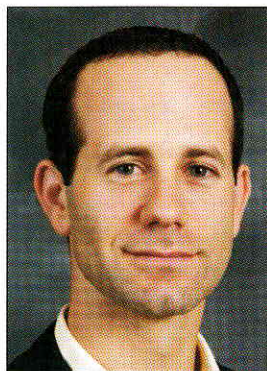


Assessing the Regulatory Landscape that Awaits

ACG members weigh in on what the new administration might mean for private equity, and what if anything, investors can do to get a jump on the possible shifts

"Things aren't always as they seem in Washington. The conventional wisdom is that the Democratic majority will impose broad regulation across the financial sector. But by no means is this a sure thing. In fact the transportation and logistics sector, we saw the greatest wave of deregulation in American history occur under the guidance of President Jimmy Carter. First, Alfred Kahn ushered in the age of deregulation with the airline sector. Then, trucking, shipping and rail deregulation followed suit. In transportation,



Benjamin Gordon

deregulation was highly successful. In 1980, when deregulation began, logistics as a percentage of total GDP reached 17 percent; 25 years later, that percentage dropped down to 10 percent. The difference was deregulation.

More efficient truck routes, new logistics models that filled deadhead miles, and other supply chain initiatives all blossomed under deregulation. As a result, American consumers pay 7% less for their goods than would otherwise be the case."

—Benjamin Gordon, Managing Director, BG Strategic Advisors

"In the new administration, public equities

will be privatized and private equity will be publicized (double-entendre intended). Publicly traded, independent business entities like banks, insurance companies and auto companies will be increasingly privatized by the State and, ironically, private equity enterprises will become increasingly 'public' (more highly publicized and more highly publicly regulated). Regulation of commerce and financial markets is necessary. Antitrust laws, regulation of financial market-making, and bank regulation are all good things if they level the economic playing field and prevent disruptive market imbalances. That said, the private economy and the financial economy are simply too big for the public sector to harness and support forever.

Love it or hate it, ours is still a free-market economy, and Adam Smith's 'invisible hand' will ultimately rule the day.

—David Deutsch, President, David N. Deutsch & Company LLC



Thomas Bonney

"Dear Mr. President-elect. Please, please do not kill the only section of the US economy that has a shot of pulling us out of the current malaise by instituting Sarbanes-like legislation or creating capital gains and other tax schemes that limit fund, corporate or individual invest-

ment plans. Instead spend your time focusing on programs designed to get Americans back to work in a productive, value-creation mode. Incentives around jobs, energy independence, infrastructure development, and niche manufacturing would all be worthwhile."

—Thomas Bonney, Managing Director, CMF Associates LLC

"Between campaign rhetoric regarding hedge funds and the obvious increased appetite



Raymond D. Agran

and need for additional revenue to support recent Treasury bailouts, altered taxation of private equity investing at the investor entity level or otherwise seems a possible toothsome morsel for the taxman. I would expect to see some method of limiting pass-through tax treatment for these entities, so as to subject them to some kind of federal taxation. As a mitigating factor, perhaps private equity would also be provided with some tax advantages to make investments in financial enterprises or other sectors of the economy that the government is seeking to help, such as the auto industry. Although raising revenue is important, what actually should be addressed is amending the Sarbanes-Oxley securities law,