors. About 13 were investment bankers or involved in finance with an eye towards mergers and acquisitions. Sixteen of them had MBA degrees, and those were primarily from Chicago, Harvard and Minnesota. About ½ were undergraduates of Macalester College before 1983, which means the median guest professor was approximately 45 years old. One guest professor brought two of his young analysts (who were recent alums of this school), and another brought her husband to help teach her class (he was not an alum of Macalester, but he had an MD and Harvard MBA.) One half of the speakers do not live in Minnesota, which means they flew in for the class. None of the guest speakers asked for expense reimbursements.

Table I: Deals Class 2006 Calendar - the Guest Professors: From where & Does What?

Date	Name	Perspective	From (could be 2)	Now	Grad	Mac	Does?
		IB, VC, M&A, PE, Finance Hedge	Asses Non-Profit Firm	Lives Where?	School ?	Class of?	
Jan.							
24	No guest. 1st class day						
26	Brad England & (Chris Palm & Greg Klancher)	1		MN	MBA-NW	75 & 02 & '03	M.D. Head of capital markets at Piper Jaffray; & Associates in capital markets
31	Joyce Minor & Dan Sac	1	1	MN	MBA-HBS	88	He's independent VC. She was equity analyst at Lehman
Feb.							
2	Beth (Weber) Hoffman	1	1	MA	MBA-NW	93	VP at Berkshire Partners, private equity
7	George Mairs	1	1	MN		50	C of Bd, Mairs and Power Growth Fund
9	Tom Simonson	1		MN	MBA-Stan	95	Invest. Analyst, Varde, a distressed debt fd.
14	TJ Mahony		1	MA		99	MD of Compete, Boston tech start up
16	Joe Ulrey	1	1	MN	MBA-Chi	81	CFO, US Bank Asset Management
21	Tim Murray			MN	MBA-UM	82	COO TranCentral Financial, CEO of 3PL (a sub.)
23	Tim Hultquist	1		CT	MBA-Chi	72	Retired M.D. Morgan Stanley (now advisory bd.)
28	Rachel Dolan		1	MN		93	Sr. Lender, Neighborhood Development Center
March							
2	Jeff Larson	1		MA		79	CEO of Sowood, hedge fund
7	Charlie Smith	1		MN	MBA-UM	85	M.D. of Institutional Equity Sales, RBC Dain
9	Santosh Dhanalal	1		MN	MBA-UCLA	96	Associate IB'ing at Piper Jaffray
21	Lee Jacobsohn	1	1	MN		81	M.D. of GMAC-RFC
23	Mussadiq Lakhani	1		NY		98	Portfolio Manager, ARX, a hedge fund
28	Mark Vanderploeg	1		CA	MBA-Chi	74	Vice Chairman, Merrill Lynch, Palo Alto & NY
30	Bill Stafeil	1		CA	MBA-UM	85	M.D., leveraged finance, Royal Bank of Scot.
April							
4	Lamar Laster	1	1	TX	MBA-Chi	73	Investor, Houston
6	Keith Lehr	1		NC		93	Principal, Bank of America Securities
11	Ippo Vrohidis	1	1	MN	MBA-UM	88	Director, Finance for Latin Am/Can. 3M
13	Doug Riley	1	1	NE		71	CEO own firm, Omaha & Phoenix
18	Dave Deno	1	1	KY	MBA-MI	79	COO of Yum Corp.
20	Greg Saunders	1	1	CA	MBA-HBS	85	Exec VP & CFO: Bridger Commercial Funding
25	Charlie Cetin	1		UK		98	VP Citigroup, Head of Turkish I. B.ing arm
27	Dave Smith	1	1	MN	MBA-HBS	81	Owner & M.D., Marathon Partners, Mlps
May							
2	last day of class						
	Total:	13	7	3	1	9	

Students: Table II concerns background about the students. The modal age was 21-2 years old. Here we see that 29 of the 35 were seniors about ready to graduate. In addition to the 6 juniors formally in the class, the typical class meeting attracted 5 or 10 others to listen as guests sitting off to the sides. Of the 35 students in the class 19 would be termed international and 16 domestic. Bulgaria with 4 and Pakistan with 3 were the most prominent nationalities.

Table II: Deals Class 2006, The Students: From where & now doing what?								
Yr	Student	Home	JOB		Approx.	Graduate	Number	
(s=senior)	From US (=1)	Country	With	Industry	Salary	School	into IB'ing	
	Other (=0)	(US state)			Yr 1	Where/What	& Finance	
s	0	Bangladesh	XXX			Mich, finance		
s	1	Kansas	Varde Partners	Hedge Fund	\$35K		1	
s	0	Sri Lanka	Mer. Lynch	IB'ing	\$60K		2	
s	1	Wash. D.C.	ICF Int'l.	Consult.	\$46K			
s	0	Bulgaria	Citigroup	IB'ing	\$60K		3	
s	1	MN	Bank of Amer.	IB'ing	\$60K		4	
s	1	MN	Sotheby	Sales				
s	0	China	Allianz	Ins	\$50K		5	
s	0	Bulgaria	Bank of Amer.	IB'ing	\$60K		6	
s	1	MN	Mer. Lynch	IB'ing	\$60K		7	
s	0	Sri Lanka	small firm	Acc'ting	\$45K		8	
s	1	ND	Clifton Group	Asset Mgt.	\$40K		9	
s	1	MN	?					
s	0	Bulgaria	Toronto Dom. Sec	IB'ing	\$60K		10	
s	1	MN	Prudential Sec.	IB'ing	\$60K		11	
s	0	Pakistan	Mer. Lynch	IB'ing	\$60K		12	
s	0	Jamaica	?					
s	0	Bulgaria	XXX			Mich, law		
s	0	Armenia	JP Morgan	IB'ing	\$60K		13	
s	1	WI	?					
s	1	ILL	Bank of Amer.	Global Ops	\$55K		14	
s	1	MN	XXX			Minn, law		
s	0	Pakistan	Citigroup	IB'ing	\$60K		15	
s	0	Pakistan	Ernst-W.	Acc'ting	\$50K		16	
s	0	Thailand	?					
s	1	DC	Piper Jaffray	Priv Equity	\$45K		17	
s	0	China	Accenture	Consult	\$55K		18	
s	0	China	Willis Re	Ins.	\$45K		19	
s	1	MN	Clifton Group	Asset Mgt	\$40K		20	
j	0	India	xxx (Analytics, summer 2006 intern litigation support, Mlps)					
j	1	WI	xxx (Wells Fargo, summer 2006 intern in corporate banking, Mlps)					
j	1	MN	xxx (Carmichael Lynch, summer 2006 intern in marketing, Mlps)					
j	1	IL	xxx (?)					
j	0	Sweden	xxx (Sowood, summer 2006 intern in hedge fund, Boston)					
j	0	Pakistan	xxx (BOA, summer 2006 intern in investment banking, Chicago)					
Totals :								
29 = s	16 = 1					Seniors:	20/29	
6 = j	19 = 0							

Based on the author's experience the senior students were substantially more likely to have obtained a full time job beginning Summer 2006 than in the past. There were 20 who started off in finance. Having 10 of them take Investment Banking positions, when the typical class from our school placed 4 in that sector was huge. The typical offer/acceptance for those was a \$10,000 signing bonus, \$60,000/yr 1st year base salary, and expectations of 1st year bonus of from 10% to 70% of base. One reason Investment Banking, major accounting firms, and major consulting firms are particularly attractive to international students in US colleges is they will incur the hassles and costs of sponsoring them for work permits.

LEARNING

There were at least four categories of lessons learned by the students in this class:

1. Anatomy of a Deal. A Deal involves *change*. So, how does a deal come about? From the speakers a consensus outline of the process might be:

- In the time period way before the deal there is *human capital acquisition*. The professors would talk about their education, training, job experiences, and personal lives showing eventually how these priors were connected to their deals.
- A key part of the typical outline concerned *Deal Flow*. They realized you seldom are presented or see deals unless you have worked to establish pipelines with any number of outsiders from accounting firms to bankers to struggling firms to unfunded private equity sponsors to venture capitalists or private equity firms with troubled portfolio firms.
- Then they described what we might call the "*mating dance*." This ranged from discussions about the "screens" used to assess deals, looking around for who the other suitors were, and the process of doing due diligence on prospective deals
- *The Deal* itself concerned getting other parties aligned and coordinated. This included legal, financing, key personnel, strategic partners and the business plan for what you would do if the deal were pulled off.
- *Negotiations* including the ask, the offer, and handling objections and issues. Many of the speakers focused on how important it was to "listen" to what the sellers really wanted, because then the offer could be tailored to meet their needs (e.g., wanting to retain the selling firm's name, or wanting to maximize after-tax receipt of money and sometimes at a lower cost.)
- Following the closing there then was the *new phase*. This involved keeping key employees and customers, accepting and integrating new parties, getting the carve outs, setting rewards and compensation, and so forth.

2. Finance: As was seen earlier a large portion of the students in this class took finance jobs, but also most of the speakers came from that background. Not surprisingly, therefore, these students were exposed to a large amount of finance. Among the jargon and topics covered were:

- DCF, NPV, IRR, Payback,
- Monte Carlo simulations
- Real options
- The importance of Division ("the Ace of Spades in math")
- Always do Comparables – #'s divided by #'s
- What are the Drivers? e.g., Head count
- EBITDA, E, PEG, Debt/EBITDA, and various indicators used in valuation
- Learn to calculate and think in % change in variables
- Distinguish fixed vs. variable costs (sunk costs are sunk)
- What is the EBITDA and cash flow to providers of capital?

3.Exposure to Numerous and Diverse Businesses and Deals: Table III overviews the specific deals discussed by the guest professors.

Perhaps the easiest way to survey the richness and depth of the deals these professors experienced is to peruse the list of study exam questions the author provided the students at the end of the term. These are found in the APPENDIX Table.

4. Lessons About Life: The author makes a point of having each guest professor be prepared to share a few “life lessons” with the students. Towards the close of their remarks they would do some pontificating. A collection of those life lessons is shown in Table IV. Several themes emerged from their remarks that perhaps could be summarized as:

- Have high integrity, be honest, guard your reputation
- There is a payoff to working hard and long
- Focus on relationships and networking
- Be resourceful and a self starter, ask the next question, find work to do
- It is OK to switch firms, careers, take time off, and live your life

Table IV: Deals Class, among lessons learned

- Buy, fix/trim/reposition, then sell (& hopefully reap)
 - a. Compensated for time
 - b. It takes time
 - c. Need strategic partners
 - d. It’s control not ownership
 - e. Figure the drivers & ride them
 - f. Deal flow
 - g. Give customers hugs
 - h. What does seller really want
- Got to grow, go international, be low cost provider, keep out competitors
- Acquire if cheaper than developing it yourself
- Prune your portfolio of noncore, low profit, ungruwing assets – redeploy
- Brand name has value: Protect it, promote it, and make demand curve more inelastic
- What’s happening in US in PE/VC/LBO/Hedge sectors is going to do same around the globe, if not already
- Build a successful solid engine/platform 1st,
- “They are watching”
- “Do your f’ing job”
- “Ask the next question”
- Don’t burn bridges with people
- “Hire smarter people”
- “Don’t whine.” As for feedback.
- Go with what you enjoy and love
- Graduate school after several years of working
- “Make the boss look good”
- “Dress the role”
- Integrity:
 - a. Focus on your reputation, what people think of you
 - b. Ask if this is the right thing to do
- On-going education – not just a degree, but learning

CONCLUSIONS

This was a hugely successful class based on a number of criteria; e.g., student evaluation of the speakers, student evaluation of the class format, exposure and access to contacts for jobs/internships, and even by such indicators as the buzz associated with fanning alumni involvement with their alma mater including financial contributions towards the college. The appendix table shows some of the results of a student evaluation of this class that was conducted by a sophomore who audited the course.

SEE APPENDIX TABLE

The Deals course was over subscribed. Non class-member students and guest alums sat in on nearly all sessions. It appeared students in this class were particularly more sought after and marketable in the job market than seniors in other years adjusting for the economy. For example, 12 seniors from the 35 students accepted coveted 1st year analyst positions with well-known investment banking firms, which would be more than twice as many as expected. The Minneapolis Star & Tribune newspaper had one of its business columnists sit in on one class and do a May 2006 story about it. (This can be viewed at <http://www.startribune.com/1069/story/420345.html>.) One item it emphasized was how many students were international, and another on how unexpected it was to find liberal arts undergraduates studying what MBA students seldom get to see and hear.

To help make the class unique and memorable, the professor had jackets and sweatshirts made up in the school's colors with the inscription "Mac Deals 06"). The guest professors were given one for their participation, and the students could purchase one if they chose. On the last day of class the students were given two copies of our book, which contained the 25 best, student-authored, 2-page write-ups of the guest professors. They were encouraged to give one book to a favorite relative or friend. The guest professors were grateful for both the jackets and a copy of the book.

A topics class like "Deals" offers a unique format for integrating interesting topics in entrepreneurship (such as, start ups, spin outs, buy outs, and mergers) with traditional finance (corporate finance and capital markets). It provides an early window on work and life after college. It certainly can add zip to the teaching repertoire of a professor. And, it generates enthusiasm with students, alums, and others about learning, doing, and teaching about *change*.

A challenge in this case is what to do for an encore.

APPENDIX

Appendix Table: Deals Class 2006, Final Exam Review Sample Questions

Questions from Brad, Chris, and Greg:

- IB'ing case study of Golf Galaxy:
 - How GG got its various stages of money as it grew up
 - Two stars have to align: company does well and market doing well. Explain
 - Build a book – what is this about

Questions from Joyce and Danny:

- If premoney in a VC deal is \$5M, and VC's put in \$15 M plus require original to put 10% of original's stock up for management, what % of the post-investment firm does the owner own?
- In an M&A what do these terms mean, and what is a typical % or number for some of them, and how do current or prospective investors in the acquirer vs. the target firm react to them: Premium of 25%, accretive to earnings, cost savings (synergies) of 20% of combined firms' CGS & SG&A, with expected multiplier pop?

Questions from Beth:

- Show with help of a balance sheet the following: Portfolio company investment is made time 0 for \$400 million of which \$100 was equity and \$300 a package of debt with recourse only to the portfolio company. At time 3 the firm is generating so much cash flow (its EBITDA is \$100 million/yr) that we have paid off \$100 of the old debt and we decide to recapitalize the firm borrowing \$500 million. We pay a \$200 million "dividend" to the equity investors.
- Terms or definitions or explanations:
 - "Take chips off the table"
 - Strategic buyer will pay a higher EBITDA multiple than other buyers
 - Covenant package in the debt deal

Questions from George Mairs

- In the last 8 years there have been two waves of national investment "froth" that Mairs and Powers avoided. What were they, and why didn't work?
- George believes the Efficient Market Hypothesis applies how well to small and mid cap, upper-Midwest firms relative to other firms?

Questions from Tom Simonson

- Draw a balance sheet showing a pile of loan assets. If you sell 10% of them (based on face value) for \$.50/\$1 to a Varde-like firm, what does your balance sheet look like?
- Is it more likely or less likely than not, that in the next year or two there will be more failed plane financings available for Varde? Explain. And, draw implications for the use of Varde's "dry powder" leading up to that time

Questions from TJ

- "Our Board is happy – we've earned our worth" – what is the significance of that statement to Compete's next round of financing?
- "Cash is King" was one of his key lessons. He often used the term cash "burn rate" in his talk. What is the connection between these two, do you think?

Questions from Joe

- "Performance (about 1/3 of your compensation) is beating benchmark and peers." What did he mean by that?
- When they assess the performance of a portfolio manager, they focus on how much of the difference relative to the benchmark was attributable to selection of securities, style, sector, and beta. Would you like beta or selection to be more important in assessing good performance? Why?

Questions from Tim Murray:

- Transcentral's factoring business model is it buys low and sells high. Explain how it does this, and show you know how the rates of return/costs are determined, and explain the risks it bears
- Darwinian law of capitalism is:

Questions from Tim Hultquist

- What is the current typical ratio of “market to book” for MS, ML, GS, etc?
- He said Goldman Sachs does more “principal” investing than other firms. What is this?

Questions from Rachel:

- You are evaluating the proforma income statement of a prospective entrepreneur for one of the 45 shop sites in Mercado or one of the 60+ in Midtown Global Market. Roughly, what would you be expecting their marketing expenses as a percentage of sales to be? Explain.
- Jose involved in buying a \$1 million building from an uncooperative seller. Rachel said the seller wouldn't do take back financing. What did that mean in this context?

Questions for Jeff:

- Look up and then draw graph or an equation of the Capital Asset Pricing Model. Discuss/define “alpha” and “beta” in this model. How much “beta” does Jeff's firm try to take on? (How big is Beta for the market?) What should “alpha” be in the market? How much “alpha” does Jeff's firm take?
- Jeff discussed a “clawback” they have in his hedge fund. What is this about? Illustrate with a story using a 2 or 3 year time period.

Questions from Tosh:

- What does “float” mean (in the context of 1 of the key things IB'ers look for in a proposed new IPO)
- Zumiez (ZUMZ) has a PEG of 1.5 on 5-year expected, while Pacific Sunware of Calif (PSUN) has a .62. What is PEG, and what is the market saying/doing with these 2 competitors?

Questions for Charlie

- LQDT makes the bulk of its revenues and profits from DOD deal. Give an example of how LQDT and DOD work together to make money for LQDT
- Relationships, Story telling & Selling ... what do they have in common as far as Charlie is concerned?

Questions from Lee:

- Two variables affect the cost of capital for a finance company: Ratings and Leverage. Explain especially why they don't want ratings above A.
- Suppose a private equity firm buys ResCap today at an assumed market cap value of \$10B using 70% debt financing at 6%/yr. Assume it sells ResCap via an IPO or to a strategic buyer in 2 years for then 12x Res Cap's expected \$1.2 B of net income. What is the private equity firm's return on its equity?

Questions from Mussadiq:

- What are the typical fees a hedge fund like his charges its investors? Describe and give estimate.
- He said you really need to look carefully at indentures. What are they, to what instrument do they apply, and why are they so important?

Questions from Mark:

- What is the typical market cap multiple for grocery stores in the US, in terms of “enterprise value” to “EBITDA” (and, define more detail those terms)?
- In talking about the Albertson beauty contest, but generalizing, which buyer does he think has the edge and why: Financial or Strategic buyer? (and, explain what those two are)

Questions from Lamar:

- What target multiple of their initial investment do Angels expect vs. private risk capital providers?
- The SEIF form of investing involves the broker taking some of the public company's treasury stock, and putting a collar on it. What is the collar? How does this provide money to invest in a new venture?

Questions from Bill:

- The % debt vs. equity on a new acquisition target by a PE firm depends on the “cushion”. What did he mean by “cushion” and illustrate what would lead to a higher or lower leverage using that term.
- Buyers of the debt that RBS “sells down” include CLO and CDO funds. What does this sentence mean?

Questions from Keith:

- Why did Keith have to keep going back to the credit committee for authority to raise not \$700M, but \$750M, and then \$800 M for the Global Signals purchase of Sprint's towers?
- “The CMBS's contained a number of tranches most with credit ratings higher than Global Signal's own debt, for this bridge financing.” Explain: 1. Tranch, 2. How many can have higher credit rating, and 3. Bridge financing.

Questions from Ippo:

- Draw a histogram generated by a Monte Carlo simulation of net present values of project (where you varied some of the key input variables). Which part of the histogram does Ippo concentrate on?

- He talked about 3M having about a dozen “platforms”. He also talked about 6 major groups (e.g., health, consumer), and he talked about many divisions. Give an example of one of the “platforms”

Questions about Doug:

- What specific role did he have with a bank that helped develop his skills and deal-sniffing abilities?
- How could he buy a plant for \$3.3 million (received by sellers), but it cost him only \$2.3 million?

Questions from Deno

- Since YUM was spun out of PepsiCo, what has happened to the price of YUM vs. PepsiCo over the intervening 9 years?
- “Franchise royalties equals about all corporate general and administrative costs, so the company owned restaurants around the world essentially bear no overhead.” Comment

Questions from Greg:

- He talked about the net interest carry getting squeezed in flat yield curve environment. What does that mean?
- At the end of the day, Bridger and the 3 other loan contributors shared what % of the net revenue (pre tax profit) on the BACM deal – and Bridger gets a portion of this, plus it also gets “money from selling servicing rights and on the net interest spread on the warehouse.” Elaborate on this.

Questions from Charlie Cetin

- Briefly lay out a Charlie Cetin type of economic argument (case) for privatizing a government owned firm that you know would lead to ½ the workers (probably unionized and/or upper middle income – fairly well educated) losing their jobs and wages for the rest throttled down.
- How did Tupras bidding go from 13 pre qualified to 9?

Questions from Dave Smith

- What EBITDA and multiplier did Dave use to get a fix on the value of Mark VII’s equity in 2002? Be sure to discuss enterprise value, what is subtracted, how/where did you get EBITDA and same with multiplier. What was the approximate result? What information did that value convey to Dave?
- He mentioned being at a seminar where folks like him (unfunded PE sponsors) were hustled by big private equity firms (“I was like a pretty girl at a dance”, he said.) What were the big firms thinking?