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Private Equity Manager

PE exemption bill faces tough road ahead

Wednesday, September 24, 2014

"Despite being passed by the House of Representatives in a package of bills last week, a bill exempting certain firms from SEC registration isn't a source of much optimism in the industry.

In its second appearance before the US House of Representatives, a bill exempting smaller private equity firms from registering with the Securities and Exchange Commission (SEC) has passed again, this time in a package of bipartisan legislation. Although some commentators are hopeful that the bill will continue gaining traction in the Senate, the industry is not counting its chickens just yet. The measure, called the Small Business Capital Access and Job Preservation Act (HR 1105), originally passed in the House in December with a vote of 254-159, with 36 Democrats backing it. After failing to move in the Senate, HR 1105 was repackaged and combined with other bills in the Jobs for America Act (HR 4).

The package passed by a vote of 253 to 163 last Thursday evening, with 32 House Democrats voting for the measure. According to Ropes & Gray partner Jason E. Brown, it is "widely acknowledged" in the private equity community that the bill is unlikely to pass in the Senate or to be signed into law by the president. The bill is not expected to withstand the current Democrat-controlled Senate, and the most recent data from poll aggregator 538 predicts that Republicans have a 56.6 percent chance of winning the majority of seats in November. President Barack Obama has spoken out against the bill, meaning that it would have to pass by a veto-proof two-thirds majority in the Senate in order to bypass his disapproval.

Still, lobbying groups like the **Private Equity Growth Capital Council (PEGCC)** see Thursday's vote as a step in the right direction. "We are pleased that this bill passed the House in strong numbers and we look forward to working in the Senate to get HR 1105 moving there as well," said **PEGCC** spokesperson James Maloney in an email to pfm. HR 1105 might stand a better chance as a part of the HR 4 than it did alone, as it sits alongside more popular bills such as the Small Business Mergers, Acquisitions, Sales and Brokerage Simplification Act (HR 2274), which passed by a unanimous vote in both the Financial Services Committee and the House. If it were to pass, the exemption bill would be a game changer for covered fund managers.

Complying with the SEC's increased scrutiny and presence exam initiative has proved to be a costly and time-consuming process. However, given the low likelihood that the bill will pass, firms are not expecting this to change anytime soon, according to Brown. "Everyone is assuming this will be the status quo for at least the near future," he said in an interview with pfm. "No one in the industry really has a 'when this bill passes' plan."

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Washington Business Journal

Why tech tax breaks are such a hard sell in D.C., and why Gray thinks he can succeed this time

By Bill Flook

Wednesday, September 24, 2014

Almost exactly two years ago, Mayor 's to cut taxes on tech investors became a sort of line in the sand for the D.C. Council.

Gray had already convinced councilmembers to to keep LivingSocial in the District. But creating a new 3 percent capital gains rate on returns from certain tech investments — which are now subject to an income tax rate that runs to nearly 9 percent — that went too far. The mayor made an economic argument the move was necessary to attract investors to the District and prevent them from fleeing prior to cashing out shares, which would in turn give startup founders greater access to homegrown capital. Council opponents argued fairness. Fairness won out.

A capital gains break — even for something as sexy as tech startups — is an inherently difficult sell in a city with a nearly 20 percent poverty rate, since it applies to that tiny population of people in a position to reap a windfall from the sale of stock. In a typical scenario, we're talking about angel investors and venture capitalists, founders and other shareholding employees, collecting the returns from the acquisition of a District-based startup. In other words: the wealthy or soon-to-be wealthy.

Gray on Tuesday , betting that enough has changed since 2012 to ensure a different outcome. It's largely the same bill — applied to an investment in a Qualified High Technology Company (QHTC) held for a minimum of two years — with the same argument behind it, under somewhat different circumstances.

The mayor was frustrated by the opposition two years ago, "because he said 'I don't think the council is ideologically opposed to this, I think they don't understand it,'" said , Gray's chief of staff, in an interview Tuesday afternoon. "He felt like maybe we had not done as good a job educating the council about what an increasingly important sector tech was to the District economy."

So what's changed in two years? The District's startup scene is both more mature and more visible. Co-working has exploded across the city, Steve Case's Revolution LLC has , The Fort accelerator has come and gone, 1776 has grown, LivingSocial shrank, SmartThings, HelloWallet and several others have been acquired, among other milestones. Early-stage tech has wound itself tighter into the District's identity and is increasingly difficult for elected officials to politely ignore. Case in point: Ward 4 Councilwoman , who defeated Gray in the April Democratic mayoral primary, has been quick to reach out to the community. Her platform, released this month, contains numerous references to tech — and one nod to capital gains reform — though mostly non-specific.

"I think that people now have a deeper understanding of the importance of tech, and frankly are a little more sophisticated in terms of how they understand the impact of tax policy, in terms of growing the District's economy," Murphy said. "Not just growing, but diversifying."

That goal is more important now, according to Murphy, as sequestration continues to drain the District's employment base.

As Gray nears the end of his term, the capital gains break looks to be one of the mayor's last big legislative fights on the subject of tech and startups. Bowser herself, once a vocal opponent of the cap gains change, has signaled a possible change of heart. It's still unclear how she feels about Gray's proposal.

"I would say that we certainly followed the evolution of her thinking, and appreciate it," said Murphy. "We're obviously sorry that it took a while to get there, but we're pleased that it seems to have gotten to the right place. And we hope that it's representative of other councilmembers' views as well."

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The Hill

Senate Dems demand SEC protect investors

By Ramsey Cox

Wednesday, September 24, 2014

Senate Democrats demanded that the Securities and Exchange Commission (SEC) do more to protect investors.

Sens. Carl Levin (D-Mich.), Jack Reed (D-R.I.), Elizabeth Warren (D-Mass.) and Ed Markey (D-Mass.) sent a letter on Tuesday to SEC Chairwoman Mary Jo White, asking her to implement safeguards to protect investors from fraud and abuse in private securities offerings.

"We urge you to act promptly to finalize and strengthen investor protections for private securities offerings that you proposed more than one year ago," the senators wrote. "We are deeply concerned that, for the last year, the Commission has allowed private securities offerings to take place using general solicitation and advertising without adequate investor protections."

Last year, the SEC issued a rule allowing general solicitation and advertising of certain private securities offerings. Issuers can use highway billboards, Internet ads, telemarketing to seniors and even T-shirts to

market securities to investors. The senators said they were concerned that some are being targeted without the knowledge or disclosure of risks.

“A wave of fraudulent schemes could hurt confidence in the integrity of our markets broadly, and unfortunately, today, investors are unnecessarily exposed to undue risks of fraud and financial loss,” the letter stated. “It is vital that prompt action be taken.”

The senators recommended that the SEC require solicitors to disclose any solicitation materials they use to lure investors and to register before being allowed to solicit investors.

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Pensions and Investments

Yale's endowment hits 20.2% for fiscal year

By James Comtois

Wednesday, September 24, 2014

Yale University's endowment returned 20.2% for the fiscal year ended June 30, bringing the New Haven-based university's endowment to \$23.9 billion.

For the 10 years ended June 30, Yale's endowment returned 11%, above broad market results for domestic stocks, which returned 8.4% annually, and domestic bonds, which returned 4.9% annually, a Yale news release said.

By asset class, Yale's 10-year annualized returns were as follows: domestic equities, 12%; foreign equities, 18%; natural resources, 16.5%; private equity, 15.4%; absolute return, 9%; and real estate, 6.6%.

One-year returns for the individual asset classes were not provided.

The endowment's investment committee has made the following asset allocation targets for fiscal year 2015: 31% private equity, 20% absolute return, 17% real estate, 13% foreign equity, 8% natural resources, 6% domestic equity and 5% bonds and cash.

Last year, Yale reported a target asset allocation of 31% private equity, 20% absolute return, 19% real estate, 11% foreign equity, 8% natural resources, 6% domestic equity and 5% bonds.

Tom Conroy, a spokesman for the endowment, did not return a phone call by press time.

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Wall Street Journal

Stephen Blyth to Lead Harvard University Endowment

By Dan Fitzpatrick

Wednesday, September 24, 2014

Stephen Blyth, new head of Harvard University's endowment. Harvard University tapped a longtime insider to head the world's biggest endowment and manage a sprawling investment portfolio valued at more than \$36 billion.

Harvard on Wednesday promoted Stephen Blyth, 46 years old, to succeed Jane Mendillo, who surprised directors earlier this year when she resigned as head of Harvard Management Co. The search for her successor was closely watched in investment circles, not only because of the endowment's size but also because the school has lagged behind some peers since the financial crisis.

That trend was highlighted earlier Wednesday, when Yale University announced its endowment gained 20.2% in fiscal 2014, the best performance so far among Ivy League universities. Harvard said Tuesday that its endowment gained 15.4% over the same period.

Harvard relies on the endowment's earnings for more than one-third of the university's operating budget.

Mr. Blyth's selection is the latest sign Harvard isn't backing away from an investment approach heavily reliant on hedge funds and private equity at a time many endowments and public pensions across the U.S. wrestle with how much risk to take as they look to fund university operating budgets or fulfill mounting obligations to retirees.

In an interview, Mr. Blyth said that so-called alternative assets such as hedge funds and private equity "are an important part of the portfolio" and said he is a "strong believer" in the endowment's current "hybrid" investment model that relies on internal as well as external managers. Some board members in the past have raised questions about this approach, according to a person close to board discussions.

Mr. Blyth, who starts the new job Jan. 1, will become the endowment's fourth chief executive in the past nine years. He joined in 2006 and currently oversees 40% of the portfolio as head of public markets.

Ms. Mendillo had been at the helm for six years.

Harvard's endowment has trailed some of its peers since the financial crisis, and it is still trying to make up for losses incurred during that period. The endowment ballooned to \$36.4 billion as of June 30, still shy of the \$36.9 billion precrisis record it set in June 2008.

Harvard benefited from an overall stock-market run-up in fiscal 2014, but increases in the endowment's public and private equity holdings fell short of desired benchmarks while increases from hedge funds, fixed income and real estate exceeded targets.

Harvard has long pursued a model, similar to an approach pioneered by longtime Yale University endowment chief David Swensen, that emphasized investments in hedge funds, private equity and assets such as commodities and real estate.

Before the 2008 financial crisis, Harvard's performance often ranked near the top of university endowments. But the economic downturn raised questions about the strategy as endowments that increased exposure to such investments were hurt by severe declines in the values of their portfolio. Harvard lost 27% in fiscal 2009, while Yale lost nearly 25%. The Yale endowment is now \$23.9 billion.

Both Harvard and Yale have reinforced their support for these investments in recent days. At Yale, hedge funds and private equity could comprise as much as 51% of the endowment's portfolio in fiscal 2015, according to a statement Wednesday. At Harvard, the endowment can invest as much as 34% in those assets, up from 31% in fiscal 2014.

Directors who oversee Harvard's endowment picked Mr. Blyth following a national search. He has longstanding ties to the university beyond his work for the endowment, having received a Harvard doctorate in statistics and serving as a Harvard statistics professor. Before arriving at Harvard's endowment in 2006 he worked for Deutsche Bank AG as head of a fixed-income trading group in London and traded interest-rate derivatives for Morgan Stanley in New York.

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Bloomberg

KKR to TPG Return the Favor Pouring Money Into Middle East Deals

By Dinesh Nair

Thursday, September 25, 2014

KKR & Co. LP (KKR), Blackstone Group LP (BX) and other large private-equity firms have long parachuted into the Middle East to hunt for cash, only to carry it back home to make investments in Western companies. Now, they are putting their money to work in the region.

Acquisitions by private-equity firms in the Middle East and Africa have surged to \$6.6 billion this year from \$141 million in the same period in 2013, according to data compiled by Bloomberg. In one deal, buyout firms including CVC Capital Partners Ltd., KKR and TPG Capital Management LP are bidding for Kuwait Food Co., operator of about 1,500 KFC and Pizza Hut restaurants in the Middle East and North Africa, people familiar with the matter have said. The company, known as Americana, could fetch \$4 billion.

The flurry of investments follows a revival in the Middle East economies, amid strong oil prices and increased government spending. It also represents a thank you of sorts from buyout firms, which have historically turned to the Gulf Arab region's cash-rich sovereign wealth funds and family offices for capital.

"You can't just take money from the region and go and invest it in the West," said Mohammed Al-Shroogi, president for Gulf business at Bahrain-based Investcorp Bank BSC. "It is time to reinvest back into the region, that will give confidence to the investors."

Blackstone, based in New York, has tapped Middle Eastern investors for about \$23 billion, or 8 percent of its total assets under management, according to a person familiar with the matter. KKR filings show that at the end of 2013, 5 percent of its \$61.2 billion in assets came from the Middle East.

A spokesman for Blackstone declined to comment, while representatives for KKR did not return e-mails seeking comment.

Blackstone Deal

Many of the recent deals represent the first time these firms have invested in the region.

Blackstone teamed up with Dubai-based Fajr Capital Ltd. to invest in GEMS Education, the world's biggest closely held schools operator, people familiar with the matter said last month. The deal, Blackstone's first in the area, may value the stake at about \$350 million, they said.

Warburg Pincus LLC, a private-equity firm that manages about \$37 billion in assets, made its first investment in the Middle East in April, agreeing to acquire a controlling stake in Mercator, a Dubai aviation software-solutions company.

The New York-based fund is looking beyond Europe to diversify its investment portfolio, Joseph Schull, head of the business in Europe said when the deal was announced.

Grilled Chicken

TPG Capital, based in Fort Worth, Texas, and Abraaj Group Ltd., a Dubai buyout firm, are nearing a deal to buy a majority stake in Saudi Arabian fast-food chain Kudu, according to two people with knowledge of the matter. Kudu, which operates about 200 outlets in the country selling grilled chicken sandwiches, burgers and breakfasts, would be the first Middle East investment for TPG.

The pickup in Middle East investment comes as dealmaking by private-equity firms in the West has slowed.

The value of buyouts in the U.S. slumped by 76 percent to \$20.8 billion through Sept. 19 compared with the same period in 2013, according to data compiled by Bloomberg. In Europe, dealmaking dropped 41 percent to \$17.4 billion.

One reason for the new interest in the Middle East is that it offers richer opportunities than the West. The MSCI World Index, which tracks developed equity markets around the globe, is up 116 percent since its March 2009 low -- higher prices make it harder for private-equity firms to find bargain companies to buy.

Stock Gains

"It's not been easy for private-equity funds to generate 20 percent returns from their main markets," says Harry Hampson, JPMorgan Chase's head of financial sponsors group for Europe, Middle East, and Africa.

The MSCI Emerging Markets Index has gained 84 percent since March 2009. The internal rate of return -- a standard measure for buyout funds -- for private equity deals on Gulf investments is about 27 percent to 30 percent, compared with 20 percent to 24 percent for deals in the West, according to Al-Shroogi, reflecting the higher risks of doing business there.

Meanwhile, oil-rich Middle Eastern economies are growing, with Dubai's preparations for the World Expo 2020 and construction in Qatar for the 2022 soccer World Cup poised to help sustain government spending. The International Monetary Fund said in May that it will probably raise its estimate for economic growth in the United Arab Emirates this year from its current forecast of 4.4 percent growth.

Exit Investments

As regional economies and stock markets revive, private-equity investors are also finding it easier to sell their Middle East investments -- either to other companies or through initial public offerings.

Royal Philips Electronics NV, the world's largest lighting company, agreed to buy a 51 percent stake in Saudi Arabia's General Lighting Co. from shareholders including Carlyle Group LP in March.

In Egypt, where the stock market has climbed 40 percent this year, two companies with private equity owners are considering IPOs: Edita Food Industries SAE, which makes snacks, and drugmaker Amoun Pharmaceutical Co.

"The regional IPO window is opening up," said Patrick Delivanis, Morgan Stanley's head of investment banking for the Middle East and North Africa.

To contact the reporter on this story: Dinesh Nair in London at dnair5@bloomberg.net

To contact the editors responsible for this story: Aaron Kirchfeld at akirchfeld@bloomberg.net Larry Reibstein, Elizabeth Fournier

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Financial Times

Singapore wealth fund nears deal to buy 50% of RAC from Carlyle

By Anne-Sylvaine Chassany

Wednesday, September 24, 2014

GIC, the Singapore-based sovereign wealth fund, is close to an agreement to buy 50 per cent of RAC from its owner, buyout fund manager Carlyle, in a move that is expected to derail plans to list the British roadside recovery company.

The private equity house is leaning towards a deal whereby it would keep half of RAC, sell the rest to GIC and pay itself a dividend by adding more debt to the company, in a so-called recapitalisation, according to people with knowledge of the discussions. The transaction would value RAC at more than £2bn including its debt.

The stake sale is likely to halt advanced work to float RAC in London. This month, the company appointed Sir Michael Rake, head of the Confederation of British Industry, as its chairman, as it sought to beef up its governance ahead of a listing. An initial public offering would still be on the cards in the coming years as a possible exit option for both investors.

GIC's approach underscores the willingness of sovereign wealth funds and pension funds to invest their cash directly, rather than through traditional private equity fund managers, in their hunt for yields amid record low interest rates.

The Singapore group, which is an investor in Carlyle's European buyout funds, made its move a few weeks ago, with an indicative bid for RAC that prompted Carlyle to open the company's books for

further due diligence, the people said. Meanwhile, RAC, headed by Chris Woodhouse, actively prepared for an IPO.

Other private equity houses, including Blackstone, CVC, BC Partners and Cinven, eyed the company, according to the people familiar with the situation.

A deal would indicate that European IPO markets are not as competitive on valuations as they were in the first half of the year, when US investors poured money back into the region's stocks after cutting their exposure during the eurozone debt crisis.

Bidders for private equity assets – private equity groups, pension plans or trade buyers – are now becoming alternatives to flotations after public investors' appetite cooled during the summer.

A buyout fund manager selling a portfolio company is generally more inclined to accept offers for the whole of its stake rather than selling just some of its shares through a listing. But in the first half of this year, private equity houses favoured IPOs to exit from their European investments because market valuations were high and institutional demand was strong.

As part of the deal with GIC, Carlyle would return cash to its investors while keeping a stake in a company, as in an IPO. But it would also be able to put more debt on RAC than if it were listed because public investors tend to avoid highly leveraged companies.

Carlyle bought RAC from British insurer Aviva about three years ago, funding the £1bn deal with a combination of its own cash and bank debt. RAC reported earnings before interest, tax, depreciation and amortisation of £152m last year.

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Reuters

Sweden's famed private welfare provision faces clamp-down after election

Wednesday, September 24, 2014

One of Sweden's biggest reforms of recent decades is under threat as a probable new centre-left government promises to "do away with the gold rush" for companies providing taxpayer-funded public services such as schooling, healthcare and elderly care.

Social Democrat leader and prime minister-in-waiting Stefan Lofven, victorious in an election this month, has warned that profits will go down for the private companies that ran 31 percent of Swedish healthcare and elderly homes in 2012.

Eight years of Prime Minister Fredrik Reinfeldt's centre right government had seen an expansion of private involvement in the sector - a profound step for a country known for its cradle-to-grave welfare state and one that governments elsewhere have sought to imitate.

However, a run of scandals led to accusations that profit was being put before the wellbeing of patients and pupils and the issue was a hot topic in Sweden's general election campaign. Even parties in the centre-right government had vowed to tighten rules to ensure higher standards.

Although the principle of private provision will most likely be maintained by the next government, new restrictions and regulations could prompt some of the private operators to steer clear of the sector.

"I find it very, very hard to believe that any private equity player would want to invest in care in Sweden," said a senior banker who declined to be identified as he did not want to comment publicly on a politically sensitive matter. "It's just bad vibes, and why would you take that kind of risk?"

Of the roughly 600 billion Swedish crowns (\$84 billion) Sweden spent in 2012 on welfare services, around 15 percent went to private sector providers, according to official figures.

But after some scandals, including a private education provider - JB Education - going bust leaving 11,000 pupils without school and reports of staff not changing diapers frequently enough in private old people's homes to save money, politicians got tough.

In the case of the diapers, the accuracy of some of the reports have since been questioned. But the damage was done.

Much blame has been laid at the feet of private equity companies, who own some of the biggest firms in healthcare and education such as hospital operator Capio, elderly care provider Attendo and school firm Academedia.

Investor AB, the investment firm controlled by Sweden's powerful Wallenberg family, also has substantial interests in welfare, owning care provider Aleris and a stake in independent school operator Kunskapsskolan.

Facing a colder political climate, private equity firms cut investment in companies in care and education to 59 million crowns last year, down from a peak of 7.6 billion in 2010, the Swedish Private Equity and Venture Capital Association says.

While private firms in health are accepted by most parties, politicians face pressure from voters to tighten regulations.

UNCERTAINTY

With the Social Democrats - the biggest party - and Green Party still negotiating on how to form a government, the extent of regulatory change is still uncertain.

The Green Party is broadly positive about private welfare provision and, as a minority government, the Social Democrats and Greens will have a tough time passing measures against a parliamentary majority favouring market-oriented policies.

With Lofven rejecting the Left Party in any centre-left coalition, its leader Jonas Sjostedt has said he would only support a government from outside if it curbed welfare profits.

"We see it as positive that Stefan Lofven gave the cold shoulder to the Left Party and its demands to ban welfare profits," said Klas Tikkanen, chief financial officer of NC Advisory AB, an advisory firm to buyout house Nordic Capital which co-owns hospital and primary care unit operator Capio.

"A situation where everything is in limbo is probably better than something you know would be bad."

Lofven may need the Left party to pass a budget, raising speculation Sjostedt could hold the government to ransom. But Sjostedt may not risk a new election on just one issue.

"I would still be surprised if they voted against Lofven as prime minister or against his budget," said Magnus Hagevi, Associate Professor of Political Science at Linnaeus University.

Banning profits for welfare companies may also create legal headaches, said Anne Ramberg, Secretary General of the Swedish Bar Association as it would cause firms' value to plummet.

That could lead some investors to sue Sweden for damages, claiming expropriation of private property and breaking of international investment treaties.

"In that case, it's not about small change, but quite substantial amounts," Ramberg said.

Though banning profits looks unlikely, the Social Democrats say there are other ways to find common ground with the Left Party to tighten the screws on private welfare providers.

"We certainly agree that we need to do away with the gold rush in Swedish welfare," Party Secretary Carin Jamtin told Swedish television.

"It is a waste of tax money, people suffer for it, and school pupils don't learn what they are entitled to."

A likely scenario is tougher regulation of public tenders of welfare services, regulation to safeguard quality and vetting of owners and operators of companies providing tax funded services.

"We believe that will benefit those of us who are serious players in the business," said NC Advisory's Tikkanen.

Some politicians have suggested a minimum ten year period for owning welfare firms - a demand that could effectively bar private equity funds from owning such firms as they usually have a five-to-seven year investment horizon.

Social Democrats have proposed forcing private companies in health and education to match public sector staffing levels. But it unclear how they would implement such a rule.

"Probably there will be more regulation, and it's hoped that it will come in the form of quality criteria that lead to higher quality for users," said Isabella de Feudis, Chief Executive of the Swedish Private Equity and Venture Capital Association.

Per Stromberg, Professor of Finance and Private Equity at the Stockholm School of Economics, said much of the tough talk against private welfare providers may be watered down in any new laws.

"These simple solutions are not particularly well thought out, and there will be considerable problems when trying to implement them in this sector," Stromberg said.

Meanwhile, private investment may be on the back burner.

"I would say that none of the private equity players are even contemplating investing in anything where there is a political influence," said an executive at a pension fund which invests in Swedish private equity funds. He declined to be identified because he was not authorized to speak publicly. Instead, private equity firms stuck with holdings in the welfare sector may opt to list them on the stock market.

"But before there's any clarity on what kind of returns investors can expect for these companies, it will be difficult to list them, and difficult to find any new owner," Per Stromberg said. (1 US dollar = 7.1540 Swedish crowns) (Reporting by Sven Nordenstam, additional reporting by Johan Ahlander and Simon Johnson; Editing by Alistair Scrutton and Toby Chopra)

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NYU Law

The President's chief economist makes a case for business tax reform

Wednesday, September 24, 2014

Minutes before Jason Furman, chairman of the White House Council of Economic Advisors, took the podium at NYU Law, the Obama Administration made a major announcement. After weeks of speculation, the Treasury Department unveiled new efforts to curb so-called tax inversions, an increasingly common—and increasingly controversial—process by which an American company merges with a foreign corporation in order to move its domicile overseas and reduce the tax bill it owes Uncle Sam.

"The timing is merely a coincidence," Furman told the assembled crowd of law students, professors, tax practitioners, and journalists.

Those hoping Furman would reveal details of the much-anticipated Treasury regulations left disappointed. Those hoping to hear "the wonkiest wonk in the White House" deliver a thoughtful and thorough speech on the challenges and opportunities of business tax reform, however, had much to appreciate and ruminate over.

Furman began by situating business tax reform within the broader context of economic growth. Revenue-neutral business tax reform may not increase the quantity of investment in the economy, he explained, but it can enhance the quality of investment, which is actually more important. Quality of investment, as defined by what economists call "total factor productivity," is the "real source of variations in growth rates over longer periods," Furman argued.

Though Furman is not a lawyer by training—he earned a doctorate in economics from Harvard—he's no stranger to the NYU Law community. Nearly a decade ago, he co-taught the Tax Policy Colloquium with Wayne Perry Professor of Taxation Daniel Shaviro, and his father, Jay Furman '71, is a trustee and donor. The "driving force" behind the event, according to Graduate Tax Program Director Joshua Blank LLM '07, however, was Professor David Kamin '09. Kamin twice worked for Furman, first at the Center on Budget and Policy Priorities, a progressive think tank, and later at the White House National Economic Council.

Furman focused on the President's Framework for Business Tax Reform, which was released in 2012 and "reflects dozens of meetings with the President," according to Furman. The framework calls for lowering the corporate tax rate to 28 percent by closing loopholes and making structural reforms to accelerated depreciation, the deductibility of interest, and the taxation of pass-through entities like partnerships.

Furman methodically addressed the main objections to the framework's approach, including the argument that we should abolish the corporate tax entirely, and highlighted the framework's benefits, both practically and politically. Properly realized, business tax reform could move our tax system toward the overarching goal of tax neutrality. As Furman put it, "Business decisions should be made for business reasons and not for tax reasons."

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Politico—Morning Money

How Wall Street Views The Midterms: Whatever.

By Ben White

Thursday, September 25, 2014

It's becoming increasingly clear to M.M. in interviews and casual chats around the financial industry that the banker class no longer really expects Republicans to take the Senate. And even if they do, the thinking goes, it will be by the narrowest of margins that will not pave the way for much to get done in the final two years of President Obama's tenure. Tax reform? Probably not. Immigration reform? Yeah right. Long term entitlement spending reform? Laughable. "It's a campaign about nothing," one senior exec said at a party this week. "And it won't change anything."

That seems to be a fairly uniform view among bankers and traders who see very little of consequence riding on the outcome of races few are paying very close attention to. Any political conversation around Wall Street almost immediately advances past the midterms to 2016 and the prospects for Jeb Bush or Chris Christie or any other "establishment wing" Republican to emerge as the nominee to take on Hillary Clinton, whom everyone assumes is running and will waltz to the Democratic nomination. Either an establishment Republican or Clinton would be a mostly palatable presidential outcome for Wall Street.

The hope is less about who wins and more about having a substantive campaign and a firm mandate for the next president and Congress to junk the current corporate tax code, do full immigration reform and possibly longer-term entitlement fixes, all things viewed as potential economic rocket boosters. That may turn out to be way too much to wish for. But with 2014 turning into such a desultory march to nowhere, it's hard to fault people for having high hopes for 2016.

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Wall Street Journal—Private Equity Beat

Jimmy Choo's Potential IPO Winners. Tamara Mellon Not Included

By Maureen Farrell

Wednesday, September 24, 2014

Jimmy Choo, the luxury shoe brand, officially announced its plans to go public on the London Stock Exchange LSE.LN +0.78% in October this week in an offering that could value the company at around £700 million (\$1.15 billion).

Investors will have the opportunity to buy a single share of Jimmy Choo's stock for a price that could be much less than the price of a pair of the company's coveted shoes.

But who will the big winners be?

Tamara Mellon, one of the company's founders, will not be one of them. Ms. Mellon is cited in the company's regulatory documents as a co-founder in 1996. She left the company in 2012, six months after it was sold to Labelux for roughly \$800 million, according to published reports. Ms. Mellon was said to have a 17% stake in the company at that time.

Tamara Mellon has already sold out of the company. Bloomberg Ms. Mellon was quick to criticize the private-equity industry and do so in a host of Tweets cited by the WSJ in 2012:

Dec. 15: "In the New Year – I will give interviews and talk about the MONSTER Private Equity has become and the VULTURES that operate in it."

Jan. 11: "Looking forward to revealing my experience of private equity's abhorrent greed."

Jan. 15 : "Its (sic) the PE boys that made 100's (sic) millions out of me – not other way around."

In a video with The Wall Street Journal in 2013, she railed against private equity firms that flip companies quickly.

Ms. Mellon has already cashed out of Jimmy Choo. She took control in 2007 and sold in 2011 to a company now owned by JAB Luxury, the luxury-goods arm of Joh. A. Benckiser, which plans to sell part of its holding in this IPO. Joh. A Benckiser is the investment firm for Germany's Reimann family, the ancestors of the dynasty which built the Reckitt Benckiser RB.LN +1.05% conglomerate.

The three-year holding period appears to have been a lucrative one for Joh. A. Benckiser as it may be able to exit just 25% of its stake in the brand for more than the purchase price in 2011.

Jimmy Choo's planned IPO is the third to be announced in two days this week in the U.K., and heralds a revival in listings after a slowdown over the summer, the Scottish referendum and Alibaba's giant IPO in New York. But investor appetite for listings for the rest of this year could be more subdued than it was earlier in 2014, with skepticism among big investors potentially hitting valuations.

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