BDO

Provided Courtesy Of
URISH POPECK
accountants and consultants

FALL 2014
www.bdo.com

THE NEWSLETTER OF THE BDO PRIVATE EQUITY PRACTICE

BDO PERSPECTIVE

LATIN AMERICAN CROSS-BORDER TRANSACTIONS: WAY BEYOND ACCOUNTING

By Fred Campos

Halfway through 2014, the repercussions of the financial crisis have largely waned, except for a few lingering side effects. While leverage is not back to pre-crisis level (arguably, a good thing), access to capital is no longer an impediment to deal making. Moreover, strategic and financial buyers now have a few years of relatively stable financial history that alleviates some uncertainty associated with pre- versus post-crisis target performance.

As always, the challenge for global private equity firms and strategic buyers is to find quality target companies. We see today's buyers are not limiting themselves to their domestic market opportunities but are looking abroad for opportunities. The Mergermarket Group expects cross-border activity – inbound and outbound – to continue at the same pace as last year. According to its Half-Year Edition of the "Deal Drivers America," inbound deals into North America increased more than 320 percent in the first six months of 2014[1]. Inbound cross-border transactions into the Americas increased by 113 percent as of July 2014, including the United States (up by 143 percent) and Brazil (up by 180 percent)[2]. Additionally, we have seen increasing investments from developing countries. In 2013, investments from developing and transitioning economies accounted for 39 percent of the world outflow, compared to only 12 percent 15 years ago[3].

DID YOU KNOW...

Results from the **Private Equity Growth Capital Council's *Private Equity Decision Makers Survey*** paint a rosy picture for the future of PE. Nearly three quarters of PE decision makers say their portfolio companies are growing, both in personnel and investments. Additionally, 54% believe that the investment climate in 2014 is somewhat or very favorable, with increased consumer confidence cited as a primary driver behind economic growth.

According to **Prequin**, global private equity raised $127 billion across 187 funds in Q2. While this number is down 15% from the same time period in 2013, the value of closed funds is growing. In Q2 2014 the average size of closed funds reached $680 million, a record quarter high.

Data from **PitchBook** highlights that private equity exits reached a high in Europe this past quarter. In Q2 alone, investors offloaded 186 companies, collecting 27.4 billion Euros in the process. Combined with Q1 data, 2014 European exits (in terms of IPO count) have already exceeded 2013 numbers.

First-time private equity firms are struggling to raise funds, just as they have since the height of fundraising efforts in 2007, says data from **Prequin's *Funds In Market*** service. As of July 25, 99 first-time private equity funds had secured $18 billion in capital commitments. Comparatively, 245 first-time funds raised $37 billion in 2013.

Data from **Emerging Markets Private Equity Association (EMPEA) *2014 Global Limited Partners Survey*** indicates that the popularity of investing in emerging markets is growing. Forty-one percent of limited LPs plan to increase their spending in emerging markets in 2014, as opposed to 32% in 2013. Further, the survey found that the most attractive markets for GP investment are Latin America, Southeast Asia, and Sub-Saharan Africa, respectively.

▶CONTINUED FROM PAGE 1

LATIN AMERICAN CROSS-BORDER TRANSACTIONS

Despite a recent economic slowdown, Brazil remains an attractive market for buyers looking for growth opportunities due to its stable political climate, strong economy and, probably more important, its sheer size and population. Whereas Brazil's complex tax system and onerous labor laws may be a risky bet for some buyers, Chile is widely considered a safe point of entry into Latin America for risk-averse buyers. Labor issues in Chile are rarely deal breakers. Within these two extremes, Colombia and Peru continue to grow and remain attractive options. We also see a renewed interest in Mexico, which has been rebounding with an improving U.S. economy. As a matter of fact, these opportunities are so sound that Latin American CFOs are focused on cross-border acquisitions within their own region rather than looking toward Asia or other emerging markets [4].

When executing on a cross-border transaction, differences between local accounting practices and generally accepted accounting principles in the United States (GAAP) creates challenges around the comparability of numbers and can potentially impact valuation. Whether a country has local accounting principles or has adopted International Financial Reporting Standards (IFRS), we often see that the day-to-day reality is based in more traditional and local accounting and reporting methods. It is not uncommon for these companies to maintain their accounting records based on local tax or statutory guidelines and wait until year-end for the outside auditors or accountants to propose adjustments to conform to IFRS.

While conducting business abroad, accounting differences are just the beginning. Several complex issues, illustrated in the case studies below, should be considered:

▶UNDERSTANDING LOCAL PRACTICES

Understanding how companies and entrepreneurs conduct business locally is critical. That includes how the company deals with the local tax and regulatory environment. For instance, a U.S. publicly traded company with operations throughout the United States, Canada, Australia, and parts of Europe and Africa sought to build a presence in Latin America. After nearly a year of courting a target in Brazil, the U.S. company decided to proceed with due diligence. Unfortunately, the deal died on the second day of financial and tax due diligence, in which a significant number of "off-book transactions" (locally known as "caixa 2," slang for second set of books) was identified. The second set of books existed to avoid an onerous tax system in Brazil but also made the business much more viable. The U.S. buyer believed that the potential risks and contingencies were too high to consider pursing the target any further.

▶DON'T UNDERMINE CULTURAL DIFFERENCES

We are often reminded about the role of culture in business, yet it continues to be ignored more often than one would think. In one of the largest mining deals in Latin America at the time, the cultural gap nearly led to a sour deal. On one side, the investors generated a significant amount of tension and stress with frequent, detailed questions that seemed irrelevant in the eyes of the target's management. By contrast, the investors were also frustrated by the repeated empty promises to deliver information on time – or the failure to deliver them at all. The cultural differences were more noticeable in the meetings. Target management could not understand the reason for the long, crowded meetings where the investors never seemed to be able to make a decision. In one particular meeting, the investors outnumbered target management by 4 to 1 as several key individuals "needed" to be present in order to reach consensus. Fortunately, the advisors on both sides managed to bridge the cultural gap on many occasions, but not without a cost. Financial and tax due diligence took nearly three months on what should have been a relatively easy process – the two companies were related parties.

▶THE REGULATORY ENVIRONMENT CAN CHANGE RAPIDLY

Knowledge about the target's local regulatory environment is important, and the lack thereof can become increasingly expensive. Equally as important is the ability to understand the impact of pending or recently enabled legislation. In another deal, a U.S. company decided to invest in a "bolt-on" acquisition as part of its growth strategy in one Latin American country. One week after finishing all the financial, tax and labor due diligence, the company became aware of a recently passed law that rendered the deal dead. The interesting fact is that the law had passed four months prior to finishing the due diligence. Had the issue been raised early in the process, the company would have saved thousands of dollars and avoided the embarrassment of explaining to their board why the deal could not go forward.

▶UNDERSTAND REGIONAL RISKS

Understanding the local country is the hallmark of succeeding in that particular market/country. However, the increase in regional trading agreements (e.g., Mercosur and ASEAN Free Trade Area) and bilateral commercial agreements has amplified the importance of regional trends. For instance, a global manufacturing company was looking to acquire a company with manufacturing facilities in two countries in South America. The target company had significant export sales to other countries in South America and imported parts from a neighboring country. While performing due diligence, it became clear that there was a significant risk of sales and gross margin erosion in the near term due to (i) trade barriers that were being implemented in one country, (ii) the rapidly declining macro-economic conditions of another country, and (iii) the conducive environment that was being created for potential FCPA violations where sales people were being "creative" in order to maintain sales, and purchasing personnel was being asked to "speed up" the entry of materials stuck at the border. As if that wasn't enough, the target company had benefitted from very favorable exchange rates in the past two years and the foreign currency projections were not favorable. The valuation gap became too large to bridge.

▶IN LATIN AMERICA, IT IS OFTEN ABOUT "WHO YOU KNOW"

Although not exclusive to Latin America, it is very common in the region to conduct business with people you trust and know

▶CONTINUED FROM PAGE 2

LATIN AMERICAN CROSS-BORDER TRANSACTIONS

well. It is not uncommon to see business relationships being fostered not necessarily because the company has the best product or the best value, but rather for the established relationships. So what happens when the owners decide to retire or if an investor changes the management team? A U.S. company in the professional services industry learned the hard way. By structuring an earn-out over a two year period along with a non-compete agreement for the same period, they thought they would be covered. Sellers would be incentivized to stay and grow the company, and the buyer would transition the relationships over the earn-out period. But the sellers left the company upon earning the remaining payment, and shortly thereafter, sales started to decline and never recovered.

While the issues highlighted in the cases above may seem obvious, they were clearly overlooked or underestimated, leading to unnecessarily costly and lengthy transactions. There are always unique challenges when executing on cross-border transactions in Latin America – but they certainly go way beyond accounting.

[1] Mergermarket, *Deal Drivers Americas, Half-Year Edition 2014*

[2] Thomson Reuters, *Deals Intelligence*, July 31, 2014

[3] United Nations Conference on Trade and Development, *Global Investment Trends Monitor No. 16*

[4] Duke University, Fundacao Getulio Vargas and CFO Magazine, *Latin American Business Outlook – March 2014*

Fred Campos is a Director in the Transaction Advisory Services practice at BDO. He can be reached at fcampos@bdo.com.

THE INTERNATIONAL PRIVATE EQUITY LANDSCAPE

By Lee Duran and Scott Hendon

This year, we have seen an increased appetite for global mergers and acquisitions (M&A) activity following a five-year downturn. An increased appetite for risk and large cash reserves are partially responsible for the 73 percent year-over-year increase and the strongest semester of dealmaking activity since 1998, according to *Thomson Reuters* data.

Global private equity activity is also on the rise. According to *PitchBook*, as of June 30, 2014, 243 completed outbound private equity M&A transactions – i.e., U.S.-based private equity firms acquiring foreign companies – have been announced, compared to just 180 deals during the same period last year. Furthermore, the landscape for inbound activity – i.e., foreign-based private equity funds acquiring U.S.-based companies – also remains robust with 156 completed transactions in 2014 through Q2, compared to 153 deals during the same period last year.

▶U.S. CROSS-BORDER TRENDS

At the end of Q2, nearly three quarters (73 percent) of outbound private equity deals targeted companies based in Europe, followed by Canada (16 percent), Asia (6 percent) and South America (3 1/2 percent), according to *PitchBook* data.

Outbound U.S. private equity investment activity has set its sights on the manufacturing sector, which made up 53 percent of deals, followed by software as a service (SaaS) at 13 percent and mobile at 6 percent, according to *PitchBook* data.

Similarly inbound investment activity to the U.S. is primarily coming from private equity firms in Europe (74 percent), with a focus on the manufacturing (42 percent), SaaS (21 percent), life sciences (7 percent) and cleantech (7 percent) industries.

▶PE INVESTORS REMAIN OPTIMISTIC REGARDING EUROPE

Private equity investors continue to compete for distressed assets across Europe. Portugal, Italy, Greece and especially Spain remain a draw for PE firms, with KKR opening its first office in Madrid earlier this year and European private equity firm Cinven reviving its Spanish office plans.

France is a particularly bright spot for cross-border M&A activity. According to *Private Equity Wire*, of the $450 billion of global M&A deals that have taken place in 2014 so far, deal activity in France (domestic, inbound and outbound) accounts for nearly 25 percent. Additionally, French outbound M&A activity has nearly doubled in the past 12 months, and French inbound M&A activity has almost quadrupled over the same period.

Optimism among private equity investors in Europe is strong, but a slowdown may be in sight as valuations for European assets increase and large amounts of debt remain stagnant on company balance sheets.

▶CONTINUED FROM PAGE 3

INTERNATIONAL PRIVATE EQUITY LANDSCAPE

▶CHANGING REGULATIONS IN CHINA LEAD TO GREATER INVESTMENT OPPORTUNITIES

In China, a new free trade zone has helped fuel the country's outbound investment wave. According to *Forbes*, the new free trade zone aims to institute a more liberal approach to business by simplifying cross-border currency movements, such as changes in control on foreign currency access. Historically, China has closely controlled the conversion of its money, which does not float on the public market. Under the new guidelines, this process will become simpler and will encourage more cross-border trade and investment.

While the implementation of such rules has yet to be issued, their effects are already being felt. According to *The Wall Street Journal*, Chinese private equity fund managers Bohai Industrial Investment Fund Management Co. and Harvest Fund Management Co. announced that they will be forming a joint venture with U.S. advisory firms Rosemont Seneca Partners and Thornton Group to raise a fund for investing in high-end manufacturing, financials, consumer and energy resources outside of China. The investment vehicle, which began fundraising in Q2 2014, has increased its target from $1 billion to $1.5 billion.

▶LOOKING FORWARD

International private equity activity is at its strongest point since the financial crisis, and will be further fueled as investors stretch beyond historical geographic and sector boundaries. As activity increases, asset prices will climb and competition for quality targets will intensify. Getting in the game, if you are not already, may eliminate obstacles down the road when activity really starts to boil.

Lee Duran is a Partner and Private Equity Practice Leader at BDO. He can be reached at lduran@bdo.com. Scott Hendon is a Partner in the Private Equity Practice at BDO. He can be reached at shendon@bdo.com.

BDO SPOTLIGHT:

Q&A with **Sebastian Stevens**

Head of Corporate Finance at BDO Australia

With private equity (PE) investment activity in the Asia-Pacific region gaining momentum, we sat down with Sebastian Stevens, Partner in charge of the Corporate Finance practice at BDO Australia, to discuss what his firsthand observations and predictions for PE activity in the region throughout the remainder of the year.

Can you describe the state of the PE market in the Asia-Pacific region over the past few years?

The past three to five years have been challenging for the PE industry in the Asia-Pacific region. Specifically, volatility in the Australian stock market has made it very difficult for many PE firms to sell their assets, which were acquired with cheap debt at the height of the boom. This has resulted in a growing number of secondary transactions, which is when one PE firm sells its assets to another PE firm. For example, Archer Capital sold its accounting software business to Bain Capital for a reported $1.2 billion.

However, market volatility has not been all bad news for the industry. Concerns surrounding European government debt, combined with shortsighted investor sentiment, have resulted in a weaker domestic stock market. Thus, some PE firms have been able to acquire potentially solid businesses below their previous valuations.

Another trend that has emerged in the past five years is the growing presence of distressed debt funding. In a distressed debt transaction, a PE firm raises funds from investors as a means of purchasing the debt of companies that are struggling to repay said debt. Should a distressed company default on its debt, the PE firm swaps the debt for equity in the company. Essentially, this is another way for a PE firm to acquire a business. In Australia, most debt is purchased from the banks that originally lent the money to the companies before they became distressed. Within the past five years, the largest of such transactions was the debt-for-equity swap of Channel 9 network.

Staying on the topic of PE activity in Australia, the last six to nine months have seen a complete turnaround on both the buy and sell sides of the PE market. How have consolidation, mergers and acquisitions (M&A) and initial public offerings (IPOs) contributed to this improvement in the market?

One source of the increased buy and sell activity in the Australian PE market is the recovery in the equity markets, which, over the past two years, has prompted PE firms to look into exiting their investments through IPOs. For example, Quadrant Private Equity successfully exited now-public VirtusHealth for more than $338 million.

Furthermore, M&A deals have also contributed to the PE resurgence. From January 2011 to March 2014, PE buyers – who are roaring back to life after soft deal flow since 2012 – comprised 14 percent of all M&A deals. While this would appear to be a small portion, PE firms are much more prevalent in larger deals and have been involved in two of Australia's 10 biggest deals in the past three years.

The Wall Street Journal reported that in the first five months of 2014, announced PE takeover deals in Australia reached $5.5 billion, a higher amount than that of any full year since 2006. More specifically, Australia has seen an increase in cross-border deals by U.S.-based PE funds. What do you think are the driving forces behind this trend?

First, it is important to note that although Australia is a relatively small, isolated market, its economic stability is highly inviting to investors. Equally as inviting is Australia's geographic location in regards to trade with Asia. Many PE firms that do business in Australia are looking for companies with strong brands they could use to improve their own portfolios, but also sell into Asia. Recent

▶CONTINUED FROM PAGE 4

SPOTLIGHT

trade agreements with Japan and Korea have enhanced this attraction to Australia for PE investors.

What is your prediction for PE in the Asia-Pacific region, particularly Australia, over the next six to 12 months?

As the economic uncertainty caused by the financial crisis slowly recedes, I expect the renewed interest in PE investments to continue to grow. Consumer and business behavior will likely return to "normal," causing PE industry participants to feel more confident when it comes to making significant investment decisions. Throughout the global financial crisis, the distinction between permanent structural changes and temporary cyclical changes was not clear, thereby increasing the risk profile of prospective investment opportunities. Consequently, many PE firms have pooled funds from investors over the past five years without actually undertaking many investments. Now that conditions are stabilizing, investment activity is expected to resume.

Specifically in Australia, a greater inflow of funds into superannuation – or pension contributions – will benefit the industry, especially with compulsory employer superannuation contributions increasing from 9.25 percent to 12.0 percent by 2019. With more than half of PE investments coming from superannuation funds, growth in superannuation savings will translate to asset growth within the industry.

Will U.S. PE firms continue to ramp up their activity in Australia? In the Asia-Pacific region, what other countries are prime for increased investment activity?

Given Australia's economic stability and prime geographic location, I expect U.S. PE investment to continue to increase. Looking at the region as a whole, I believe that continuing economic growth in Asia will attract greater foreign PE fund interest and investment. In particular, the rapid development in Indonesia, which is now the fourth most populous country globally, is likely to offer numerous investment opportunities for shrewd investors.

Sebastian Stevens is a Partner with BDO Australia's Corporate Finance Team. He can be reached at sebastian.stevens@bdo.com.au

THE IMPORTANCE OF PRE- AND POST-ACQUISITION DUE DILIGENCE FOR PRIVATE EQUITY FUNDS ACQUIRING MULTINATIONAL CORPORATIONS

By Brian Mich, Managing Director, and Glenn Pomerantz, Partner, with BDO Consulting

During the past decade, heightened enforcement efforts have made compliance with the U.S. Foreign Corrupt Practices Act (FCPA) and other anti-corruption laws around the globe one of the biggest challenges facing both U.S. and foreign corporations conducting business in the U.S. While private equity has not yet been subjected to this increased enforcement, there are recent indications that both the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) will be taking a closer look at the conduct of private equity funds to determine whether they are violating the FCPA.

The FCPA contains two provisions: (1) an anti-bribery provision, which prohibits paying, offering or promising anything of value to a foreign official in order to obtain or retain business; and (2) a "books and records" provision, which requires a company listed on a U.S. exchange to maintain accurate books and records and to implement a system of internal controls designed to prevent instances of corruption.

During the past 10 years, the DOJ and SEC – which both have criminal and civil enforcement jurisdiction under the Act – have significantly increased the number of enforcement actions being brought against corporations and individuals. These efforts have resulted in substantial jail sentences for guilty individuals and large monetary penalties, costly internal investigations, court-ordered monitors and debarment for companies that violate the FCPA.

Private equity funds are particularly vulnerable to FCPA risks when making investments in foreign companies and U.S. companies with foreign operations because the FCPA has a successor liability component pursuant to

CONTINUED FROM PAGE 5

PRE- AND POST-ACQUISITION DUE DILIGENCE

which an acquirer of a controlling interest in a corporation inherits financial responsibility for any pre-acquisition FCPA violations committed by the target company and may have criminal responsibility for any post-acquisition violations. This successor liability necessitates that private equity funds – when acquiring a multinational company, particularly one that operates in corruption-prone countries – both conduct pre-acquisition anti-corruption due diligence and take steps after the acquisition to ensure that the newly acquired portfolio company has an anti-corruption compliance program.

The steps above will not only reduce the risk of an enforcement action, but will also protect the value of the private equity firm's investment. This latter point cannot be overstated: if an acquirer does not take appropriate steps to identify hidden FCPA risks in a target company before and after the acquisition, a future buyer may find them through its own due diligence process. That discovery can result in a downward purchase price adjustment or, worse yet, a termination of the deal.

The components of an appropriate pre-acquisition anti-corruption due diligence work plan will vary depending on the risk profile of the acquisition company. That being said, typical steps in the due diligence process will include:

1. High-level assessment of the target company's corruption risk by gaining an understanding of, among other things:
   - The industry in which the target company operates;
   - The countries in which the target company is based and operates;
   - The extent to which the target company transacts business directly with the government;
   - The extent to which the business of the target company is regulated by the governments of the countries in which it operates;
   - The extent to which the target company relies on third party intermediaries, such as agents, distributors, resellers, consultants and joint venture partners;
   - The target company's control environment, particularly as it relates to disbursements and the screening of third parties; and
   - Any known history of corruption by the target company, its management or staff.
2. Interviews of the target's key management and staff-level employees, including the CEO or head of the business unit being acquired, the CFO and some key accounting personnel to understand how transactions are processed, and local management and sales representatives, particularly those who operate in high-risk countries.
3. Review and assessment of the target's anti-corruption policies and procedures, including training.
4. Review and assessment of the process by which third party intermediaries, such as consultants, agents, distributors, resellers and joint venture partners, are retained and monitored.
5. Forensic review and sample testing of transactions that are identified as high-risk. These can include:
   - Payments to known government officials and agencies;
   - Payments to third-party intermediaries;
   - Payments in cash;
   - Commission payments;
   - Gifts;
   - Expense reimbursements;
   - Travel and entertainment;
   - High-dollar and round-dollar amount payments;
   - Payments to freight forwarders, customs agents and other processing agents; and
   - Payments to charitable organizations and political parties.

Of course, if the due diligence process uncovers "red flags" indicating that there may be corruption risks, those will need to be investigated.

In the end, the existence of hidden FCPA issues is one more factor to be considered by a private equity fund when assessing the appropriateness of an acquisition target. Pre-acquisition anti-corruption due diligence will help to shield the fund from potential criminal and regulatory liability and, ultimately, ensure the value of its investment.

For more information, please contact Brian Mich at bmich@bdo.com, or Glenn Pomerantz at gpomerantz@bdo.com.

MARK YOUR CALENDAR

The following is a list of upcoming conferences and seminars from the leading private equity associations and business bureaus:

OCTOBER

October 6-7
The Fundamentals of Investor Relations 2014
Morrison & Foerster LLP
San Francisco, Calif.

October 7
M&A East 2014
Pennsylvania Convention Center
Philadelphia, Pa.

October 14
Private Equity in Emerging Markets
Intercontinental Park Lane
London, UK

October 15-16
ACG Eurogrowth
Grange St. Paul's Hotel
London, UK

October 23
2014 DealMaker's Forum
Hyatt Regency
Denver, Colo.

NOVEMBER

November 18
SuperInvestor 2014
The Westin Paris-Vendome
Paris, France

DECEMBER

December 2-3
Women in Private Equity Forum: Europe
8 Northumberland Avenue
London, UK

December 2-4
SuperReturn Africa 2014
The Westin Cape Town
Cape Town, South Africa

CONTACT:

LEE DURAN, San Diego
858-431-3410 / lduran@bdo.com

JOE BURKE, McLean, VA
703-770-6323 / jburke@bdo.com

SCOTT CACURAK, Los Angeles
415-490-3232 / scacurak@bdo.com

JERRY DENTINGER, Chicago
312-239-9191 / jdentinger@bdo.com

MARK ELLENBOGEN, Washington, D.C.
301-634-4975 / mellenbogen@bdo.com

RYAN GUTHRIE, Costa Mesa
714-668-7385 / rguthrie@bdo.com

SCOTT HENDON, Dallas
214-665-0750 / shendon@bdo.com

KEVIN KADEN, New York
212-885-8000 / kkaden@bdo.com

TODD KINNEY, New York
212-885-7485 / tkinney@bdo.com

MATT SEGAL, Chicago
312-616-4630 / msegal@bdo.com

DAN SHEA, Los Angeles
310-557-8205 / dshea@bdocap.com

MICHAEL WHITACRE, Atlanta
404-979-7116 / mwhiteacre@bdo.com

BDO PRIVATE EQUITY PRACTICE

Strategically focused and remarkably responsive, the experienced, multidisciplinary partners and directors of BDO's Private Equity practice provide value-added assurance, tax and consulting services for all aspects of a fund's cycle, wherever private equity firms are investing.

ABOUT BDO USA

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, financial advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through 52 offices and over 400 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,264 offices in 144 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information, please visit www.bdo.com.

Material discussed is meant to provide general information and should not be acted upon without first obtaining professional advice appropriately tailored to your individual circumstances.

To ensure compliance with Treasury Department regulations, we wish to inform you that any tax advice that may be contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

© 2014 BDO USA, LLP. All rights reserved.

People who know Private Equity, know BDO.SM

BDO