

Mergers

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THURSDAY

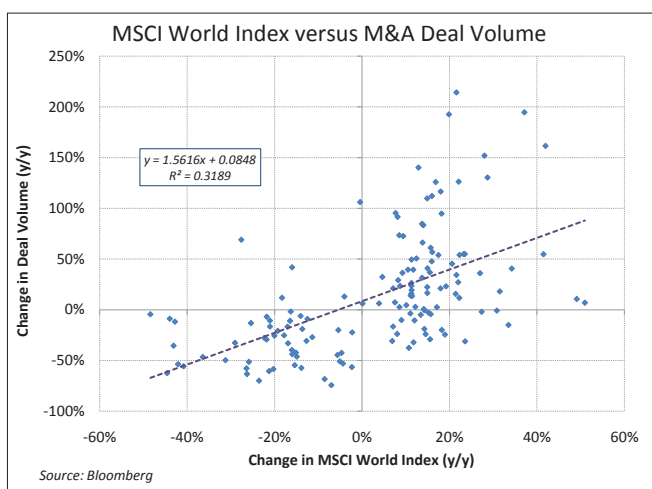
M&A Set to Rise With Global Stocks in 2011

BY ALEX SHERMAN

Mergers and acquisitions volume will likely increase in 2011 with an estimated rise in stock values, according to a Bloomberg analysis of historical trends.

The MSCI World Index of developed markets is expected to rise about 9 percent by the end of 2011, according to analysts' average estimates for stocks in the benchmark. A Bloomberg statistical analysis suggests the rise will coincide with a 23 percent gain in M&A volume, based on the past relationship between stock market movements and deal-making.

"M&A activity is an imitative behavior, and it's based on psychological factors including optimism in the markets," said **Frederick**



Lane, vice chairman of investment banking at **Raymond James Financial Inc.** "There's a certain positive outlook that characterizes M&A activity, and the outlook for 2011 is a lot more positive than 2010."

continued on next page

M&A Announcements

TARGET NAME	ACQUIRER NAME	TOTAL VALUE (\$M)
Silvinit OJSC	Uralkali	6,696
Chrysler Financial	TD Bank	6,300
SK do Brasil Ltda	AP Moller Maersk	2,400
Sanyo Electric Co	Panasonic Corp	1,945
700 MHz D & E Block	AT&T Inc	1,925
Panasonic Elec Works	Panasonic Corp	1,717
Jo-Ann Stores	Leonard Green Partners	1,618
Mantecorp Chemical	Hypermecas SA	1,535
DP World Australia	Citigroup Inc	1,500
Silvinit OJSC	Uralkali	1,400

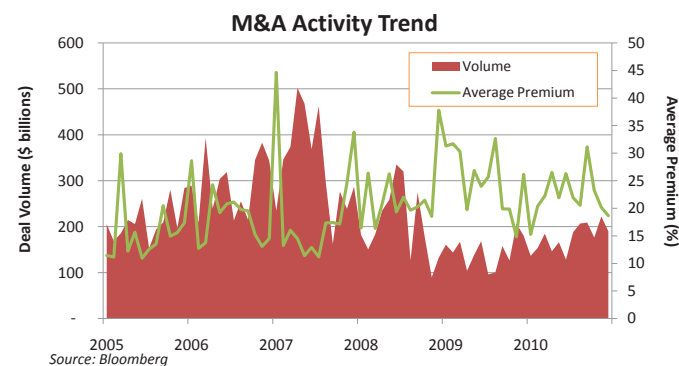
Recent Completed Deals

DATE	TARGET	ACQUIRER	TOTAL VALUE
Dec 20	Intoll Group	Canada Pension	5,212
Dec 22	Isilon Systems	EMC Corp	2,228
Dec 21	N. Ireland Electric	Electricity Supply	1,823
Dec 22	Sucrogen Ltd	Wilmar Int'l	1,545
Dec 20	BlueBay Asset	RBC	1,494
Dec 21	ICBC Asia Ltd	ICBC	1,392
Dec 23	Petrol Ofisi	OMV AG	1,392
Dec 20	9 Oil Fields	Energy XXI Berm	1,010
Dec 21	N. Dakota Assets	Williams Cos Inc	925

Weekly Data

Comparisons

SUMMARY	TOTAL	52-WEEK AVG.	YEAR TO DATE
Number Of Announced Deals	512	471	24,003
Volume (\$) in billions	69.1	41.7	2,140.0
Avg Disclosed Deal Size (\$M)	235.9	166.2	168.3
Average Premium	22%	23%	22%



Deal Type

DEAL TYPE SUMMARY	DEAL COUNT	VOLUME (\$)	PERCENT
Company Takeover	209	44.2 bln	64
Cross Border	219	36.8 bln	53
Additional Stake Purchase	56	14.6 bln	21
Asset sale	138	12.8 bln	19
Private Equity	45	12.7 bln	18
Majority purchase	54	7.98 bln	12
Minority purchase	64	4.75 bln	7
Tender Offer	9	2.35 bln	3
Option Agreement	7	1.38 bln	2
Private Placement	16	651.5 mln	0.9
Venture Capital	5	553 mln	0.8
Joint Venture	36	503.5 mln	0.7

Top Regions

TARGET REGION	DEAL COUNT	VOLUME (\$)	PERCENT
U.S.	152	17 bln	25
Canada	25	11 bln	16
Russia	4	9 bln	13
Japan	35	4 bln	6
France	16	2.7 bln	4
Global	512	69.1 bln	100

M&A OUTLOOK FOR 2011

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Deal volume has moved in line with global stock prices since 1998, with one-third of annual changes related to movements in stock price, Bloomberg data show. Many other variables likely influence deal activity, including corporate cash on hand, tax policy and the macro-economic environment.

The last time global deal volume jumped as much as 23 percent was in 2006, the beginning of the leveraged-buyout boom. Deal volume of \$2.12 trillion this year has already topped 2009's total by more than 20 percent.

"The mood in the M&A market has changed for the better in the past six to eight weeks," said Lane. "Buyers

should come out of the woodwork when the world is coming to an end, but of course they don't. It's all about psychology."

Even if stocks rise, potential risks such as legislative uncertainty in the financial sector, fears of European debt contagion, antitrust regulations and tight credit for many middle-market firms will lead to "controlled, cautious growth," said **Karen Davis**, co-head of M&A at Washington-based **McDermott Will & Emery LLP**.

The connection between stock values and M&A activity is partially attributable to corporate concern about overpaying, said **M. Adel Aslani-Far**, co-head of global M&A at New York-based **Latham & Watkins LLP**.

When stock prices become depressed, paying triple-digit premiums could be perceived as too risky.

"Buyers sit there and think about how is this going to look to their shareholders," said Aslani-Far. "You end up not getting deals done because there's such a gulf in expectations between buyers and sellers."

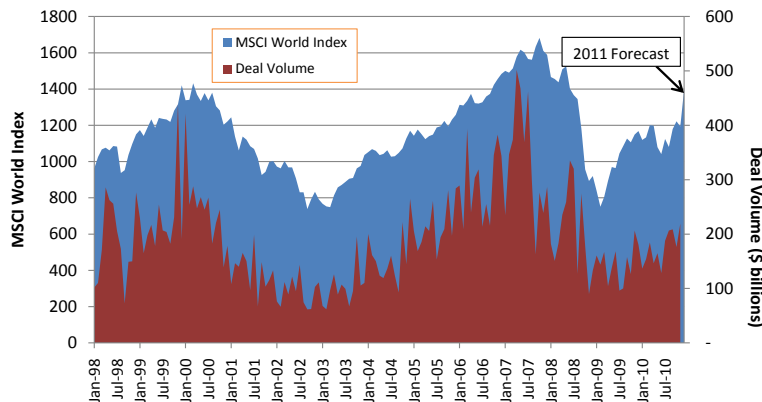
Sellers are also more willing to negotiate when stock prices have risen for several years because they feel they are getting a fairer, normalized value for a company, he said.

Bloomberg's analysis plots the MSCI World Index on the last day of each month compared with its closing level a year earlier. For M&A volume, the year-over-year change data are based on figures for each month since 1998.

The analysis shows a positive correlation with a coefficient of determination of 0.32, meaning that 32 percent of deal volume fluctuation is correlated with equity prices.

Mike McDonough, a Bloomberg economist, contributed to this report.

Global Stock Values and Deal Volume



Source: Bloomberg

Buyout Loans Rise as Banks Chase M&A Fees

Loans to finance acquisitions in Europe, the Middle East and Africa jumped to a three-month high this week. **Emirates Telecommunications Corp.** is leading companies in the region by arranging \$19 billion of loans this month to fund buyouts.

The amount is the highest since September when **BHP Billiton Ltd.** obtained \$45 billion of loans for its failed bid for **Potash Corp. of Saskatchewan**, according to data compiled by Bloomberg.

Mergers and acquisitions in Europe, Africa and the Middle East climbed 34 percent to \$890 billion this year from all of 2009, Bloomberg data

show. Banks have lent 94.5 billion euros (\$124 billion) in 2010 to fund takeovers in the region, compared with 51.2 billion euros last year, according to **Societe Generale SA**.

"Loan volumes going forward will be driven by new money and big M&A transactions," said **Damien Lamoril**, co-head of European loan syndication in Paris at Societe Generale. "The BHP loan was a turning point and a testimony of market confidence. The market has demonstrated that it's prepared to support and finance the right deals."

-- Karen Eeuwens

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THE WIRE BLOOMBERG NEWS

■ **Maersk Oil** agreed to buy **SK do Brasil Ltda.** for \$2.4 billion. The Nordic region's second-largest producer will acquire a 40 percent stake in the Polvo field, a 20 percent stake in the Wahoo discovery and a 27 percent stake in the Itaipu discovery. Polvo and Itaipu are operated by **Devon Energy Corp.**, while Wahoo is operated by **Anadarko Petroleum Corp.** After receiving regulatory approval, Maersk will replace Devon as the operator of Polvo and Itaipu.

■ **Rio Tinto Group** offered \$3.9 billion for Australian coking coal developer **Riversdale Mining Ltd.** Rio offered A\$16 a share, and the offer was recommended by all of Riversdale's board, bar the director appointed by **Tata Steel Ltd.**, its largest shareholder.

■ **Hancock Holding Co.** agreed to buy **Whitney Holding Corp.** in a stock swap initially valued at \$1.5 billion. The offer for Whitney is worth \$15.48 a share, 42 percent more than the Dec. 21 closing price. The price equals 103 percent of Whitney's book value, compared with an average of 110 percent for the 445 lenders in the Nasdaq Bank Index, according to data compiled by Bloomberg.

■ **Rovi Corp.** plans to acquire **Sonic Solutions Inc.** Sonic investors may opt to sell their shares to Rovi at \$14 apiece, or receive 0.2489 Rovi shares for each Sonic share they hold. Sonic directors and senior management owning about 11.2 percent of the company's equity accepted Rovi's offer. The proposed acquisition of Sonic has an enterprise value of about \$720 million. **JPMorgan Chase & Co.** is the financial adviser to Rovi, while Sonic was advised by **William Blair & Co.** and **Morrison & Foerster LLP.**

■ **Airgas Inc.** rejected **Air Products & Chemicals Inc.'s** "final" offer of \$5.89 billion. The directors unanimously agreed that Air Products' proposal of \$70 a share is "clearly inadequate" and said the company's value is at least \$78 a share. Delaware Chancery Court Judge **William B. Chandler III** plans to rule after Jan. 1 on Air Products' challenge to Airgas' poison pill.

■ **Office Depot Inc.** on Dec. 22 rose to a six-month high on speculation that the retailer will be bought after an SEC filing showed it boosted executives' pay in the event of a sale. The pay boost, the resignation of Chief Executive Officer **Steve Odland** in October and changes

to Newman's retention payment in November are indications that the company may be sold, **Joscelyn MacKay**, an analyst for Morningstar Inc., said.

■ **Brown-Forman Corp.** said it may sell a piece of its wine business as part of a strategic review. The review does not include the Sonoma-Cutrer brand or a 45-year-old contract to market and sell Korb California Champagnes.

■ **Richard Branson's Virgin Atlantic Airways Ltd.**, which signaled it was open to a merger six months ago, said it attracted interest from several parties. Virgin confirmed the contacts after Sky News said **Delta Air Lines Inc.** was among carriers exploring a tie-up. The U.K. company hired **Deutsche Bank AG** as its adviser. Other interest in Virgin has come from Gulf carriers, Sky News reported.

PRIVATE EQUITY

■ **KKR & Co.** ended talks to buy **Perpetual Ltd.** for at least \$1.73 billion. The parties couldn't agree on acceptable terms, they said in separate statements. KKR won't carry out due diligence and Perpetual doesn't

continued on next page

Snapshot



*The percentage of acquisitions of energy firms by Russian companies this year reached its lowest level since 2002. About 14 percent of all merger volume for Russian firms has involved energy companies this year, compared with 40.2 percent in 2009. This year, non-energy company acquisitions were led by **VimpelCom's** \$21.9 billion cash and stock acquisition of Italian telecommunications company **Weather Investments**.*

-- Pratik M. Patel, Data Analyst

THE WIRE

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expect further discussions, it said. KKR's challenge was to lock in the target's senior investment managers, led by head of equities **John Sevier**, to avoid buying a business left bare if key workers defect. That's not a typical private-equity investment, said **Shaun Manuell** at **Equity Trustees Ltd.** Perpetual on Oct. 15 was valued at 13.6 times earnings, 29 percent below its average of 19.2 times over the past five years, according to data compiled by Bloomberg.

■ **Apax Partners LLP** is close to an agreement to buy German discount clothing retailer **Takko Holding GmbH** from **Advent International Corp.** for about \$1.7 billion, three people with knowledge of the talks told Bloomberg News. Advent's talks with competing bidder **EQT Partners AB** ended and an initial public offering of Takko is unlikely, they said.

ON THE MOVE

■ **Jeffrey A. Nattans** was named head of M&A and business development at **Legg Mason Inc.** He will lead the company's strategy, M&A and strategic affiliate initiatives. He joined the company from Goldman Sachs Group Inc. in 2006.

■ **John Fowler** was named vice chairman of healthcare investment banking at **Wells Fargo & Co.** He previously led European health care as a vice chairman at **Deutsche Bank AG.** He also led health care banking at **Salomon Brothers**, now part of **Citigroup Inc.**

■ **Gerry Walters** was named head of technology banking for the West Coast at **Wells Fargo.** He previously worked at **Oppenheimer & Co.**, where he led technology, media and telecom investment banking.

■ **Shawn Cross** was named head of **Wells Fargo's** Biopharma business. He previously was CEO of the merchant banking group at **Burrill & Co.**

■ **Adam DeGarmo** was hired by **Wells Fargo** to lead its chemical banking practice. He previously was head of a similar unit at **JPMorgan**

Chase & Co.

■ **Shane Goodwin** was named managing director of **Wells Fargo's** middle market banking group. He previously worked at **Goldman Sachs Group Inc.**, **Salomon Brothers** and **Donaldson, Lufkin & Jenrette** and has advised on M&A deals valued at more than \$30 billion.

■ **John C. Dugan**, former Comptroller of the Currency, is joining **Covington & Burling LLP** to lead the firm's financial institutions law group. Dugan served under presidents **George W. Bush** and **Barack Obama.**

■ **Graham Davidson, Joshua Scherer, Richard J. Shinder** and **Klaus Wulfig** were among six people named partners by **Perella Weinberg Partners LP.** Davidson advised **Royal Bank of Canada** in its \$1.5 billion acquisition of **BlueBay Asset Management Plc.** Scherer advised **Spectrum Brands Inc.** in its 2009 corporate restructuring. Shinder was adviser to discount retailer **Loehmann's Inc.**, which filed for Chapter 11 bankruptcy on Nov. 15. Wulfig advised **Continental AG** in connection with the unsolicited takeover offer by **Schaeffler Group.**

■ **Mark Leddy**, a Washington-based antitrust lawyer at **Cleary, Gottlieb, Steen & Hamilton LLP**, was named managing partner. He joined the firm in 1966 and became a partner in 1975. His practice focuses on U.S. and European antitrust law, including the analysis of competitive issues in mergers and acquisitions. Leddy will replace **Mark Walker**, who has been managing partner since 2005.

■ **David Marcell** and **Dane Isenhower**, who formed Houston-based **AIM Energy Advisors LLC** in June 2008, were named managing directors of a new group at **BNP Paribas.** The acquisition and divestiture group will specialize in the sale and acquisition of upstream oil and gas assets. Marcell and Isenhower worked on eight transactions in 2007 totaling \$3.7 billion for **Anadarko Petroleum Corp.**, and **Hunt Petroleum Corp.'s** 2008 divestiture for \$4.2 billion.

Europe's Banking Fees Shriveled Amid Crisis

Investment banking fees in Europe shrank to the lowest in six years in 2010, estimates by New York-based research firm **Freeman & Co.** show. Fees in Asia jumped 18 percent to \$17.8 billion, narrowing the gap with Europe to the lowest since at least 1998.

"The euro uncertainty holds European companies back from being more active," said **Tom Kirchmaier**, a fellow at the **London School of Economics.**

The value of completed takeovers involving western European companies fell 16 percent from 2009 to \$532 billion in 2010, while the value of share sales more than halved to \$51 billion, data compiled by Bloomberg show. **Morgan Stanley** was the top-ranked adviser on mergers announced in Europe in 2010, followed by **JPMorgan Chase & Co.**, the data show. **Goldman Sachs Group Inc.** and **Deutsche Bank AG** were the top arrangers of stock offerings for Europe, the Middle East and Africa in the period.

Revenue from arranging mergers in Europe, the Middle East and Africa declined 1 percent to \$8.7 billion, **Freeman's** data show. Fees for arranging stock offerings posted a 33 percent drop to \$4.2 billion, and income from arranging leveraged loans shrank 21 percent, **Freeman** said.

Europe's decline in fees in 2010 contrasts with gains in Asia and the U.S., **Freeman's** estimates show. That may make investment banks more likely to cut jobs in Europe than in other regions, or curb bonuses for bankers in London and Frankfurt.

"Remuneration should be reflective of profitability," said **Neil Dwane**, who helps oversee about \$80 billion of equities at **Allianz Global Investors' RCM** unit. "Profitability will be declining as trading profits, bond and equity divisions have had a tougher time year over year."

— by *Ambereen Choudhury*
and *Gavin Finch*

Deal Sheet

Target	Marshall & Ilsley Corp.
Acquirer	Bank of Montreal
Announcement Date	Dec. 17
Total Value	\$4.02 billion
Announced Premium	44%
Multiples	
Revenue	1x (industry median 3x)
Cash Flow from Operations	5x (industry median 14x)
Enterprise Value	0.5x (industry median 0.7x)
Book Value	0.6x (industry median 2.7x)
Analysis	
» Largest M&A deal in the U.S. commercial banks sector announced in the past 12 months, and seventh-largest in past five years. The largest deal was the Capital One Financial Corp takeover of North Fork Bancorporation Inc. for \$14.6 billion in 2006.	
» Announced premium paid is 44%, compared with average industry premium of 56% in the past 12 months and 40% in the past five years.	
» Largest acquisition by the Bank of Montreal.	
» Upon closing the deal, Bank of Montreal will significantly increase its presence in retail banking, corporate banking and wealth management.	

Target	Silvinit OJSC
Acquirer	Uralkali
Announcement Date	Dec. 20
Total Value	\$6.7 billion
Percent Owned	20%
Percent Sought	80%
Announced Premium	6.3%
Multiples	
Revenue	7x (industry median 0.87x)
Cash Flow from Operations	19x (industry median 22x)
EBITDA	12x (industry median 5x)
Analysis	
» Largest M&A deal in the agricultural chemicals sector announced in the past 12 months, and second-largest in the past five years. The largest deal was the Qinghai Salt Lake Industry Group Co. takeover of Qinghai Salt Lake Potash Co. for \$13.1 billion in 2008.	
» Upon closing the transaction, Uralkali will expand its product line into inorganic base chemicals manufacturing.	

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CHINA INVESTMENT STRATEGIES BRIEFING

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COMMENTARY BY RAY MURPHY, GUEST COLUMNIST

Community Protests Aren't Likely to Derail NewAlliance Takeover

First Niagara Financial Group Inc. and **NewAlliance Bancshares Inc.** got shareholder approval of their proposed merger this week.

The transaction requires regulatory review by the Federal Reserve Board, and has faced protests from local politicians and officials in Connecticut. **John DeStefano**, mayor of New Haven, and **Richard Blumenthal**, state attorney general and Senator-elect, have led opposition to the deal.

It's likely the merger will be successfully completed on its current terms. The only real risk presented by the negative lobbying is some procedural delay of the Federal Reserve review.

The protester's are concerned about the deal's potential effect on employment in the New Haven area and the lending record of First Niagara.

Blumenthal said he isn't convinced the deal will result in new loans to small businesses in the New Haven area. He's also concerned about layoffs at the bank after the deal is completed.

Connecticut officials argued that First Niagara has a poor record of lending to low- and moderate-income communities. Officials cited a loss of jobs and other consequences that have taken place in communities where First Niagara has acquired other banks.

Although it is somewhat unusual for elected officials to get this directly involved in bank mergers, it is customary for the banks to receive some pushback from community activists

located in the markets served by the target bank.

Community groups Inner City Press and ACORN have frequently raised objections to major bank deals and filed comments with the Fed.

In rare cases, these groups have

review timeline, but the risk of not closing appears minimal.

First Niagara is in a solid legal position with respect to the Federal Reserve review. In examining an application made under Section 3 of the Bank Holding Company Act, the Fed weighs the effects of the proposal on the convenience and needs of the communities to be served. It also considers the records of the relevant insured depository institutions under the Community Reinvestment Act. First Niagara Bank has a CRA rating of "satisfactory." NewAlliance Bank has a CRA rating of "outstanding."

The companies announced the deal on Aug. 19. The transaction calls for NewAlliance shareholders to receive a fixed exchange ratio of 1.1 shares of First Niagara stock.

When they announced the deal, the companies proposed a closing date in the second quarter of 2011. As milestones have passed, the companies have refined their closing estimate to April 2011, which appears feasible.

First Niagara traded on Dec. 22 at \$14.10 a share, implying a value of \$15.51 per NewAlliance share. At \$14.99 a share on the same day, an arbitrage position in the deal should result in a 10.4% annualized return.

Ray Murphy is the owner and editor of ArbJournal, an online research service for merger arbitrage and event-driven investment funds.

Reach him at raymurphy@arbjournal.com.

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The prospect of hearings for the NewAlliance deal could lengthen the review timeline, but the risk of not closing appears minimal.
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been successful in getting the Fed to hold public hearings to assess the deal's effect on a local community. Acquirers have occasionally made a community lending commitment in order to ameliorate regulator's concerns.

The prospect of hearings for the NewAlliance deal could lengthen the

Approval Periods for Bank Mergers

DEAL	FED FILED	FED APPROVED	COMMENTS
Wilmington Trust / M&T	11/27/2010	Pending	Pending
NewAlliance / First Niagara	11/3/2010	Pending	Pending
The South Financial / TD	5/25/2010	7/22/2010	Divestitures (in 1 market)
Provident Bankshares / M&T	1/16/2009	5/8/2009	Some overlap, no divestitures
National City / PNC	11/4/2008	12/15/2008	Divestitures (61 branches in 5 markets)
Merrill Lynch / BAC	10/2/2008	11/26/2008	No divestitures
Wachovia / Wells Fargo	10/3/2008	10/12/2008	Divestitures in 6 markets
Countrywide / BAC	3/29/2008	6/5/2008	No branch overlap
Commerce Bancorp / TD	12/3/2007	3/13/2008	Some overlap. no divestitures
Alabama National / RBC	11/28/2007	2/5/2008	Some overlap, no divestitures

Deal Roster

Thomas V. Milroy, chief executive officer of **BMO Capital Markets**, advised parent-company Bank of Montreal on its Dec. 17 agreement to buy **Marshall & Ilsley Corp.** for about \$4.1 billion in stock. The deal boosted BMO Capital Markets to the No. 1 spot in Canadian M&A market share this year, topping Royal Bank of Canada, with 33 deals valued at approximately \$21.2 billion.

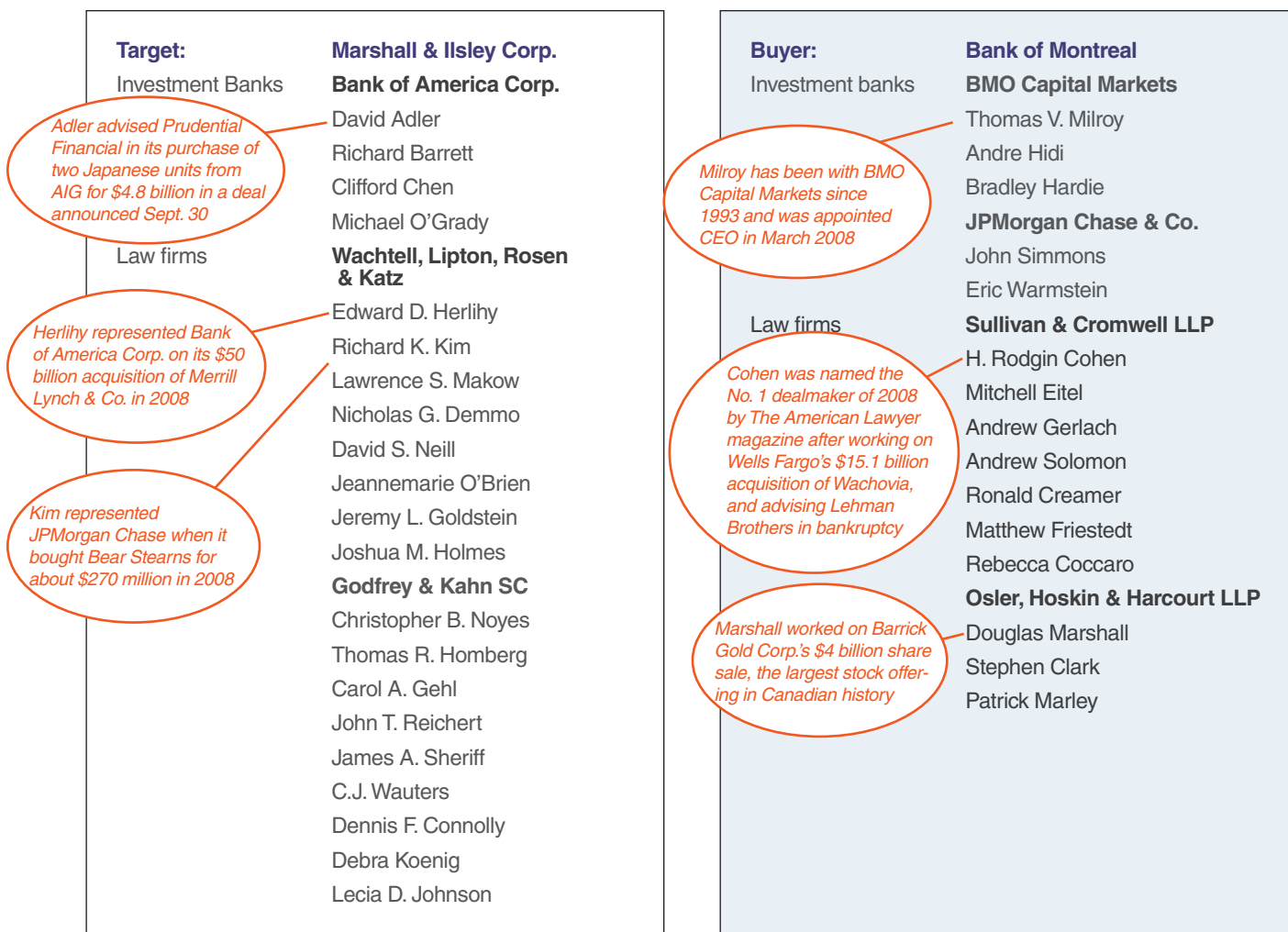
John Simmons, a banker at **JPMorgan**

Chase & Co. who was appointed to co-run the firm's investment-banking unit for financial institutions in North America on Dec. 1, also led a team that advised Bank of Montreal. **Christopher B. Noyes**, team leader of **Godfrey & Kahn SC's** corporate practice group, represented Marshall & Ilsley in this transaction and when it acquired **Gold Banc Corp.** and **Trustcorp Financial Inc.** in 2005, **United Heritage Bancshares** in 2006, and **Excel**

Bancorp. and **First Indiana Corp.** in 2007.

Douglas Marshall, a partner at **Osler, Hoskin & Harcourt LLP** who represented Bank of Montreal, worked with Royal Bank of Canada when it purchased Houston-based energy advisory firm **Richardson Barr & Co.** in 2008. **H. Rodgin Cohen**, a partner at **Sullivan & Cromwell LLP**, which led all law firms in M&A from 2004 to 2007, also represented Canada's fourth-largest lender.

— By Tara Lachapelle



ARB ANALYSIS

BY TOM BURNETT, GUEST COLUMNIST

Energy Companies With Proven Reserves May Be Takeover Targets

The oil and gas industry had the most takeovers of any industry segment in 2010, prompting us to search for potential acquisition targets.

The sector had 796 deals involving company targets with a total enterprise value of \$227 billion, according to data compiled by Bloomberg through Dec. 17.

These deals include **Apache Corp.'s** asset purchases from BP and its acquisition of **Mariner Energy Inc.** **Chevron Corp.'s** pending acquisition of **Atlas Energy Inc.**, announced in November, is expected to close in the first quarter.

With oil prices trading in a range of \$80 to \$90 a barrel, the reserves held by energy companies will con-

tinue to attract bids.

Conversely, natural-gas producers are suffering as the energy source continues to trade below \$4 per thousand cubic feet. These lower prices have hurt the performance of natural gas suppliers, leading to lower stock prices.

We screened natural-gas companies whose stock prices have declined sharply this year. We selected the four worst-performing stocks in the 30-stock ISE-Revere Natural Gas Index. This index is actually up about 10 per cent year to date through Dec. 17, even though it includes eight stocks which are each down more than 10 percent this year.

We calculated the enterprise value per barrel of oil-equivalent of proved reserves for the four companies included in the two accompanying tables. All four companies own reserves that are primarily located in North America, the safest area in terms of geopolitical risk.

Chevron is paying more than \$25 per barrel of oil-equivalent to acquire 825 billion cubic feet of natural gas reserves owned by Atlas Energy.

Similarly, Apache paid \$21.69 per barrel of oil-equivalent of proved reserves when it acquired Mariner Energy in November 2010.

Of the four potential targets listed in the tables, three of them **Petrohawk Energy**, **SandRidge Energy** and **Comstock Resources** compare favorably based on the enterprise value per barrel of oil-equivalent metric.

Investors should look further into the individual operating, hedging and financial profiles for each company before deciding whether to commit to an investment.

It does appear that there may still be some "cheap" stocks in the energy sector whose assets have relatively low market valuation which could make them a target of acquisition activity in 2011.

Possible Acquisition Targets in Energy Sector (Table 1)

COMPANY		MARKET CAPITALIZATION	ENTERPRISE VALUE (MILLIONS)	STOCK RETURN YTD	EV TO TTM EBITDA
Petrohawk Energy	HK	\$5.76 bn	\$8.4 bn	-20%	12.9x
Southwestern Energy	SWN	\$12.22 bn	\$13.51 bn	-26%	8.4x
SandRidge Energy	SD	\$2.78 bn	\$5.78 bn	-27%	10.5x
Comstock Resources	CRK	\$1.04 bn	\$1.48 bn	-46%	6.2x

*As of Dec. 17

Source: Bloomberg, company reports

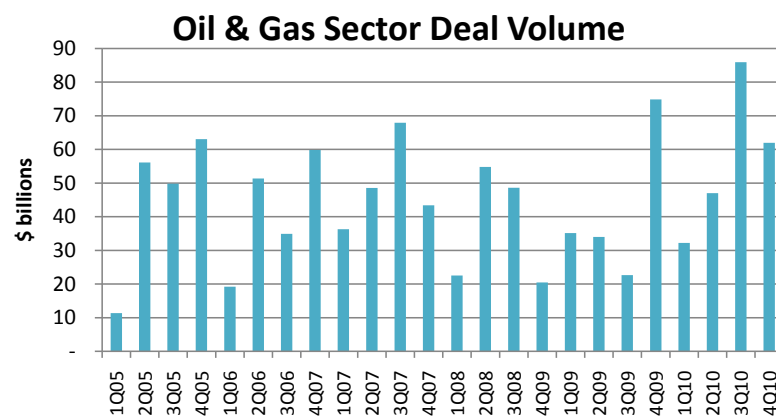
Possible Acquisition Targets in Energy Sector (Table 2)

COMPANY	REVENUES**	EV*	BOE	EV PER BOE*	52-WK HIGH*	52-WK LOW*	LATEST PRICE*
Petrohawk Energy	\$1,308 mn	\$8.4 bn	458 mn	\$18.34	\$29	\$14	\$19.19
Southwestern Energy	\$1,939 mn	\$13.57 bn	609 mn	\$22.28	\$52	\$30	\$35.37
SandRidge Energy	\$875 mn	\$5.72 bn	288 mn	\$19.86	\$11	\$4	\$6.80
Comstock Resources	\$277 mn	\$1.49 bn	121 mn	\$12.31	\$44	\$20	\$22.05

*As of Dec. 17

**Through Sept. 30

Source: Bloomberg, company reports



Source: Bloomberg. Data as of Dec. 17

Tom Burnett, CFA, is director of research at Wall Street Access, an NYSE firm.

Deal Arbitrage

Spreads for select M&A deals with U.S.-listed targets

TARGET	ACQUIRER	DEAL SIZE (\$M)	ANNOUNCED DATE	EXPECTED COMPLETION DATE	OFFER PER SHARE	ANNOUNCED PREMIUM IN %	LAST TARGET PRICE	CURRENT PREMIUM %	SPREAD	LAST SPREAD MOVE
JOHN STORES	Private	1,602.76	12/23/10		61	31.92	45.63	33.68	15.37	-
AIRGAS INC	AIR PRODS & CHEM	7,496.88	02/05/10	01/14/11	70	48.32	61.44	13.93	8.56	1.76
ALCON INC	NOVARTIS AG	11,742.65	12/15/10	06/30/11	168	4.45	162.05	3.67	5.95	0.2
TALECRIS BIOTHER	GRIFOLS SA	3,901.90	06/07/10	12/31/10	27.89	53.94	23.02	21.16	4.87	-0.48
LTX-CREDENCE COR	VERIGY LTD	320.21	11/18/10	06/30/11	12.12	39.23	7.77	56.05	4.35	-1.14
SONIC SOLUTIONS	ROVI CORP	665.55	12/22/10	03/31/11	14.26	32.4	11.2	27.28	3.06	-
BUCYRUS INTERNAT	CATERPILLAR INC	8,608.90	11/15/10	06/30/11	92	31.29	89.4	2.91	2.6	0.18
VERIGY LTD	ADVANTEST CORP	606.7	12/06/10		15	68.26	12.63	18.76	2.37	3.71
MCAFFEE INC	INTEL CORP	6,593.67	08/19/10		48	52.32	46.3	3.67	1.7	0.26
PENN VIRGINIA GP	PENN VIRGINIA RE	1,525.05	09/21/10		27.06	11.73	25.51	6.07	1.55	0.28
NICOR INC	AGL RESOURCES	3,138.10	12/07/10	06/30/11	51.53	17.61	50.2	2.66	1.33	0.09
EXCO RESOURCES I	PRIVATE INVESTOR	5,183.24	11/01/10		20.5	37.71	19.49	5.18	1.01	-0.5
CITADEL BROAD	CUMULUS MEDIA	2,318.73	12/17/10		31	13.24	30	3.33	1	-
ALBERTO-CULVER	UNILEVER NV	3,701.34	09/27/10		37.5	20.63	36.94	1.52	0.56	0.24
LADISH CO INC	ALLEGHENY TECH	801.67	11/17/10		50.63	49.75	50.09	1.09	0.54	-0.01
HYPERCOM CORP	VERIFONE SYSTEMS	444.4	09/29/10	06/30/11	8.9	70.37	8.37	6.29	0.53	-0.01
ALLEGHENY ENERGY	FIRSTENERGY CORP	9,216.11	02/11/10	04/30/11	24.59	36.15	24.09	2.06	0.5	-0.12
WHITNEY HLDG	HANCOCK HLDG CO	1,377.74	12/22/10	06/30/11	14.45	41.37	14	3.25	0.45	-
DIONEX CORP	THERMO FISHER	2,068.14	12/13/10	01/19/11	118.5	27.6	118.11	0.33	0.39	0.12
J CREW GROUP INC	Multiple	2,637.43	11/23/10		43.5	28.1	43.13	0.86	0.37	0.66

League Tables

Global Financial Advisers

FINANCIAL FIRM	2010 Year-to-Date			
	RANK	MKT SHARE	VOLUME USD (Mln)	DEAL COUNT
Morgan Stanley	1	21.2	451,766	313
Goldman Sachs & Co	2	18.6	398,188	287
JP Morgan	3	17.4	372,402	259
Credit Suisse	4	16.5	352,244	211
Barclays Capital	5	13.3	284,208	147
Deutsche Bank AG	6	12.6	269,076	202
UBS	7	12.2	260,165	207
Bank of America Merrill Lynch	8	11.4	242,755	211
Citi	9	11.1	237,828	167
Lazard LLC	10	9.3	199,212	168
Rothschild	11	8.0	170,763	193
BNP Paribas Group	12	5.3	112,850	83
Nomura Holdings Inc	13	4.9	103,907	171
HSBC Bank PLC	14	4.7	100,492	69
Societe Generale	15	3.3	71,417	31
Evercore Partners Inc	16	3.1	65,629	34
Perella Weinberg Partners	17	3.0	63,524	20
RBC Capital Markets	18	2.9	61,577	129
Blackstone Group	19	2.9	61,278	31
Greenhill & Co	20	2.7	57,709	50

Source: Bloomberg
Excludes terminated deals.

As of Dec. 22

LEGAL FIRM	2010 Year-to-Date			
	RANK	MKT SHARE	VOLUME USD (Mln)	DEAL COUNT
Skadden Arps Slate Meagher & Flom	1	12.4	265,707	216
Sullivan & Cromwell	2	10.2	218,723	146
Simpson Thacher & Bartlett	3	9.5	203,436	155
Latham & Watkins LLP	4	8.7	186,826	239
Freshfields Bruckhaus Deringer	5	8.4	178,840	242
Cleary Gottlieb Steen & Hamilton	6	7.3	155,311	108
Linklaters LLP	7	6.8	145,857	205
Wachtell Lipton Rosen & Katz	8	6.6	140,184	52
Dewey & LeBoeuf LLP	9	5.9	126,178	94
Shearman & Sterling LLP	10	5.5	117,513	134
Davis Polk & Wardwell	11	5.0	105,900	89
Allen & Overy LLP	12	4.8	103,149	173
Stikeman Elliott	13	4.7	101,229	104
Blake Cassels & Graydon LLP	14	4.4	94,155	128
Clifford Chance LLP	15	4.3	90,784	131
Cravath Swaine & Moore	16	3.8	81,817	55
Weil Gotshal & Manges LLP	17	3.8	81,755	115
Mallesons Stephen Jaques	18	3.6	77,935	72
Gibson Dunn & Crutcher	19	3.5	75,674	101
Vinson & Elkins LLP	20	3.5	73,823	66

Source: Bloomberg
Excludes terminated deals.

As of Dec. 22

Calendars

To submit an event email mergerbrief@bloomberg.net

Anticipated Approvals

DATE	TARGET	ACQUIRER	DEAL VALUE	TYPE
12/29	Atlas Energy Inc.	Chevron Corp	4916	Hart-Scott-Rodino
12/30	ON*Media Corp	O Media Holdings Co Ltd	344	Target and acquirer shareholders
12/30	CommScope Inc.	Carlyle Group	3788	Target shareholders
12/30	Polymerlatex Deutschland	Yule Catto & Co PLC	593	Acquirer shareholders
12/31	Novell Inc	Private equity consortium	1090	Hart-Scott-Rodino
12/31	Colonia Real Estate AG	TAG Immobilien AG	709	BaFin
12/31	Provet Holdings Ltd	Henry Schein Inc	93	Target shareholders
1/3	Novell Inc	Private equity consortium	1090	German cartel office
1/4	Art Technology Group	Oracle Corp	844	Target shareholders
1/6	Superfos Industries A/S	RPC Group PLC	317	Acquirer shareholders
1/7	T-3 Energy Services Inc.	Robbins & Myers Inc.	407	Target and acquirer shareholders
1/12	McAfee Inc.	Intel Corp	6594	European Commission

Calls and Meetings

DATE	TIME	COMPANY	EVENT	RELEVANCE
12/30		McMoRan Exploration	Extraordinary Shareholders Meeting	Triggered Bloomberg Velocity alert on Dec.16-17 and Dec. 21.
1/5		Commercial Metals Co	Investor Meeting Day 2	Takeover rumors sent shares higher on Dec. 2.
1/6	11am	Verint Systems Inc.	Annual General Meeting	Seen as "likely target" for takeover "in the near to mid term," according to Dec. 20 Morgan Keegan research note.
1/7	3pm	Vantage Drilling Co	Annual General Meeting	Credit Suisse saw company as acquisition target this summer. Shares have rallied by over 20 percent since Dec. 7 on insider buying, contract win.

Conferences

DATE & TIME	EVENT	FEATURING	LOCATION	CONTACT/REGISTRATION
Jan. 6	ACG New York	LBO Sponsors Roundtable Luncheon	Harvard Club of New York	acg.org/nyc
Jan. 11	Agrioni LLC's M&A in Cleantech	"Transforming a sector."	Garden Court Hotel, Palo Alto, Calif.	agrion.org
Jan. 11-13	AM&AA Winter Conference	"Back in the Game - The New Winning Strategies."	Hilton New Orleans Riverside	amaaonline.com
Jan. 13	Argyle Forum's 2011 Leadership in the Distressed Markets	Wilbur Ross, Steve Rattner.	New York (exact location disclosed to attendees)	Request an invite by emailing lgochanour@argyleforum.com
Jan. 18-19	M&A Leadership Council's Art of M&A Integration	"Creating your 'playbook' for success in business integration."	Marriott, Irving, Texas.	macouncil.org
Jan. 20, 6pm	ACG New York	Annual Winterbash	Midtown Executive Club, New York	acg.org/nyc
Jan. 25	Bloomberg Debt Crisis Briefing	Didier Reynders, Deputy Prime Minister and Minister of Finance, Belgium.	Museum of Arts and Design, New York	Tracy David, 646-834-5021, mdavid20@bloomberg.net
Jan., 25	2011 Leadership in Corporate Divestitures and Acquisitions	Kristen Peck, Pfizer; Roger Marinzoli, Wyndham Hotels and Resorts; Mohamad Ali, Avaya.	New York (exact location disclosed to attendees)	Request an invite at argyleforum.com
Jan. 25-26	Investment and M&A Opportunities in Health Care	"'Poster presentations' from CEOs, CFOs and other corporate development executives."	Nashville (Tenn.) Convention Center	ibig.com/conferences/F1101
Feb. 2	Bloomberg China Investment Strategies	Key topics to be provided by Bloomberg Greater China news team.	New York Public Library	Caroline Richenberg, 646-834-5018, cricenberg@bloomberg.net

Deal Data

BY BLOOMBERG NEWS

Seneca Opposes Icahn's Bid for Dynegy in Dispute Over Value

Seneca Capital opposes billionaire investor **Carl Icahn's** \$665 million bid to buy **Dynegy Inc.**, saying the company is worth as much as \$7 a share today and may rise to \$18 a share once economic recovery revives demand for power from its plants.

The firm said the current board's approval

of the sale shows a "reckless disregard" for its duties.

"Dynegy's continued mission to impose a transaction upon shareholders at any price — and at any cost — is a brazen attempt to disenfranchise shareholders and seize management's \$38 million change-of-control sev-

erance," Seneca said.

Dynegy will continue looking for better offers until Jan. 24 and Icahn has agreed to support a better all-cash bid if he can't top it, **David Byford**, a Dynegy spokesman, said.

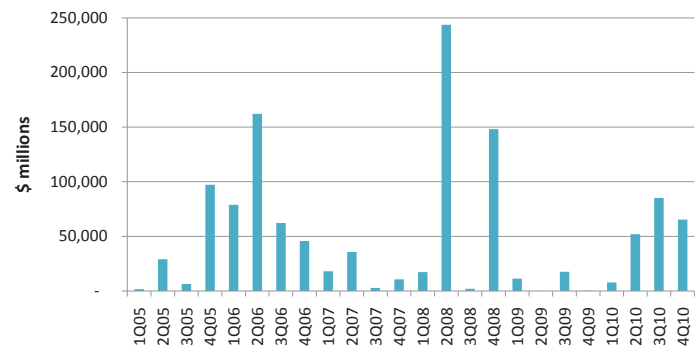
— Jessica Resnick-Ault

Target Acquirer	Dynegy Inc. Icahn Enterprises LP
Announced Date	Dec. 15
Expected Completion Date	March 31
Payment Type	Cash
Cash Terms	\$5.50 a share
Announced Value (\$ billions)	\$4.73 billion
Announced Premium	5%
Gross Spread (\$)	-0.35

Analysis

- » Seventh-largest M&A deal in the electric-integrated industry announced in past 12 months. The largest deal was International Power PLC takeover of GDF Suez Energy International for \$25.8 billion announced in August.
- » Announced premium paid is 5%, compared with average industry premium of 21% in the past 12 months and 9.5% in the past five years in this industry.
- » The second-largest company takeover attempt ever made by Icahn Enterprises. The largest was the proposed acquisition of Reckson Associates Realty Corp in 2006 for \$6 billion that was terminated after the board of directors rejected the offer.

U.S. Independent Power Producers Deal Volume



Target Name	Announced Date	Announced Value (\$ millions)	Deal Multiples (times)								
			EBITDA	EBIT	Revenue	Net Income	Net Income + Depreciation	Income before XO	Cash Flow from Operations	Free Cash Flow	
Dynegy Inc.	12/15/10	4,733.09	1.19	3.26	0.29					1.25	2.85
Comp Deals Median			3.9	5.59	1.48	12.33	6.12	11.6		7.45	16.61
E.ON Sverige AB	02/21/01	5,107.61	9.1	14.21	3.47	19.75	11.1	19.58		10.07	15.31
Conectiv	02/12/01	4,986.45	2.49	3.78	0.42	10.83	4.37	9.24		4.27	21.95
Mirant Corp	04/11/10	2,273.70	1.51	1.8	0.69	3.06	2.31	3.06		1.87	7.29
NRG Energy Inc/Old	02/15/02	662.2	3.55	5.05	0.91	9.6	5.33	9.37		9.23	
Countryside Power Income Fund	06/20/07	273.42	11.43	31.73	2.48	15.6	8.33	15.6		9.78	11.73
Pristine Power Inc	09/22/10	192.18			6.37						
YTL Power International Bhd	07/23/03	84.45	4.25	6.13	2.05	13.83	6.91	13.83		5.67	17.91
United Power Co./United Energy	06/25/09	26.5									20.29
Western Geopower Corp	07/15/09	21.35									
Murmanskaya CHPP	05/08/07	14.46			0.77						
Comp Deals Min			1.51	1.8	0.42	3.06	2.31	3.06		1.87	7.29
Comp Deals Avg			5.39	10.45	2.15	12.11	6.39	11.78		6.81	15.74
Comp Deals Max			11.43	31.73	6.37	19.75	11.1	19.58		10.07	21.95

Source: Bloomberg

Q&A

Andrew Ross, a partner at **Loeb & Loeb LLP**, talks with **Bloomberg Law's Lee Pacchia** about cross-border M&A activity and hot sectors among Chinese and U.S. companies.

Q: What does cross-border Chinese and U.S. M&A look like? Has activity been hot recently?

A: It is certainly a hot area in terms of its rate of growth and interest by parties both in China and in the United States, but certainly hasn't reached a critical size in terms of either number of transactions or dollar value of transactions.

Q: What industries or sectors are particularly active?

A: One has certainly been the automotive parts business. The GM deal that involved the purchase of a company that makes power-steering components is the most recent example in that field and there have been a number of others. Interestingly, Alibaba, which is a Chinese company similar to Ebay here, has engaged in two acquisitions in the United States of technology and Internet companies. I think that's an area in which we're likely to see much more activity. Alternative energy should be busy as well.

Q: Do you have any feel for valuations on these deals?

A: First of all, you have to recognize that virtually all of these deals are private. They do not involve acquisitions of public companies, so the definitive pricing is often unannounced and is usually assessed more by market estimate. Nevertheless, the indication is that the Chinese buyers might be paying a slight premium. Generally, they are represented by U.S. legal and financial advisers who understand the market and market terms, and therefore, I think the valuations are within customary ranges.

Q: Are there any trends in the way these deals are structured?

A: I would say the most unique factor or structural point is the commonality of them all being cash deals. I think there are a number of reasons for this. I think that the willingness of many U.S. sellers to take securities in the Chinese company as part of the purchase price is going to be lower than if they were taking securities in a public U.S. company.

Q: What special considerations need to be made for a Chinese company buying a U.S. company?

A: One of the most significant is the potential impact or role of CFIUS, which basically permits the U.S. government to actually bar or prohibit a proposed transaction if it might result in a threat to national security. CFIUS filings and pre-approval are not required, but a foreign buyer that does not get CFIUS approval runs the risk of the U.S. government unwinding the transaction after the fact.

Q: How are Chinese companies faring under CFIUS review?

A: They are held to a higher standard of scrutiny than companies from other countries. There are two reasons for that. First, many Chinese companies are state-owned enterprises or have significant state involvement. Even the company that bought the General Motors piece is a publicly reported affiliate of the Beijing provincial government. Any time you are looking at a buyer that is owned by or influenced by a foreign government, you will have concerns that the foreign government can exert influence and act on noneconomic factors. We've also seen examples of the fact that the

U.S. and China have a more challenging political relationship than the U.S. has with many other Western nations. We've seen less CFIUS concerns in those cases.

Q: I attended a Bloomberg Link conference and came away with the impression that the U.S. dollar is going to be stronger next year. If that happens, where do you see this trend heading? More deals?

A: I think there is definitely going to be dramatic growth in such deals and I don't believe a stronger U.S. dollar will have a meaningful negative impact on the amount of these deals. Remember, Chinese companies are major sellers to the U.S. and hold significant U.S. dollar balances. They still have an interest in deploying that money. Plus there are other factors that create an interest for them in expanding globally and into the U.S. in particular, and I don't think they are going to be overshadowed by a change in the dollar.

Q: What about the political environment?

A: The macro-political environment is only going to be relevant to very large or politically sensitive deals. A reaction to a multi-billion dollar proposed acquisition of ports by a Chinese company, similar to the effort by Dubai Worldwide a number of years ago, would be politically problematic. On the other hand, I don't think the macro-political environment is going to have a meaningful impact on deals such as Chinese companies acquiring alternative energy source companies or internet consumer companies here in the U.S. I think they're even less likely to have an impact on joint ventures or pure startups by Chinese companies in the U.S.