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Dear Investorside Member,

We are currently navigating an important period for our industry. Over the next two to three years, we will see continued changes to the ways we have traditionally done business driven by sweeping regulatory reform and a dynamic landscape for our clients. These changes will ultimately result in new business model, operating model and payment model requirements.

It is critical that we come together as an industry organization to establish a stronger and more united voice in front of the policy makers, press and regulatory bodies. Our annual Members Day – on February 3rd – in Washington, D.C., provides a rich opportunity for us to build our community, share perspectives on important topics and learn from experts.

To-date we have seen a strong response from the membership and we hope you will join us and help make the day a rewarding and fulfilling experience.

See you on [February 3rd](#).

Richard Leggett



Members Day Highlight

The Members Day featured speaker is **Dr. Harald Malmgren** an internationally recognized expert on world trade and investment flows who has worked for four U.S. presidents. His extensive personal global network among governments, central banks, financial institutions, and corporations provides a highly informed basis for his assessments of global markets.

Directors Meeting

Participants tackle the association's role in the news of the day.

The December 10 Investorside directors meeting focused largely on the association's strategy for making its members' voices heard on topical news items like the SEC investigation into insider trading.

Just as independent researchers use a "mosaic" approach to develop reports on companies, so too did many of the Investorside directors see the DOJ activities as a mosaic approach that could easily widen to include all aspects of independent research. High profile enforcement activities have recently homed-in on two well-used and widely accepted practices that seek to discover nonpublic information about companies that confirms or denies the companies' own reporting. These practices, channel checking and engaging expert networks are widely used and some now think besides involving them, investigations can't help but spill over into client commissions, or soft dollars.

Directors were primarily concerned with the easy way the entire industry could be tainted by uninformed reporting and comments from high profile people who don't really know the pains independent researchers take to legally gather information and to issue highly accurate reports. Directors discussed involving an outside firm to help it manage the public relations aspects where it should have a voice. To do that, it eventually engaged Montieth & Co. to help the association navigate the tricky waters of PR and bring the story of independent research clearly and unequivocally to the forefront.

The board also laid the groundwork for close collaboration with other industry allies such as the CFA Institute and the NYSSA so their unified voices would carry further. More engagement with regulators and legislators was discussed, and plans were later laid to bring representatives of the regulation side to the February Members Day. Investorside sent a letter, to all investment company executives and compliance officers, that condemned insider trading and reinforced the value brought to the investment marketplace by IRPs. Other strategies discussed included press releases and oped pieces.

Directors reviewed financial statements noting an increase in accounts receivables. After discussion Mr. Shea was asked to contact some of the members. The directors also discussed the upcoming GAO survey with an eye toward helping Investorside members to have a relevant voice. See the [related story](#) in this edition of the newsletter.

The association's outside counsel, Will Edick reported there was no word on a decision about the Fly-on-the-Wall case, and no timeline for a decision from the appellate court. He did however say decisions like these typically take months, and not years.

Mr. Shea reported the association spent resources making sure registrations are current and it hired an outside firm to help with nonprofit and state registrations.

Member Spotlight

OTR Global Helps Clients Invest With Greater Conviction

As major uncertainties such as the election, federal tax outlook and state of the economy are resolved or at least become clearer, the equity market is moving back to analysis of company fundamentals. That's good news for [OTR Global](#), the leading provider of channel checks and high-touch trading for institutional investors.



Unique Ideas
Global Coverage
Nontraditional Sources

“With more clarity on macro issues, there will be greater focus on the fundamentals of a specific investment,” said Stanton Green, president and chief executive officer of OTR Global. “OTR is very good at the fundamentals.”

Founded in 1995, OTR Global uses investigative journalistic techniques to extract information on a specific company, industry or topic by interviewing suppliers, competitors, distributors and other key sources. On average, the company's 200 reporters conduct more than 35,000 in-depth source interviews worldwide each year to provide syndicated research across four sectors: consumer/retail; cyclicals; healthcare; and technology/media/telecom. Access to this unique primary intelligence often enables OTR Global clients to identify inflection points before they are widely recognized.

Besides syndicated channel checks, the company also offers custom research, quick checks using a separate field force of 90 people in major U.S. metro areas, and best-execution, high-touch trading through its agency trading desk, OTR Global Trading LLC.

A Platform For Uncovering Stories

OTR Global is in the business of uncovering the real stories around companies by understanding their particular business ecosystems in a novel way. The accuracy of their stories has gained the company a loyal client following. In a move to leverage its existing client relationships, OTR Global recently announced an exclusive distribution agreement with Assay Research, a provider of quality-of-earnings analysis.

“We want to become a platform for our clients to access different data points on investments to increase their level of conviction in their decision-making,” Green said.

The two research products – OTR's channel checks and Assay's expertise in forensic analysis – are offered to clients side by side to maintain the integrity of each firm's independent findings and methodology. At the same time, OTR Global is applying its rigorous compliance framework to include Assay's reports.

A Global Reach

Although OTR Global has had a global presence for more than a decade, the company recognized it needed to go deeper in certain countries and regions. In particular, it has recently expanded its research staff in China.

“To understand the ecosystem around global handsets in telecom, for example, we needed to have a team in Taiwan Semiconductor to gather information on key components within the handset supply chain,” Green explained.

Establishing an effective team on the ground in any country requires an understanding of the cultural norms. According to Green, OTR Global is “always mindful of local customs and never assumes what works in the U.S. will work in Asia or Europe.”

Continued Focus On Client Needs

Even as the company extends its reach for primary intelligence, it is working to create stronger relationships with its clients. To that end, OTR Global opened a new office in Boston’s Financial District in June to better serve regional clients. The Boston office complements the company’s sales and trading operation in New York and its sales and research offices in San Francisco, Shanghai and Germany.

“With an office in Boston, we can be closer to certain regional clients’ trading desks, which can be an important avenue for information flowing to portfolio managers and analysts,” Green said.

In addition, in 2011 OTR Global will be focusing more on the technology it uses to manage content and make information available to clients. It is evaluating the next evolution of technologies within compliance requirements, given the growing popularity of social media such as Twitter, Facebook and blogs.

“We are very mindful of how people consume information and we want to ensure we have a robust and flexible technology platform available to our clients,” Green continued.

Our coverage includes:

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Regulatory

Members to receive GAO surveys

Investorside members should be alert for surveys they may receive about the Global Research Analyst Settlement in the next couple of months from the Government Accounting Office. That settlement between the SEC, 10 Wall Street investment firms and two individual analysts was in response to allegations the investment bankers were not keeping enough distance between their sell sides and the analysts who provided ratings on the firms.

Investorside is collaborating with the GAO to help it reach members of the research community so the survey will include their perspectives. Ultimately, the GAO survey will help to inform Congress about the issues that are important to Investorside members.

Background

One of the requirements leveled on the GAO by the Dodd-Frank Wall Street Reform and Consumer Protection Act was to examine the potential conflicts highlighted in the Global Research Analyst Settlement and bring recommendations to Congress to be considered for legislation aimed at further clarifying conflicts of interest between the investment banking firm analyst side and their sales side. The GAO was instructed to study:

- ~ The potential for investor harm resulting from conflicts, including consideration of the forms of misconduct engaged in by the several securities firms and individuals that entered into the Global Analyst Research Settlements in 2003;
- ~ The nature and benefits of the undertakings to which those firms agreed in enforcement proceedings, including firewalls between research and investment banking, separate reporting lines, dedicated legal and compliance staffs, physical separation, and other measures;
- ~ Whether any such undertakings should be codified and applied permanently to securities firms, or whether SEC should adopt rules applying any such undertaking to securities firms; and
- ~ Whether to recommend regulatory or legislative measures designed to mitigate possible adverse consequences to investors arising from the conflicts of interest or to enhance investor protection or confidence in the integrity of the securities markets.

Members Day Highlight

Industry Consolidation and Financing - Moderated by Richard Leggett and featuring: *Christopher W. Young*, managing director Berkery Noyes; *James Tanner*, head of Markit's data distribution services and Wall Street On Demand; and *Michael Cichowski*, a principal at Edison Ventures.

Get Answers To:

- How Are The Current Legal Issues Going To Affect My Business, Long-Term?
- How Will The Regulatory Changes Impact My Business?
- What Are My Peers and Competitors Doing?
- What Is The Outlook for the Independent Research Market?
- How Do I Plan For and Execute An Exit?

[Register Now](#)

Affinity Member Profile

Berkery Noyes Focuses On Mergers and Acquisitions Of Research Firms

The independent investment community represented by Investorside Research Association, “has had their share of challenges over the last four years or so,” according to New York City-based Affinity Member, Berkery Noyes, via managing director and Investorside point-person Christopher Young. That includes malicious or frivolous law suites, the end of government funding from the April 2003 global settlement, and a down-turn of trading volumes, which means investment research funding is also down.



Young is the managing director of the financial information and technology group of Berkery and Noyes. “So when these kind of firms want to talk about raising capital, or mergers, and acquisitions at Berkery and Noyes, they talk to me,” says Young. “I’m the one that helps them manage the process or raise the capital.” And Young claimed Berkery and Noyes is probably among two firms attending to mergers and acquisitions of mid-market research firms. Young formerly served as Global Director of Business and Product Strategy at Dow Jones where he focused on building media and technology solutions in the wealth management marketplace. His MBA and Ph.D. are from Rutgers University.

The market is certainly effecting firms in significant ways. “Firms are really feeling this in a big way. Some are losing money, others are closing their doors, some cannot sustain defending malicious issuer law suites by large firms,” Young says.

While Young sees the market turning around in roughly two years, he forecasts many firms need to act now. “Some firms need to raise capital, reinvest in a new business model, or merge with a new, larger partner. Together they will have a much stronger balance sheet,” says Young.

What Berkery and Noyes can do is two things. The firm can raise capital “for companies that are somewhere north of \$10 million in revenue. Or, we can help them sell themselves, or parts of themselves. And of course, if they are a larger firm looking to raise capital and buy two or three research providers, we can do that as well,” says Young. “We are getting a lot of traction in that space. Firms with \$25 million or so in revenue may decide to acquire several smaller players, and a lot of those are members of Investorside Research Association,” he says.

Much of the action over the last year is merely feeling out the markets, says Young. But there is a great deal of interest in building stronger research entities and firms are looking for opportunities. Some, however, seem to be near the point of desperation, and they have to do something soon, observes Young. They are acting on deals that are not in their best interest “and do not reflect the value of their work over the last year or so. A lot of them are doing deals without banks, and without professional representation. It is a buyer’s market but there are not fire-sale prices.”

Young's contention is that with proper representation, firms can garner fair compensation for their value.

The recent challenges of credit rating agencies will also provide an opportunity for independent investment research providers to enter a new market. Now there are three major players in this market – Standard and Poors, Moodies, and Fitch. There is more federal regulation coming down the pike and the feds would rather have more competitors, says Young. That can create a far more inviting market for new entrants, say speculators.

“Who is well-suited to becoming a rating agency? Companies that rate stocks and companies that rate bonds have similar skill sets,” says Young. “Will a few of these firms enter into the bond rating business? I say yes, and I know more than a handful have considered this and have filed the paperwork to become that kind of firm,” he says.

“Why wouldn't you? Think about it. Why wouldn't you go after a billion dollar market and perhaps generate tens or hundreds of millions of dollars in revenue?” Many independent research firms are now surviving on a few million dollars a year, says Young.

There are two scenarios that Berkery Noyes sees playing out, says Young.

One is I've built a business and I am looking to sell it. That can take one to three months to complete.

A second scenario is you come to Berkery Noyes and you want to buy another company. “Well, what do you want to buy? Do you have a target or do you want us to find you a target,” Young asks?

The second is what Young sees more commonly. A company wants Berkery Noyes to find firms that will help them fulfill their strategy. Berkery Noyes then looks to establish an ongoing relationship where it identifies one, two, three, or more companies that make sense as acquisition targets. Young will sit down with management and figure out how they want to proceed. This is a more open-ended process and can take three to six months, says Young.

The Markets

Berkery Noyes exclusively serves the information industry. Their clients provide information content and related tools and technology to seven core markets:

- [B-to-B & Consumer Media, Marketing, and Information Services](#)
- [Business Information, Legal & Regulatory Compliance](#)
- [Education](#)
- [Finance Information & Technology](#)
- [Generalist](#)
- [Healthcare Information & Technology](#)
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Director Spotlight

David Good Sees Value Proposition Even In Economic Challenges

One of the leading challenges facing member firms of the Investorside Research Association is finding ways to expand their businesses during difficult economic times, says board member David Good. Whether that is increasing sales, increasing markets, or increasing coverage, it all costs money to achieve, and Good believes that the customer base of research firms are still feeling significant economic pressures. As a result there may not be budgets in place for people to spend more money on independent research.



“So there is a tension there between independent research firms who want to do more to be more attractive to a wider variety of firms, and their customer base which is still feeling the effects of the recession,” Good notes. And while these are certainly market challenges, Good believes member firms should see them as opportunities to be navigated carefully.

Good serves as the CFO, chief compliance officer, and general counsel for New York City-based CreditSights, and is a member of the firm's executive committee and board of directors. He possesses more than 20 years of experience specializing in corporate finance transactions.

Founded in 2000 with eight employees, the firm now maintains several offices in the U.S., together with offices in London, Delhi, and Singapore, and has 135 employees serving almost 1,000 institutional clients in the U.S., Europe, Middle East, Asia, and Australia.

CreditSights is a pure research firm focused on delivering fundamental research from a capital markets and fixed income perspective. “I think that our view at CreditSights is that we seek to be the most useful guy in the room, not necessarily the smartest guy in the room. I think a lot research firms are like that. If they can be useful to an investment manager then there is certainly a cost arbitrage for customers to get access to high-quality information for modest dollars. That is hopefully an opportunity for us and firms like us,” says Good.

Good says that while investment managers generally want to be better informed when making investment decisions they may not be able to hire a full complement of research analysts at a time when research budgets are being cut. That, Good maintains, gives independent research firms a powerful sales proposition. They can provide useful information to people making investment decisions for far less than it would cost to carry more employees on the payroll.

In addition to navigating economic pressures to translate challenges into opportunities, Good points to the role the association plays as an advocate for its members. The Association was born out of significant conflicts of interests on Wall Street, says Good, and while he isn't convinced that all those conflicts have been eliminated, he is confident that the markets and the world have moved on, and new issues have arisen, including the tone of regulatory reform in Washington and

legal concerns regarding rating agencies.

When Good first joined the Association’s board, he was involved with issues surrounding soft dollars. And recent enforcement action regarding expert networks could have unintended follow-on effects with, for example, soft dollars. “People could end up saying that if you just got rid of soft dollars you wouldn’t have these problems. But that would be throwing out the baby with the bath water,” says Good.

He observed that the association is working hard to remain helpful to its members, including on soft dollar issues. “I think Pat Shea has done a tremendous job directing the association, building the membership, and bringing value to the membership,” concludes Good.

New Members

Spread Research 3711 Market Street, 8th fl. Philadelphia, PA 19104 United States 215-966-6226 Charles de Quinsonas www.spreadresearch.com	<i>Spread Research incorporated 6 years ago and has offices in France, the UK and the United-States. The company provides independent credit research and specializes in tracking over 200 European High Yield and Emerging Market corporate bond issuers. Since 2004, the firm has provided its clients with in depth and systematic credit analysis of the European HY, Convertible and Emerging Market corporate bond issuers as well as model portfolios.</i>
Primary Insight, LLC 150East 52nd Street New York, NY 10022 United States 646-216-5210 David DeRose www.primaryinsight.com	<i>Primary Insight is a leading provider of access to a diverse, global network of experts across all industry sectors. Driven by the needs of institutional investors to stay informed about ever-changing market trends, impacts and challenges, Primary Insight matches clients to business executives, supply chain decision-makers, academics, clinical researchers, and other key industry stakeholders who are leading experts in their fields.</i>

Upcoming Events

Members Day

February 3, 2011

9:00 A.M. to 5:00 P.M.

Metropolitan Club, Washington, DC

[REGISTER HERE](#)

Independents Day

Date and Time To Be Announced

Annual Board Meeting

June 2011

Date and Time to be announced

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.



61 Broadway, Suite 1700, New York, NY 10006