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UPCOMING EVENTS

**October 11 -
Bloomberg in NYC**
Mini Independents' Day

Best Practices For Success on Agenda

'Mini' Independents' Day Packed With New Information and Ideas

While space is limited at the Mini Independents' Day being held October 11 at Bloomberg offices in New York City, the agenda is not. This 3-hour intensive workshop for Investorside research providers and selected guests will focus on the best practices for a successful investment research franchise. Topics covered will include:

- ◆ Research Distribution -- How to more effectively reach existing clients, increase visibility and use readership statistics to gauge how content is received.
- ◆ Research Tagging -- How to expose "research calls" to targeted readers through smarter tagging techniques that improve results and filter outcomes.
- ◆ Payment -- News on the latest advances in commission management portals designed to enhance IRP transparency and improve facilitation of payments.

This forum brings together independent research providers, trading firms, technology providers and other industry professionals for a time efficient event that is packed with valuable information and ideas. Featured guest speakers will discuss the latest and most efficient techniques investment research providers can use to reach the 300,000 plus institutional market.

Space is limited so please [register](#) soon or contact [Pat Shea](#) with any questions.

Regulatory Issues

Massachusetts Securities Division Clarifies Proposed Rule Changes

The Massachusetts Securities Division responded recently to questions regarding the applicability of the expert or matching services regulation to investment advisers that are under the authority of the Securities and Exchange Commission. The division restated that the expert or matching services regulation will not apply to them but the agency also reiterated that it will still “take enforcement action” against investment advisers, or anyone associated with investment advisers if they commit fraud or deceive people. The division referenced the following statute: Section 203A(b)(2) of the Investment Advisers Act, and Sections 101 and 102 of Massachusetts General Law Chapter 110A.

Sales Tax Issues on the Rise in New York State

By Timothy Noonan, partner at Hodgson Russ Attorneys, LLP

Everybody knows that New York State imposes a sales tax. The tax applies to the sale of tangible personal property, such as vehicles, furniture, paper products, etc. But, the tax also applies to sales of certain services specifically set forth in the tax law, and the New York Tax Department has been increasing its efforts to enforce its sales tax on the sale of investment research.

The tax law contains a tax on the sale of “information services,” defined as “the services of collecting, compiling, or analyzing information of any kind or nature in furnishing reports thereof to other persons.” The tax, however, doesn’t apply to the furnishing of information that is personal or individual in nature and which is not, or cannot be substantially incorporated into reports furnished to other persons.

According to the New York Tax Department’s regulations, “stock market advisory and analysis

reports” are specifically subject to tax as a form of information services.

So investment research providers need to be careful. If they are receiving revenue by providing investment research reports, they very well might have sales tax to pay. As you consider whether your company faces exposure to this tax, keep in mind the following:

- ◆ The “Personal and Individual” Test -- As noted above, services that are personal or individual in nature are not subject to the tax, but be careful. If information is provided to customers from a “common database,” it doesn’t matter if reports issued to customers are different or specialized. The provision of “common database” information is generally deemed to be taxable.
- ◆ The Periodical Exemption -- Certain investment research providers have been able to structure the format and distribution of their reports to qualify for New York’s “periodical exemption,” which is an exemption available to magazines or other publications.

- ◆ Individualized Consulting -- The sales tax is not imposed on individualized research consulting. However, when consulting is bundled with taxable research, the tax department may take the position that tax is due on the full amount, since the rules require a separate stating of taxable and nontaxable aspects of a taxpayer sale.
- ◆ Commissions -- Commissions on trades are not taxable, even if the broker provides investment research to the client as part of its services. The tax department has taken the position that brokers do not have to collect sales tax on their fees if they are based on commissions generated through trading activities.
- ◆ Soft Dollar Sales -- If research is paid with soft dollars, who owes the tax? The answer isn't clear, but the tax department has been taking the position that the soft-dollar broker paying for the research must pay the tax to the research provider. The fact that the research is paid for using soft dollars has been deemed to be irrelevant by tax department auditors.

CHAIRMAN EMERITUS SPOTLIGHT

PRESERVING INSTITUTIONAL KNOWLEDGE

John Eade is a co-founder of Investorside Research Association and its second chairman. He continues to serve on the board of directors and holds the title of Chairman Emeritus. Serving the association since day one, Eade notes he's had the pleasure of working with some of the best and the brightest in the investment research community and continues on the board because he supports its goals and is in a position to provide institutional knowledge to the executive director and to new board members.



Eade's day job since 2003 has been President and CEO of the New York-based Argus Research Company. He joined Argus in 1989 and has chaired the Investment Policy Committee as director of research; covered the healthcare, financial, and consumer sectors; and has written a weekly investment column. He has an MBA in Finance from New York University's Stern School of Business and a BA in Journalism from Northwestern University's Medill School of Journalism. He is also a member of the New York Society of Security Analysts and the CFA Institute.

DIRECTOR SPOTLIGHT

JACK ZWINGLI: VALUING THE PLATFORM

Investorside director Jack Zwingli serves as chief executive officer of GMI, a leading global provider of independent ratings and research, specializing on Environmental, Social and Governance (ESG) ratings and analysis. Previously, Zwingli led Audit Integrity until November 2010 when the firm merged with GovernanceMetrics. Since becoming CEO of the combined entity, Zwingli has faced the challenges that come with running a larger, more geographically diverse operation.



“Like most managers these days, I’ve had to get comfortable with being a virtual manager. I travel much more than I used to - including international travel - but today many people are managing staff in diverse offices,” he said.

The initial integration work at GMI has been completed, according to Zwingli. Considering those efforts, the company has just announced its first integrated product platform – GMI Analyst – that includes ratings and research from GovernanceMetrics, Audit Integrity and The Corporate Library, the three predecessor firms which merged to form GMI in 2010.

“We did the merger to create a company that is better positioned to pursue bigger opportunities in the ESG space around the world,” Zwingli explained. “We see growing demand and plenty of opportunity for growth, especially in Europe.”

Zwingli became an Investorside director after working closely with the association on the problem of issuer retaliation. Issuer retaliation involves a confrontational response from companies following a negative assessment by a research provider.

“We experienced issuer retaliation at Audit Integrity and through Investorside we were able to compare experiences with other members and take the issue to a higher level,” Zwingli said. “What resulted was a white paper that was made available to Investorside members.”

In response to an increased incidence of issuer retaliation, Investorside began sharing educational information and best practices with members to help them avoid the problem. The organization also provides resources such as legal, media and public relations contacts to researchers who have faced retaliatory practices.

Providing a valuable forum

Zwingli believes independent researchers face their greatest challenges with finding markets for their products, creating demand and competing effectively.

“Given the environment of the past few years, the market for research is weaker now so we need to invest the effort to create demand for what we offer, by showing the market how they can add tangible value by using our services.”

Regulatory reforms are less of a challenge, according to Zwingli. In fact, reforms that create greater disclosure such as the Dodd-Frank bill can help.

“We’re always champions of transparency and support regulations that further disclosure,” he explained. “More information will lead to better research.”

As a director, Zwingli’s priority is to ensure the organization continues to add value to its members. Regardless of the challenges ahead, he believes Investorside can provide a valuable forum for members to meet peer companies, discuss issues and share possible solutions and best practices.

Member Resources Affinity Providers

[Berkery Noyes](#) - Mergers/Acquisitions/Consulting

[Montieth & Co.](#) - Public Relations

[Butcher Financial LLC](#) - Sales

[Zacks Investment Research](#) - Data Provider

[worldflow](#) - Research/Software/Systems/Startup

[3B NEXUS Limited](#) - Marketing

[InvestingChannel](#) - Marketing/Sales

NEW AFFINITY RESOURCE

REACH MOBILE USERS WITH WORLDFLOW RESEARCH CONNECT

Since going live in February 2011, worldflow Research Connect (wRC) has enabled research providers to manage content distribution, subscription and payment requirements on web and mobile devices worldwide. Working with



worldflow producing solutions for finance

Home Consultancy Products Research

Welcome to worldflow

Mobile Money Exchange

worldflow, research providers offer a fully branded application via the iTunes Store that lets clients access research securely on their iPhones and iPads.

“Our app allows users to see research but ensures they cannot forward or print it, which provides security to the research provider,” explained Steve Jarrett, co-founder and director of worldflow.

London-based worldflow, established in 2002, is a software consultancy focused solely on the finance sector. The firm has done more than 150 projects for investment banks, hedge funds and asset managers. Projects include implementing new systems platforms, integrating disparate systems following mergers, building systems for a new hedge fund from the ground up, upgrading existing systems without affecting the business, and developing links to electronic connectivity networks.

According to Jarrett, worldflow offers its research distribution platform to Investorside members at a significant discount.

“We recognized independent research providers are a growing business segment and we are trying to gain more clients in this area,” he said.

Research providers can use wRC to offer easy access to their research on mobile devices that is fully branded with the provider’s corporate identity. End-users can access the latest published research, create personal searches and alerts, automatically download search results for offline access, browse reports by relevant criteria such as sector, country or analyst, and receive notifications when new research is published. The app is free to download and includes marketing and some sample research. Users must register to see sample research content and registered users can only see current research if permitted by the research provider.

Extend your reach without the maintenance

“It takes about four weeks from when we first meet with a research provider until their branded

app is ready to launch,” Jarrett said. “The product has been well received and is selling very fast.”

WRC is offered as a maintenance-free service for providers. Worldflow manages all client access, device upgrades and compatibility, so no internal IT resources are required. WRC also enables research providers to track usage and client access, helping them understand changing client needs.

A new app for Investorside

The European Association of Independent Research Providers currently uses wRC to power its app, EuroIRP Research, which is available in the iTunes Store. This app gives users a single point of access to a range of research and commentary from leading European independent research providers.

Investorside launched a free app on iTunes in September that runs on wRC, and provides the same capabilities for Investorside and its members as the EuroIRP app.

“The Investorside app will serve as a marketing vehicle for existing Investorside members, increase

communication and visibility among existing members, and provide a way to market Investorside to prospective members,” Jarrett said.

The app offers a member directory, contact information, biographies, coverage details, analysis methodologies, corporate materials and sample research. Users can browse research reports supplied by providers across sectors, regions and classes, download research to the app for offline reading, create and save personalized searches and alerts, and automatically download search results.

As of press time, approximately 30 members have signed the distribution agreement to be included in the app. If you would like send information on your firm to be included in the Investorside app or if you are interested in learning more about branded apps for your business, please contact david.sawyer@worldflow.net.

More information on worldflow is available online [here](#) and [here](#).

Press Release Nirvana

Have you sent a press release lately? Take advantage of our cost effective Mediahub distribution service to promote your business. For only \$100 you can send a press release to more than 1,300 media contacts in the US. If you send press releases via another service please remember to send PDF versions to us so we can post it on our website. For more information contact Lisa Russo at 561-578-7736.

MEMBER PROFILE

POTOMAC RESEARCH GROUP TRANSLATES D.C. TO WALL STREET

In the current deficit reduction environment, government decisions can have an increasingly significant affect on specific industry sectors and companies. With a team of experienced and talented analysts, Potomac Research Group is well positioned to help institutional investors understand and predict the impact government actions can have on their investment portfolios.



“Since Potomac Research launched in 2008, government interventions in the economy have steadily increased,” said Suzanne Clark, chief executive officer of Potomac Research.

As a result, revenues at the company have tripled in just three years. The firm has 21 employees including five direct sales people who are experienced in selling policy research.

“Each of our sales people and analysts has deep relationships and understanding of the policies, personalities and politics of Washington, D.C.,” Clark said.

Translating D.C. to Wall Street

“Two years ago, there were headlines correctly highlighting the power shift that was under way from Wall Street to Washington. There are very smart people on Wall Street and in Washington, but they really don’t speak the same language. We

help translate what’s happening in Washington to investors,” Clark explained.

For example, in 2009 when the health care bill was being debated in Congress, the Potomac Research health care team assessed the likelihood the bill would pass and reported that to clients. As its passage became more assured, the research team identified the types of things that were likely to be included in the bill and the impact they would have on specific industry sectors.

“We try to be contrarians. We’ll take conventional wisdom and what’s in the newspapers and explain why we think it’s wrong. Or if it’s right, we take it from generalities to a more specific, actionable level,” Clark continued.

With deficit and debt reduction actions expected to affect the health care and defense sectors,

Potomac Research analysts are evaluating the impact on specific industries. In health care, for example, researchers are evaluating which services and products are most vulnerable to government health insurance cuts and what percentage of government health spending is at risk. Similarly, the company is assessing the short- and long-term impacts on defense spending.

Clark sees her key role in Potomac Research as taking care of employees so that they can take care of clients. She estimates she spends 50 percent of her time on recruiting and retaining world-class talent.

“We’re considering expanding our services in the energy sector and internationally. While we have a team focused on domestic regulation, international initiatives, such as decision-making

by the European Central Bank, is increasingly important,” Clark said.

According to Clark, “I was delighted to find Investorside and have Pat Shea in my corner. We’re a relatively new company with solid growth potential and that’s when you need a strong trade association.”

Clark found value in her first Investorside Member’s Day experience. She said, “I met people that day I have stayed in touch with throughout the year.”

More information on Potomac Research is available at www.potomacresearch.com or contact Suzanne Clark at sclark@potomacresearch.com.

New Members

America's Research Group Ltd.

810 Travelers Blvd, Ste G-1

Summerville, SC 29485

United States

(239) 297-3143

www.ARGconsumer.com

Contact: [Derek Noce](mailto:Derek.Noce)

ARG conducts robust consumer research surveys and market visits to provide insightful coverage and customized studies regarding retail trends, shopper behavior, and industry issues.

Its client base includes institutional investors and non-covered industry and it uses methodologies such as consumer surveys and field intelligence. ARG covers the consumer and retail sectors.



Getting and Using the Member Seal

A couple of different file types of the Member Seal are available by using the link in the left hand sidebar while logged into "My Account." Right click on either seal and select to Save it from the pop up menu. You can also get Investorside Logo images to use in your printed and online materials. Be sure to use the following text to accompany logos and seals:

The Investorside Research Association certifies its members have no investment banking conflicts.

The Investorside Research Association's mission is to increase investor and pensioner trust in the U.S. capital markets system through the promotion and use of investment research that is financially aligned with investor interests.

