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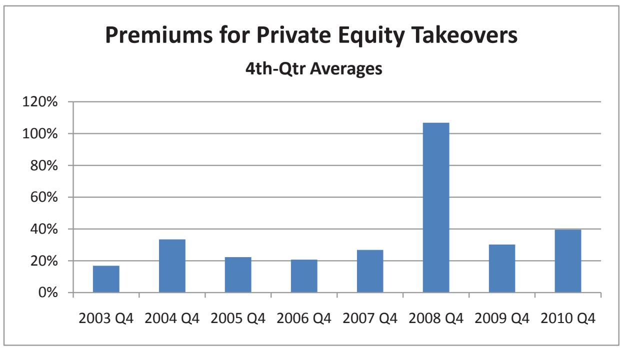
FRIDAY

With Debt Cheap, PE Firms Pay up for Deals

BY ALEX SHERMAN AND CAROL CHUANG, DATA ANALYST

U.S. companies are fetching higher premiums from private-equity firms in the fourth quarter, a sign that low interest rates, market confidence and pressure to use investor cash are leading to bigger bets, M&A analysts said.



Source: Bloomberg

U.S. acquisition targets are receiving 39 percent premiums on private-equity takeover offers in the fourth quarter of 2010 compared with 32 percent in the same period a year ago. Aside from 2008, it's the highest average premium for U.S. private-equity buyouts during the fourth quarter since 2002, according to data compiled by Bloomberg.

With interest rates so low, private-equity firms can afford to pay more because they can attain a desired rate of return by saving on borrowing costs, said **Louis Meyer**, a special-situations analyst at **Oscar Gruss & Son Inc.** in New York. The desire to spend investor money combined with faith that companies will attain earnings growth has led to a group of motivated buyers in

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DEAL BY DEAL

Chevron's $4.9 Billion Atlas Acquisition Tops Deal List

BY ALEX SHERMAN

Chevron Corp.'s $4.9 billion announced deal for **Atlas Energy Inc.** was the week's largest and Chevron's fifth acquisition this year. **Porsche SE's** owners exercised a put option to sell **Porsche Holding Salzburg** to **Volkswagen AG** for $4.5 billion. The deal is part of an August 2009 transaction, when Volkswagen purchased a controlling stake in Porsche's operating business.

Other notable deals include **Grupo Bimbo SAB's** $959 million cash offer for Sara Lee Corp.'s North American bakery business and private-equity firm **TPG Capital's** $930 million cash deal for Ashland Inc.'s global distribution business.

While November is not yet half over, the average deal premium of 32 percent is on pace to the highest since August 2009. Hong Kong's **Wah Nam International Holdings** announced it would pay a 57 percent premium to purchase the remaining shares of Australian mining company **Brockman Resources Ltd.** and a 63 percent premium to buy the outstanding shares of **Ferraus Ltd.** on Nov. 10. Premiums are calculated based on the average closing price of the previous twenty days before the deal's announcement. The average premium on 373 deals announced this week as of Nov. 11 was 44 percent.

SPOTLIGHT

Hal Ritch of Sagent Advisors says CEOs are ready for 'bold moves' in M&A

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M&A Announcements

TARGET NAME	ACQUIRER NAME	TOTAL VALUE ($M)
Atlas Energy Inc	Chevron Corp	4,916
Porsche Assets	Volkswagen AG	4,534
Port of Brisbane	Q Port Holdings	2,103
Sino Polymer	Lumena Resources	1,426
Sara Lee Assets	Grupo Bimbo	959
Ashland Assets	TPG Capital	930
Griffin Industries	Darling International	840
Tyco Int'l Assets	Clayton Dubilier & Rice	720
Brockman Resources	Wah Nam International	628
Office Buildings	Commonwealth Property	583

Most-Read M&A Stories

- Mizuho to Buy BlackRock Stake for $500M
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- Misys to Buy Software Vendor Sophis
- Swedbank Buys Rest of First Securities
- NWR Chairman Seeks More Deals
- ASX Says 'No Tweaking' on SGX Merger

Recent Completed Deals

DATE	TARGET	ACQUIRER	TOTAL VALUE
Nov 11	Mariner Energy	Apache Corp	3,926
Nov 8	Inergy Holdings	Inergy LP	3,112
Nov 11	Netezza	IBM	1,661
Nov 9	Titan Chemical	Honam Petro	1,105
Nov 9	Credit Libanais	EFG Hermes	542

Anticipated Approvals

DATE	TARGET	ACQUIRER	APPROVAL TYPE
Nov 17	Dynegy Inc	Blackstone	Targ
Nov 16	Buckeye GP	Buckeye Part	Acq, Targ
Nov 19	Thermadyne	Irving Place	HSR
Nov 19	Microtune Inc	Zoran Corp	Targ
Nov 13	Mudra Lifestyle	ELand World	Targ

	WEEKLY	YTD
Deal Count	373	20,333
Volume (IN BILLIONS)	$30	$1,750
Premium (AVERAGE)	43.91%	22.48%

Deal Premiums…

continued from page 1

the market at once, he said.

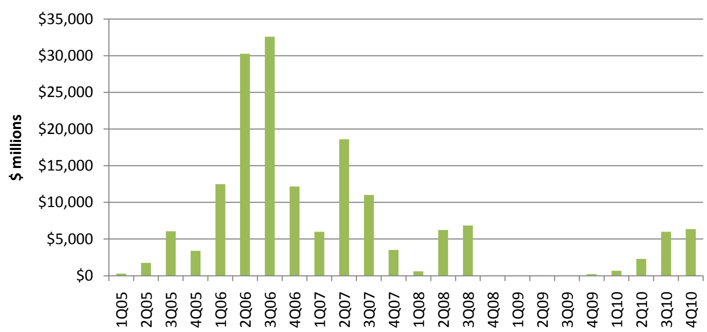
"All the private-equity firms all have money, so they're getting in bidding contests against each other, and that's driving up the price," said Meyer.

Carlyle Group, the most acquisitive private-equity company with 32 announced deals this year, has paid an average of 29 percent on its takeovers this year. That's the highest average premium it has paid since 2004. Carlyle paid a 38 percent premium for its $3.8 billion takeover of **CommScope Inc.** and a 34 percent for its $2.6 billion takeover of **Syniverse Holdings Inc.**, announced in October.

Also last month, **KKR & Co.** paid a 31 percent premium for **Perpetual Ltd.** in its first public company takeover of the year. **Bain Capital** paid a 46 percent premium for **Gymboree Corp.** The fourth-quarter jump in premiums could be a signal that targets are becoming stingier as stocks rise, forcing buyers to pay up, said **Tom Burnett**, director of research at **Wall Street Access**.

"Premiums paid are partly based on desperation," Burnett said. "You've got a desperate group of buyers who can get financing easily. That's a rather combustible combination."

Carlyle Group Announced Deals



Source: Bloomberg

Human Genome Drug May Spur Takeover Bid

Human Genome Sciences Inc. may get acquisition offers if it obtains U.S. regulatory approval next month for the first new lupus treatment in 50 years.

Benlysta, a drug Human Genome has said may cost patients $15,000 to $20,000 a year, is likely to win clearance after studies showed it reduced lupus symptoms such as joint and muscle pain, fever, rashes and fatigue with fewer side effects than therapies on the market, said **Michael Yee**, an analyst at **RBC Capital Markets** in San Francisco.

Human Genome, based in Rockville, Maryland, is co-developing the product with **GlaxoSmithKline Plc**, the U.K.'s biggest drugmaker. Annual sales for Benlysta may surpass $2.1 billion by 2014, the average of five analyst estimates Bloomberg compiled. A favorable ruling by regulators may spur Glaxo to bid, Yee said.

Glaxo Chief Executive Officer **Andrew Witty** has said his London-based company is seeking "bolt-on acquisitions." The company still isn't keen on "splashing out billions of dollars" to buy a large drugmaker "no matter what happens in the market," Witty said in an Oct. 21 statement.

An FDA approval may prompt bidders for Human Genome, Yee said, citing **Amgen Inc.**, **Roche Holding AG**, **Abbott Laboratories** and **Johnson & Johnson**.

— Molly Peterson

Singapore Exchange's ASX Bid Nears Average

Singapore Exchange Ltd.'s takeover of the main Australian stock market, which received instant disapproval from lawmakers, may gain investor support as **ASX Ltd.** gets a 42 percent premium and owners of the bidder pay no more than the average of comparable deals.

Singapore Exchange Chief Executive Officer **Magnus Bocker** faced a revolt from his own shareholders on Oct. 25 when he unveiled the $8.4 billion agreement to acquire ASX at twice the average premium for financial services acquisitions in the past year. The takeover won't compromise market regulation, **Malcolm Starr**, ASX's head of regulatory policy said today in response to a report in the Age newspaper that said the country's Financial Services Council is concerned the deal may reduce the fairness of listing rules.

Now, **Tokyo Stock Exchange**, with a 4.9 percent stake in the Singapore bourse, is dropping its criticism, citing growth prospects for the combined company. The bid values the Sydney-based Australian company at 19.5 times earnings before interest and taxes, compared with the 22.8 times earnings before interest and taxes **NYSE Group Inc.** paid for **Euronext NV** in 2007 and the 21.4 times EBIT that **CME Group Inc.** valued **Nymex Holdings Inc.** at a year later, Bloomberg data show.

"If you look at some of the other global deals on exchanges, on a raw valuations basis they're at the same sort of level," said **Chris Hall**, who helps manage $3.7 billion at **Argo Investments Ltd.**

Singapore Exchange offered A$48 per ASX share in cash and stock, compared with the Australian company's price of A$34.96 at the last close of trade before the agreement was announced. The premium is almost twice the average level of 21 percent for financial companies in the past year.

— by Shani Raja

ARB ANALYSIS

TOM BURNETT, GUEST COLUMNIST

U.S. Coal Producers Become Focus of Takeover Speculation

Interest in coal companies as potential acquisition candidates has risen after a newspaper story on Oct. 19 said **Massey Energy** had formed a special board of directors committee to review strategic alternatives including a possible sale of the company.

Investor focus on Massey and the broader coal industry intensified on Oct. 27, when the company's management confirmed during a conference call to discuss third-quarter results that the board was conducting a review as part of a regular annual process.

Patriot Coal has been named as a possible takeover target in research reports by brokerages, such as UBS, which also listed **Alpha Natural Resources**, **Consol Energy**, **James River**, **International Coal Group**, **Massey** and **Walter Energy** as possible targets as China and India seek to secure coal reserves.

Among U.S.-listed coal companies, Alpha Natural Resources and Cliffs Natural Resources are most frequently cited as potential buyers. Both companies have sufficient borrowing capacity to make a transformative acquisition and have stated their interest in increasing coal production and reserves. Mining companies have also been named as possible suitors.

Coal India Ltd. is considering bidding for its first mine in the U.S., a deposit owned by Massey, Bloomberg News reported on Nov. 11, citing people with direct knowledge of the matter. Coal India, which had 380.5 billion rupees ($8.7 billion) of cash and bank deposits as of June, set aside 60 billion rupees for acquisitions this year.

Since publication of the initial press report that ignited interest in coal companies as M&A candidates, the stocks have significantly outperformed broad equity indices, as shown in the nearby table. As investors roll forward their coal price estimates to future years, the stock prices of coal companies may sustain their recent outperformance of the broader market even if takeover transactions aren't announced in the near term.

Valuations in the group vary widely, particularly for companies such as Massey that are not currently operating all their permitted mines. Based on valuation, Patriot and Arch may be the most attractive among potential targets.

Investors interested in the coal industry will have to consider reserve and production levels, particularly for metallurgical coal, which is used to make steel. Monitoring legal and regulatory factors is essential as obtaining operating permits for mines becomes increasingly difficult. Finally, companies' access to land-based and seaborne transportation routes are also important considerations.

Tom Burnett, CFA, is director of research at Wall Street Access, an NYSE firm. Analyst Daniel Daniel contributed to this report.

Coal Stock Performance

	10/28/2010	11/8/2010	% CHANGE
Massey Energy MEE	41.88	46.83	11.80%
Alpha Natural Resources ANR	45.05	48.26	7.10%
Cliffs Natural Resources CLF	63.37	70.89	11.90%
Patriot Coal PCX	13.39	15.99	19.40%
Arch Coal ACI	25.48	29.61	16.20%
CONSOL Energy CNX	38.42	40.71	6.00%
Peabody Energy BTU	52.93	58.88	11.20%
Bloomberg Americas Coal Index	420.2	462.5	10.10%
S&P 500	1,183.80	1,223.30	3.30%

Source: Bloomberg

U.S. Coal Companies: Possible Takeover Targets

	MASSEY ENERGY	ALPHA NATURAL RESOURCES	CLIFFS NATURAL RESOURCES	PATRIOT COAL	ARCH COAL	CONSOL ENERGY	PEABODY ENERGY
	MEE	ANR	CLF	PCX	ACI	CNX	BTU
Share price	46.94	44.45	71.1	15.32	28.3	39.3	57.75
Shares outstanding	101.6	121.5	136.2	90.9	163.2	228.1	268.6
Market capitalization	4,769.10			1,392.40	4,617.70	8,963.50	15,511.70
Cash	477	654.5	969.4	208.2	63.8	15.6	1,367.50
Debt	1,308.20	734.3		454.4	1,538.50	3,198.10	2,714.60
Net debt	831.2	79.7	743.6	246.2	1,474.70	3,182.50	1,347.10
Enterprise Value	5,600.30		10,428.30	1,638.60	6,092.40	12,146.00	16,858.80
Trailing 12-month earnings	-72.1	102.7	759.8	-44.4	112.6	385.5	702.9
Normalized EBITDA	374.8	811.9	938.9	174.4	599.8	1,275.50	1,649.60
P/E	-66.1x	52.6x	12.7x	-31.3x	41.0x	23.3x	22.1x
EV/EBITDA	14.9x	6.7x	11.1x	9.4x	10.2x	9.5x	10.2x
Net debt to EBITDA	2.2x	0.1x	0.8x	1.4x	2.5x	2.5x	0.8x
Net debt to capitalization	14.80%	1.50%	7.10%	15.00%	24.20%	26.20%	8.00%

Source: Bloomberg

COMMENTARY ***Ray Murphy,*** *Guest Columnist*

Res-Care Sets Shareholder Vote After Justice Department Investigation

Res-Care Inc.'s shareholders will get to vote on **Onex Corp.'s** bid to take the company private on Dec. 17, six weeks after disclosures of a federal investigation first raised concerns in the merger-arbitrage community that the deal could be derailed.

Onex, the largest shareholder of Res-Care, offered to take the company private for $12.60 a share in October. The companies later agreed to a merger that would value Res-Care at $13.25 a share. The agreement came with a "go-shop" period for Res-Care, allowing it to seek a better bid by Nov. 5.

Res-Care revealed in the background section of the Onex offer that another bidder, identified only as "Company A," may offer as much as $14 a share. That bid never materialized. Res-Care on Oct. 19 announced that the unidentified company was not in a position to continue with the higher offer.

At that point, the deal seemed to be headed for completion, especially since regulatory approvals were seen as a minor issue. Res-Care faces significant competition in an industry, the community services and medical outpatient segment, that has relatively low barriers to entry.

The federal antitrust and state licensing regulators had approved a previous Onex transaction to acquire a 24.9% stake in the company. The Hart-Scott-Rodino approval was granted as a routine matter on Oct. 21. It received approval from West Virginia today.

Res-Care shook up the mergers arbitrage community on Nov. 5, the expiration day for Onex's offer, with a disclosure in a 10-Q filing with the U.S. Securities and Exchange Commission. That filing revealed a Justice Department investigation into the billing practices of a Res-Care unit that runs the Philadelphia Workforce Services center and possible violations of the False Claims Act. That federal law, also called the "Lincoln Law," is intended to counteract fraudulent billings turned into the federal government.

"At this time, the company can make no assurances as to the time or resources that will be needed to devote to this inquiry or its final outcome," Res-Care said in its filing.

Merger arbitrageurs viewed the timing of the disclosure as suspicious, as it coincided with the expiration date for Onex's offer.

> *The timing of Res-Care's disclosure was viewed with suspicion.*

The disclosure also raised questions of whether Onex could try to invoke the "material adverse effect" provision in the merger agreement as a basis for not completing the deal. Such provisions are intended to protect a buyer from major changes that make an acquisition target less attractive as a purchase. According to precedents of the Delaware Court of Chancery, an acquirer has to prove that such a change occurred.

Res-Care had received the Justice Department notice on Sept. 24, according to the 10-Q disclosure, leaving some shareholders to wonder why Res-Care hadn't disclosed the matter earlier in the deal process.

Merger arbitrageurs focused on the fact that the billing practices in question date "from 2006 to the present." Determinations of "materiality" can be highly variable. Interpretations of the facts involved and the scope of the definition in the deal's documentation are frequently the subject of intense debate among merger partners. However, the timing of Res-Care's disclosure and the four-year period in question put the issue at the forefront of the deal.

A report by DealAnalytics.com on Nov. 5 said Res-Care chose to disclose the investigation in its 10-Q, not a form 8-K filing, "which underscores that the company believes it is immaterial."

The facts surrounding the Res-Care facility and the billing practices at issue are not well understood. Res-Care has two workforce facilities in Philadelphia, but the investigation seems limited to the facility named in the disclosure. Res-Care has not disclosed the billing information specific to these facilities, making it hard to determine the seriousness of the investigation. The immediate reaction to the Res-Care news was a sell-off in the stock, which declined as much as 5 percent in Nasdaq Stock Market trading to $12.57 a share on Nov. 5. The stock recovered in the days following the disclosure, reaching a closing price of $13.19 on Nov. 11.

Onex on Nov. 8 extended the tender offer until Nov. 15. Res-Care on Nov. 10 filed a preliminary proxy statement for a shareholder vote on the second-step merger.

The proxy filing suggests that Onex will not complete the deal as a tender-offer structure as originally intended. It also means that the material adverse effect issue will continue to receive attention until the shareholder vote on Dec. 17.

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.

THE WIRE BLOOMBERG NEWS

■ **Seneca Capital**, the largest single shareholder in **Dynegy Inc.** and an opponent of its planned $540 million takeover by **Blackstone Group LP**, said it will nominate former electricity and railroad executives to the power producer's board. **E. Hunter Harrison**, former chief executive officer of Canadian National Railway Co., and **Jeff Hunter**, co-founder and chief financial officer of closely held U.S. Power Generating Co., should replace Chief Executive Officer **Bruce Williamson** and board member **David Biegler**, New York-based Seneca said in a statement Nov. 10. Seneca is seeking to replace two of the six board members to help block Blackstone's $4.50-a-share bid. The purchase is valued at $4.7 billion including assumption of debt. A shareholder vote on the proposal is scheduled Nov. 17 at Dynegy's headquarters in Houston. No vote on board seats is scheduled at that meeting. Seneca, which holds 9.3 percent of Dynegy common stock, says the bid should be refused because the company's value will rebound once the economy revives demand for electricity from its plants.

■ **Chevron Corp.** agreed to buy **Atlas Energy Inc.** for $3.2 billion, giving it access to the natural gas-rich Marcellus Shale formation in Pennsylvania. Shareholders will get $38.25 in cash plus units of an Atlas pipeline affiliate, for a total of $43.34 a share, a 37 percent premium to its closing price on Nov. 8. The deal is valued at $4.3 billion including assumed debt, the companies said. If completed, the purchase would be the third-largest for Chevron and its biggest since the 2005 acquisition of Unocal Corp. The premium for the deal is more than the 13 percent average for the 253 U.S. oil and gas acquisitions announced this year, according to Bloomberg data. Chevron is paying 14 times profit before interest, taxes, depreciation and amortization for Atlas, compared with an average of 11 times for the four largest oil and gas deals announced this year. **Jefferies Group Inc.** is acting as lead financial adviser and Deutsche Bank AG is serving as co-financial adviser to Atlas, which has **Wachtell, Lipton, Rosen & Katz** as legal adviser. **Goldman Sachs Group Inc.** is serving as financial adviser to Chevron and **Skadden Arps Slate Meagher & Flom LLP** is its legal adviser.

■ **Wah Nam International Holdings Ltd.** offered A$929 million ($931 million) in stock to buy the shares it doesn't own in **Brockman Resources Ltd.** and **Ferraus Ltd.** The offer of 30 shares for each of Brockman's valued the Perth-based iron ore company at A$6.47 a share, 36 percent more than its close yesterday. Wah Nam offered 6 of its shares for each of Ferraus, the equivalent of A$1.29 a share, Wah Nam said in a statement. That's 50 percent higher than the Nov. 10 close. Buying the two Australian companies will add Ferraus's exploration assets and Brockman's Marillana iron ore project to Wah Nam's copper mine in China. Wah Nam is being advised by **OSK Capital Hong Kong Ltd.** and **Capital Investment Partners**.

■ **Grupo Silvio Santos**, majority shareholder of **Banco Panamericano SA**, may sell its stake to repay a 2.5 billion reais ($1.5 billion) loan from the nation's deposit insurance fund taken out to rescue the lender, central bank President **Henrique Meirelles** said. Panamericano probably will be absorbed by **Caixa Economica Federal**, which named three of its vice presidents to Panamericano's board, to be chaired by its president, **Maria Fernanda Ramos Coelho**, according to **Standard Bank New York Inc.**, which recommended the bank's bonds saying they would become sovereign risk after a takeover. Brazilian billionaire **Eike Batista** told journalists in Rio de Janeiro his **EBX Group** may look into buying assets of the holding company controlled by Santos.

■ **BJ's Wholesale Club Inc.** hired **Morgan Stanley** to help sell itself after receiving an offer from private-equity firm **Leonard Green & Partners LP** in recent months, said people with knowledge of the situation. Morgan Stanley will also offer to provide staple financing. Any deal would likely be with private-equity funds and not another retailer. BJ's has a market value of about $2.6 billion.

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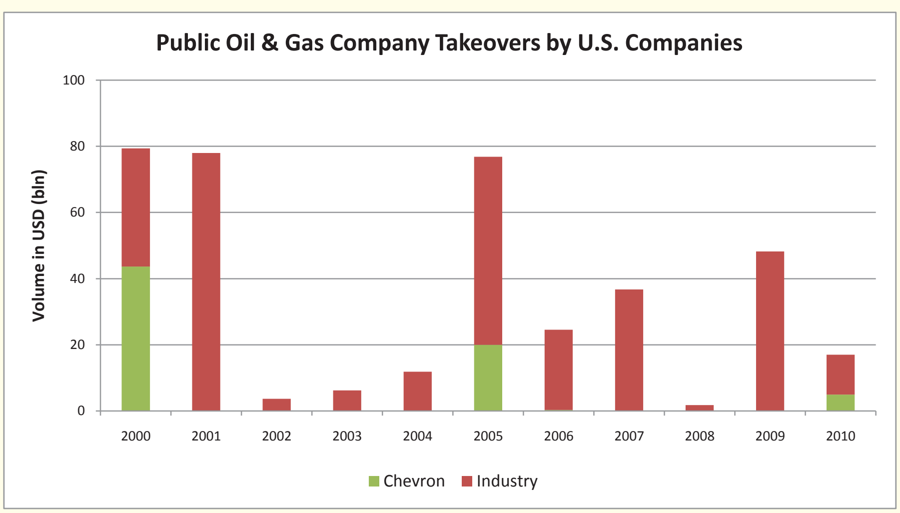
Snapshot



__Chevron__, the second-largest oil and gas company in the U.S. by market capitalization, has not been as acquisitive as some of its peers in the past 10 years. Since 2000, Chevron has only made three acquisitions of greater than $1 billion, most notably the purchase of __Texaco__ for $45.8 billion in stock in October that year. __ConocoPhillips__, the industry's third-largest company, has had five takeovers that have topped the $1 billion mark, as has rival __Devon Energy. Exxon Mobil__ is the largest oil and gas company.

THE WIRE

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■ **Mizuho Financial Group Inc.** agreed to buy a 2 percent stake in **BlackRock Inc.** for $500 million, including shares sold by **Bank of America Corp.**, according to two people briefed on the transaction. Mizuho will buy 2.45 million shares of the world's largest asset manager directly from Bank of America, said the people.

■ **Peet's Coffee & Tea Inc.** is interested in acquiring a single-cup coffee business after losing the bidding to buy **Diedrich Coffee Inc.** this year, Chief Executive Officer **Patrick O'Dea** said. O'Dea said Peet's is persisting with its plan to enter the "fast growing" single-serving coffee market, after **Green Mountain Coffee Roasters Inc.** trumped its offer for Diedrich. O'Dea declined to identify specific acquisition targets.

ON THE MOVE

■ **Evan Winkler** was named managing director of **Moelis & Co.**, based in the investment bank's Los Angeles office. He previously was co-head of mergers and acquisitions for technology, media and telecommunications at **UBS AG**. He also worked at Credit Suisse First Boston and Deutsche Morgan Grenfell.

■ **Rob Stewart** was named managing director and U.S. head of aerospace and defense investment banking at Jefferies & Co. He previously worked at Credit Suisse as head of aerospace and defense investment banking for Europe, the Middle East and Africa.

■ **Durc Savini** was hired by **Peter J. Solomon Co.** as a managing director and head of its restructuring and recapitalization group. Savini has worked in the restructuring advisory and investment banking businesses for 20 years. He is one of the founding members of New York-based Miller Buckfire and previously worked at Bear Stearns and Dresdner Kleinwort Wasserstein.

■ **Glenn Fogel** was named **Priceline.com Inc.'s** head of worldwide strategy and planning after serving as executive vice president of corporate development. Prior to joining Priceline, he worked at Morgan Stanley. Priceline also said **Robert J. Mylod**, the company's vice chairman and head of worldwide strategy and planning, will retire in March.

■ **David Weir** was appointed chief executive officer of **SharesPost**, an online marketplace for private investments. He previously was founding partner of Spring Creek Advisory Group LLC, a mergers and acquisitions and financial advisory firm and a managing director at J.P. Morgan & Co.

■ **George Hornig** was named senior managing director and chief operating officer of **PineBridge Investments**. He previously worked as co-global chief operating officer at Credit Suisse Asset Management. He also worked for Deutsche Bank AG, Wasserstein Perella & Co. and First Boston Corp.

■ **Michael Arpey** joined **Carlyle Group** as a managing director and member of the private-equity firm's operating committee. He previously worked at Credit Suisse Group, where he was a managing director. He also worked for Prudential Insurance Co. of America, the New York State Common Retirement Fund, the Pennsylvania Public School Employees' Retirement System and the State Employee Retirement System.

■ **Michael Judlowe** joined **Jefferies & Co.** as a managing director in the global equity capital markets group, covering companies in real estate and related sectors. He previously worked as a managing director at Citigroup Inc.

■ **Albert Benchimol** will become chief financial officer of Bermuda-based insurer **Axis Capital Holdings Ltd.** on Jan. 17. He was executive vice president and CFO of PartnerRe Ltd. In 2007, he took on the additional role of CEO of its capital markets group.

E-mail us about job changes or new appointments at mergerbrief@bloomberg.net

Buffett Has $34.5 Billion of Cash for Acquisitions

Warren Buffett, who completed his biggest acquisition in February, is positioned to pursue another "elephant"-sized deal after cash at his **Berkshire Hathaway Inc.** climbed to the highest in more than two years. Berkshire's cash holdings jumped 23 percent to $34.5 billion in the three months ended Sept. 30, the company said Nov. 5. That compares with $30.6 billion at the end of 2009, about six weeks before Berkshire's $26.5 billion stock-and-cash takeover of railroad **Burlington Northern Santa Fe Corp.**

"The fact that he's got $34 billion means that he can go hunting again," said **Jeff Matthews**, author of "Pilgrimage to Warren Buffett's Omaha" and founder of hedge fund **Ram Partners LP**. "Burlington Northern was the first really big elephant that came along. And he's got the cash to do it again."

Berkshire is benefiting from a stock market rally that boosted the value of its equity portfolio 5.4 percent in three months to $57.6 billion and an economic recovery that contributed to a 21 percent increase in third-quarter revenue.

Berkshire's cash hoard will grow with the termination of financing deals that Buffett struck during the credit crunch. This month, **Swiss Reinsurance Co.** agreed to pay Berkshire about 3.7 billion Swiss francs ($3.85 billion) on Jan. 10 to exit a 2009 deal that cost Berkshire 3 billion francs and pays annual interest of 12 percent. **Goldman Sachs Group Inc.** and **General Electric Co.** are weighing the return of $8 billion that Buffett agreed to inject in 2008 for securities paying 10 percent.

Buffett is "ready to act" if a $10 billion deal is offered, he told shareholders at his company's annual meeting on May 1. The next day at a press conference, he said he expected few opportunities because as Berkshire grows, larger acquisitions are needed to meaningfully add to earnings.

— by Andrew Frye

Private Equity

HCA Plans $2 Billion Dividend to KKR, Bain

KKR & Co. and **Bain Capital LLC's** decision to pay themselves a $2 billion dividend from **HCA Inc.** shows that the 82 percent surge in high-yield bonds since 2009 is making it more attractive for buyout firms to pile more debt on their companies than to take them public. HCA, the largest U.S. hospital chain, said Nov. 9 it will sell $1.53 billion in high-yield debt to finance the payout to its private-equity owners, which also include **Bank of America Corp.** The firms earlier this year took $2.25 billion in two dividends from the Nashville-based company, which has yet to complete an initial public offering announced in May. Buyout firms are saddling their companies with extra debt to finance payouts at the fastest rate since credit markets froze in 2007. The dividend capitalizations are an attractive way to get cash and return money to investors amid weak demand for private equity-backed IPOs.

— Sree Vidya Bhaktavatsalam and Cristina Alesci

KKR Said to Join Possible Buyout of Yahoo

KKR & Co. joined a list of buyout firms to finance a transaction that would take **Yahoo! Inc.** private, the New York Post reported Nov. 9, citing unidentified people. Private-equity investors approached **Alibaba Group Holding Ltd.**, which is 40 percent owned by Yahoo, about taking Yahoo private, Reuters reported, also citing people familiar with the matter. Yahoo had lost half its value since **Microsoft Corp.** withdrew a $44.6 billion bid in 2008, and sales haven't grown much under Chief Executive Officer Carol Bartz amid rivalry with **Google Inc.** **Goldman Sachs Group Inc.** is working with Yahoo to help field takeover approaches, people with knowledge of the situation said last month.

— Katie Hoffmann

LBO Expectations Are 'Unrealistic,' Goldman Says

Leveraged-buyout speculation is triggering an "unrealistic" surge in the cost of hedging against losses on the debt of potential takeover targets, according to **Goldman Sachs Group Inc.** Investors can profit by selling credit-default swaps on a basket of LBO candidates including **Gap Inc.**, **Dell Inc.** and 13 other companies, strategists led by **Charles Himmelberg** and **Alberto Gallo** in New York said in a report. The trade can withstand two buyouts within the group, they said. "While a pick-up in LBO deals is definitely likely in 2011, we show that market spreads on many 'LBO candidates' are currently priced for a very sharp increase comparable to 2006 levels," the strategists wrote. "These expectations are unrealistic, given the current constraints in leveraged financing and the lower leverage in current deals, compared to pre-crisis. We therefore think investors who have been short LBO candidates should take profits to avoid being hurt by the upcoming rally in spreads."

— Bryan Keogh

Deal Roster

To submit Deal Roster items, please email mergerbrief@bloomberg.net

David Bonderman's private-equity firm, **TPG Capital**, bought assets from a public company for the third time in two months with its purchase of **Ashland Inc.**, the maker of Valvoline motor oil.

Ashland agreed to sell its chemical distribution unit to TPG Capital for $930 million on Nov. 8. The deal is the 29th acquisition announced this year by TPG Capital, making it the second-most acquisitive private-equity firm in 2010 after **Carlyle Group**.

Keith Fullenweider heads **Vinson & Elkins'** mergers and acquisitions practice and was one of the lead lawyers for **KKR & Co.** and TPG when the two private-equity firms combined to purchase **Energy Futures Holdings Corp.** for $43 billion in the largest private-equity deal ever. Vinson & Elkins is also advising TPG on its purchase of downstream Minnesota assets from **Marathon Oil Corp.**, which is expected to close on Dec. 31.

"The Ashland transaction is similar to the pending transaction where we represent TPG in connection with the acquisition of the St. Paul Park refinery and related retail assets from Marathon Petroleum," Fullenweider said in an e-mail. "Both are asset sales by large industrial companies, where the business being sold is a 'carve out' from the larger operation."

— By Alex Sherman

Target:	**Ashland Inc.'s Distribution Business**
Investment bank	**Bank of America Merrill Lynch**
	Greg Kelly
	Patrick Ramsey
Law firm	**Cravath, Swaine & Moore LLP**
	Susan Webster
	Stephen Gordon (tax)
	Eric Hilfers (executive compensation and benefits)
	Jeffrey Smith (environmental)

Ramsey advised Potash Corp. of Saskatchewan on BHP Billiton's bid, blocked by Canada's government this month

Webster, Gordon, Hilfers and Smith worked on Ashland's sale of its APAC division in 2006

Buyer:	**TPG Capital**
	Michael MacDougall
	Kevin Burns
	Nathan Wright
	Chris Yip
Investment banks	**Citigroup**
	Paul Smith
	Jason Cunningham
	Barclays Capital
	Deutsche Bank Securities
	Chris Towery
	Kent Penwell
	Morgan Stanley & Co.
Law firms:	**Vinson & Elkins**
	Keith Fullenweider
	Creighton Smith
	Ted Stockbridge
	James Hanna
	Larry Nettles (environmental)
	David D'Alessandro (executive compensation)
	Tom Wilson (labor)
	John Lynch (tax)
	Randy Jurgensmeyer (real estate)
	Neil Imus (antitrust)
	Cleary Gottlieb Steen & Hamilton
	Duane McLaughlin

MacDougall in 2008 was named to Crain's 40 under 40 list of New York's rising stars. His team also worked on the buyout of TXU.

Fullenweider represented TPG and other private equity firms in its consortium deal for Texas Genco LLC for $3.65 billion

Smith represented Express Energy Services in its $635 million sale to Macquarie Group, Wachovia Capital Partners and management

McLaughlin was counsel to TPG in its $27.5 billion acquisition, along with Goldman Sachs, of Alltel Corp.

Calendars

To submit an event email mergerbrief@bloomberg.net

Anticipated Approvals

DATE	TARGET	ACQUIRER	DEAL VALUE	TYPE
11/15	Marathon PGM Corp	Stillwater Mining Co.	106	Target and acquirer shareholders
11/16	Buckeye GP Holdings LP	Buckeye Partners LP	2721	Target and acquirer shareholders
11/17	AGA Medical Holdings Inc	St Jude Medical Inc	1293	Hart-Scott-Rodino
11/17	Dynegy Inc	Blackstone Group LP	4597	Target Shareholders
11/19	Microtune Inc	Zoran Corp	77	Target Shareholders
11/23	IPS Ltd	Atto Co Ltd	196	Target and acquirer shareholders
11/25	Gifu Bank Ltd/The	Juroku Bank Ltd/The	51	Target Shareholders
11/25	Accupix Inc	Tellord Co Ltd	118	Acquirer Shareholders
11/29	ABILIT Corp	Konami Corp	70	Target Shareholders
11/29	BlueBay Asset Management PLC	Royal Bank of Canada	1534	Local Court
11/29	American Physicians Service Group Inc	ProAssurance Corp	231	Target Shareholders
11/29	Iberia Lineas Aereas de Espana SA	British Airways PLC	3187	Target and acquirer shareholders

Calls and Meetings

DATE	TIME	COMPANY	EVENT	DESCRIPTION
11/15	9am	Motorola Inc.	Analyst Meeting	Acquisition of Nokia OYJ's wireless network infrastructure assets. Expected completion date Dec. 31
11/16	9am	Zygo Corp	Annual General Meeting	Acquisition of ASML Holding NV assets. Expected completion date Nov. 30.
11/16		Microsoft Cop.	Annual General Meeting	Acquisition of Canesta Inc. Expected completion date Dec. 31.
11/16		Buckeye Partners LP	Extraordinary Shareholders Meeting	Acquisition of Royal Dutch Shell PLC assets. Expected completion date Dec. 31
11/17	9am	Old National Bancorp	Analyst/ Investor Conference	Acquisition of Monroe Bancorp. Ratio of stock swap subject to change based on acquirer's share price. Expected completion date March 31.

Conferences

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
Nov. 16-18	Dewey & Leboeuf seminar	PLI's Tax Strategies for Corporate Acquisitions, Dispositions, Spin-Offs, Joint Ventures, Financings, Reorganizations & Restructurings 2010.	Sofitel Chicago Water Tower	deweyleboeuf.com
Nov. 17-18	Corporate M&A Congress	"The leading event for the corporate M&A community."	SiemensForum, Munich	convent.de
Nov. 18	Mergermarket's Financial Services M&A Forum	Keynote address by Michael Krimminger, FDIC.	Harvard Club of New York	mergermarket.com/events/868/
Nov. 18	ACG New York	Retail/Consumer Dealmaking - the New Frontier	New York Athletic Club	acg.org/nyc
Nov. 18	Exporta's 3rd Annual Nordic Region Trade & Export Finance Forum	Panels include "creating a liquidity program based on othe sale of trade receivables."	Radisson Blue Scandinavia Hotel, Gothenburg, Sweden	exportagroup.com
Nov. 19	2010 Berkeley Finance Conference - Creating Value Through M&A	Speakers Inder Singh, Cisco Systems, Cynthia Gaylor, Morgan Stanley, Read Simmons, Bain & Company	Haas School of Business, Berkeley, Calif.	berkeleyfinanceconference.com
Nov. 19	ACG New York	Speaker Brian Coleman, Hudson Technologies Inc.	Tappan Hill Mansion, Tarrytown, N.Y.	acg.org/nyc or call 914-631-3030
Nov. 21-24	Terrapin's Private Equity World MENA	Speakers Ahmed Heikal, Citadel, Ahmed Badreldin, Abraaj Capital and others.	Shangri-La Hotel, Dubai	terrapin.com/2010/pemena
Nov. 23	Infrastructure Journal's Inaugural Infrastructure Investor M&A Seminar	The future of European infrastructure M&A: Opportunities and realities of investment in an evolving landscape.	London	ijonline.com
Nov. 23	Mergermarket's Food Industry Conference	"Solid Fundamentals - Solid Deal Flow? Sustainability of the food industry and its attractiveness to investors."	Villa Kennedy, Frankfurt	mergermarket.com/events/935/
Dec. 8	ACG New York	Monthly Luncheon Meeting	Union League Club, New York	acg.org/nyc
Dec. 9-10	Identifying and Structuring M&A Deals in Southeast Asia 2010	Exclusive Interview with Shankar Athreya, head of Strategic Investment for Olam International.	Rendezvous Hotel, Singapore	iqbc.com

ACROSS THE STREET

BLOOMBERG NEWS

InBev Takeover Dilutes Local Bud Loyalty

Generations of local loyalty is eroding in the wake of InBev's 2008 hostile takeover of **Anheuser-Busch** — a St. Louis tradition since 1852. For **Schlafly Bottleworks** and other small breweries in the city, it's an opportunity to exploit the increased interest in craft beers nationwide.

Drinking Bud in St. Louis used to be like driving a Ford or Chrysler in Detroit. Then Belgium's **InBev** bought Anheuser-Busch in November 2008 and by Christmas had trimmed about 1,400 U.S. jobs, three-quarters of them in St. Louis. Businesses that serve beer see a turn in customer attitudes. **Chris Sommers** opened Pi Pizzeria in St. Louis six months before the InBev takeover and offered only microbrews as a way to stand out.

"People were really angry with us in the beginning," said Sommers, 34, whose restaurant now features Schlafly Pi Common, a custom-made brew. "After the takeover, that all changed. The anger shifted." Customers "come into our restaurant now and don't even give us grief anymore, because they don't think of AB as local," he said.

— Angie Lau and Duane D. Stanford

Citi's 'Feats of Strength' Raise Money for Veterans

Citibank's investment bank has staged a series of "wacky" challenges that have raise more than $180,000 for the **Wounded Warrior Project**, a charity that helps injured members of the armed forces, the New York Times reported Nov. 10. In one challenge, the bank's senior executives competed in a series of "feats of strength," such as hula hooping, tossing boccie balls and golf putts. Citi has raised more than $400,000 for the **Wounded Warrior Project**, with a little less than half coming from workers in its investment bank, the newspaper reported. The team of **Rick Bartlett**, head of North American equities, **Armando Diaz**, head of U.S. equities trading, and **Kevin J. McCaffrey**, U.S. head of equity sales, was the winner. Employees in 12 cities have organized events such as résumé-writing workshops and networking seminars to help disabled veterans return to civilian life.

Donations by Wealthy Fall 35%: Bank of America

Wealthy U.S. households made smaller charitable donations last year, while the number of those giving remained the same, according to a **Bank of America Corp.** study. Average giving by survey respondents decreased 35 percent to $54,016 last year compared with 2007, after adjusting for inflation. Bank of America surveyed households with an income greater than $200,000 or a net worth of at least $1 million, excluding primary residences. The percentage of income dedicated to giving fell to about 9 percent from 11 percent in 2007, the report said. High-net-worth households account for about two-thirds of all individual giving in the U.S., according to the Center on Philanthropy at Indiana University, which co-wrote the report.

— Margaret Collins and Alexis Leondis

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
TALECRIS BIOTHER	GRIFOLS SA	3,919.78	06/07/10	12/31/10	28.69	54.74	23.63	21.42	5.06	0.07
EXCO RESOURCES I	N/A	5,183.24	11/01/10		20.5	37.71	18.98	8.01	1.52	-
BUCKEYE GP HOLDI	BUCKEYE PARTNERS	2,720.89	06/11/10	12/31/10	45.82	30.42	44.43	3.14	1.39	-0.3
MCAFEE INC	INTEL CORP	6,593.67	08/19/10		48	52.32	47.32	1.44	0.68	0.01
PENN VIRGINIA GP	PENN VIRGINIA RE	1,525.05	09/21/10		27.06	11.73	26.4	2.49	0.66	-0.86
SYNIVERSE HOLDIN	Private	2,583.21	10/28/10	03/31/11	31	34.06	30.4	1.97	0.6	0.1
ALLEGHENY ENERGY	FIRSTENERGY CORP	9,216.11	02/11/10	04/30/11	23.98	36.15	23.55	1.82	0.43	-0.64
NEWALLIANCE BANC	FIRST NIAGARA FI	1,522.73	08/19/10	06/30/11	13.62	23.83	13.24	2.84	0.38	-0.05
T-3 ENERGY SERVI	ROBBINS & MYERS	407.07	10/06/10		34.94	23.17	34.57	1.07	0.37	-0.11
AIRTRAN HOLDINGS	SOUTHWEST AIR	1,049.68	09/27/10	06/30/11	7.75	73.2	7.47	3.75	0.28	-0.06
GYMBOREE CORP	BAIN CAPITAL LLC	1,673.27	10/11/10	11/22/10	65.4	45.9	65.15	0.38	0.25	-0.07
QWEST COMMUNICAT	CENTURYLINK INC	22,161.55	04/22/10	06/30/11	7.16	12.49	6.92	3.52	0.24	-0.06
L-1 IDENTITY SOL	SAFRAN SA	1,582.23	09/20/10	03/31/11	12	31.13	11.79	1.78	0.21	0.02
ENTERPRISE GP	ENTERPRISE PRODU	8,841.36	09/07/10	12/31/10	64.77	14.27	64.59	0.28	0.18	-0.29
BMP SUNSTONE COR	SANOFIVENTIS	449.61	10/28/10		10	28.97	9.82	1.83	0.18	-
ALBERTO-CULVER	UNILEVER NV	3,589.41	09/27/10		37.5	20.63	37.33	0.46	0.17	-0.07
BOWNE & CO INC	RR DONNELLEY & S	451.37	02/23/10		11.5	78.96	11.35	1.32	0.15	0
PACTIV CORP	Private	5,945.19	08/17/10	12/31/10	33.25	8.58	33.14	0.33	0.11	0.05
AGA MEDICAL HOLD	ST JUDE MEDICAL	1,293.17	10/18/10	11/17/10	20.8	44.93	20.69	0.53	0.11	0.1
KING PHARMACEUTI	PFIZER INC	3,312.50	10/12/10	11/19/10	14.25	45.69	14.16	0.64	0.09	-0.01

League Tables

Global Financial Advisers

FINANCIAL FIRM	2010 Year-to-Date			
	RANK	MKT SHARE	VOLUME USD (Mln)	DEAL COUNT
Morgan Stanley	1	21.15	371,074	264
Goldman Sachs & Co	2	19.64	344,646	252
Credit Suisse	3	17.22	302,060	166
JP Morgan	4	16.79	294,542	200
Barclays Capital	5	14.10	247,417	122
Deutsche Bank AG	6	12.81	224,796	172
Citi	7	11.98	210,216	138
Bank of America Merrill Lynch	8	11.79	206,870	187
UBS	9	10.75	188,669	166
Lazard LLC	10	9.42	165,215	131
Rothschild	11	6.35	111,409	157
BNP Paribas Group	12	5.72	100,410	72
Nomura Holdings Inc	13	5.47	95,924	148
Societe Generale	14	4.21	73,832	24
Blackstone Group	15	3.68	64,548	28
Evercore Partners Inc	16	3.67	64,444	31
HSBC Bank PLC	17	3.26	57,244	55
Perella Weinberg Partners	18	3.19	55,955	18
Greenhill & Co	19	3.07	53,802	41
Banco Santander SA	20	2.91	51,057	36

Source: Bloomberg *As of: 11/11/2010*
Excludes terminated deals.

Global Legal Advisers

LEGAL FIRM	2010 Year-to-Date			
	RANK	MKT SHARE	VOLUME USD (Mln)	DEAL COUNT
Skadden Arps Slate Meagher & Flom	1	12.34	216,476	171
Sullivan & Cromwell	2	9.86	173,004	123
Simpson Thacher & Bartlett	3	8.46	148,506	130
Cleary Gottlieb Steen & Hamilton	4	7.60	133,381	89
Wachtell Lipton Rosen & Katz	5	7.43	130,369	49
Latham & Watkins LLP	6	7.19	126,162	182
Linklaters LLP	7	6.61	116,019	136
Dewey & LeBoeuf LLP	8	5.93	104,043	69
Shearman & Sterling LLP	9	5.90	103,597	106
Allen & Overy LLP	10	5.88	103,210	138
Freshfields Bruckhaus Deringer	11	5.41	94,963	159
Stikeman Elliott	12	5.21	91,421	86
Davis Polk & Wardwell	13	5.09	89,335	80
Weil Gotshal & Manges LLP	14	4.57	80,174	108
Blake Cassels & Graydon LLP	15	3.92	68,833	98
Vinson & Elkins LLP	16	3.88	68,150	59
Gibson Dunn & Crutcher	17	3.79	66,477	97
Clifford Chance LLP	18	3.54	62,111	76
Fried Frank Harris Shriver & Jacobson	19	3.45	60,576	42
Cravath Swaine & Moore	20	3.34	58,622	50

Source: Bloomberg *As of: 11/11/2010*
Excludes terminated deals.

SPOTLIGHT

__Hal Ritch__ of __Sagent Advisors__ spoke with __Alex Sherman__ of __Bloomberg News__ about the outlook for deal activity as corporate CEOs prepare to make "bold moves" after steering their companies through the financial crisis and worldwide recession. Sagent Advisors is hiring bankers and recently increased its workforce to 100 employees.

Q: Has M&A activity in 2010 disappointed you?

A: In the middle part of the year, activity slacked off from our expectations, but we saw a record year. That said, it hasn't been quite as robust as I expected given the first two or three months of the year.

Q: How have you had a record year even as total activity hasn't been as strong as you hoped?

A: We hired a number of senior people during the downturn — Jeff McGrath, David Bain, Michael Wilkins, all from Wachovia; Bill Kohr, who runs our office in Chicago, from Citigroup; Scott Moses from JP Morgan — it proved to be a great time to expand.

Q: Where do you see premiums on publicly traded companies headed?

A: Premiums move around cyclically. If you're in the middle of a bull market and stock prices are high, the premium required over prior price tends to go down. If you're in a bear market, the premiums can be large. There was a reason why in the late 1970s, early 1980s, you'd see premiums sometimes at 100% over price because the market was at a low point. I think a lot of non-practitioners say, "Oh, 50% over market is median now, let's just slap on 50%." That's not how the market works. On a particular deal, the people working on the deal look at the specifics and determine a fair price. It may just so happen to turn out to be a median premium.

Q: Are we in an environment to see more hostile deals in 2011?

A: We're going to see an uptick in M&A activity in general. The world is more liquid right now. The U.S. is more liquid with the Fed's actions, the corporate world outside of the U.S. is liquid, the dollar is weak — all of those things mean we're more apt to see deals. It's a cyclical thing, too. M&A activity has been low over the past few years. I'm optimistic we'll see a bounce-back in the merger market, including hostile deals, over the next 12 to 36 months. But we're not going to have a return to the feel of the 1980s when everyone was nervous, and for good reason, because there was a very large number of hostile transactions. I don't think the number will be particularly great.

Q: We saw Canada step in and block BHP's bid for Potash. Is this protectionism something we'll see more of in 2011?

A: This is an episodic thing. Countries become sensitive about these things and then they get less sensitive. There's a pendulum effect here. There are a lot of regulated industries where governments intervene around the world. I think you'll see some large deals come back, but it won't be white hot.

Q: Has there been a particular trend in the deals you've worked on this year that been unique to you this year?

A: Our business has become so multi-faceted. Whether it's accounting or regulatory issues or corporate governance on public companies, there are so many things going on at once. But really, the most exciting thing is that there finally seem to be some corporate blood running through the veins of companies. People are inclined to be looking for opportunities. When CEOs and directors weren't comfortable about how their own business was going to behave in the next quarter, they certainly weren't thinking about making bold moves on the chess board. Now they're more comfortable. In our conversations, they're asking us to help them find the next good opportunity. That's a marked change from 24 months ago.

(This interview was condensed and edited.)

Ritch has been an investment banker for 35 years, beginning his career at Dean Witter Reynolds Inc. in 1975 and eventually running the company's merger & acquisitions business. He was the co-head of M&A at Donaldson Lufkin & Jenrette, Credit Suisse, Salomon Smith Barney and Citigroup Global Markets before co-founding Sagent Advisors with Joel Cohen in 2004. Sagent advised Stanley Inc. in its $1.07 billion sale to CGI Group in August and Digicel Group Limited in its $1.1 billion purchase of its sister company Digicel Pacific Limited in April.

Bloomberg Brief Mergers
Bloomberg LP
731 Lexington Avenue, New York, NY 10022
212-318-2000

Newsletter Executive Editor *Ted Merz* *tmerz@bloomberg.net* *212-617-2309*

Bloomberg News Managing Editor *Katherine Snyder* *ksnyder@bloomberg.net* *212-617-5212*

Mergers Editors *Rob Williams* *rwilliams80@bloomberg.net* *212-617-8844*

Contributing Data Editors *Carol Chuang* *cchuang2@bloomberg.net* *212-617-3642*

Pratik M. Patel *ppatel28@bloomberg.net* *212-617-8705*

Reporter *Alex Sherman* *asherman6@bloomberg.net* *212-617-8278*

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To contact the editors: mergerbrief@bloomberg.net