

Kassirer Merger Arbitrage Monitor: July 2nd, 2018 – Second Edition

(All figures expressed in USD)

Payment Type Summary	# Deals	Volume	Percent
Cash & Stock	19	324.15B	44.68
Cash or Stock	8	150.88B	20.8
Stock	21	128.36B	17.69
Cash	33	122.13B	16.83

Deal Size Breakdown	# Deals	Volume	Percent
> 10,000M	12	510.37B	14.81
5000.01-10,000M	15	105.32B	18.52
1000.01-5000M	39	99.04B	48.15
500.01-1000M	15	10.78B	18.52
Deal Count YTD:	81		

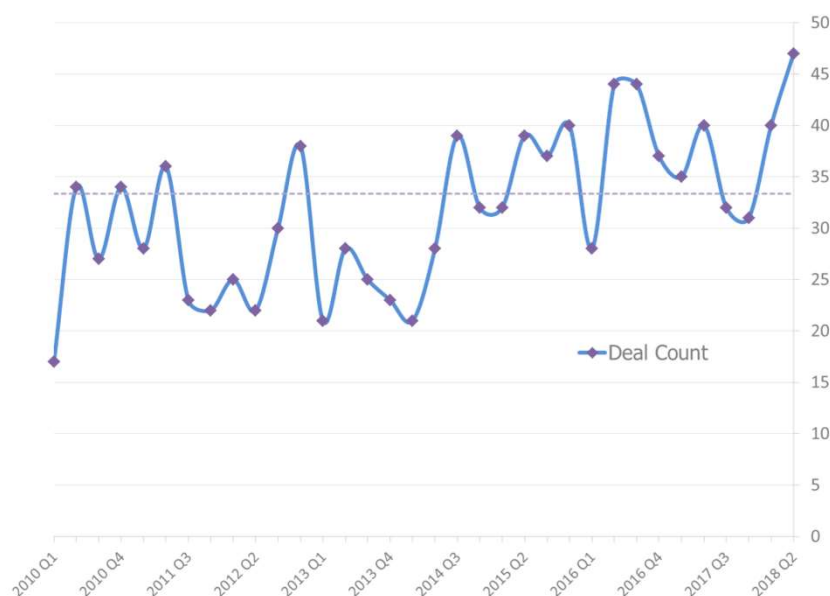
Nature of Bid Summary	# Deals	Volume	Percent
Friendly	74	688.3B	93.67
Unsolicited	4	30.67B	5.06
Unsolicited to Friendly	1	1.87B	1.27

Premiums Paid	# Deals	Volume	Percent
>50%	4	17.5B	2.42
40.01-50%	3	7.92B	1.09
30.01-40%	10	146.79B	20.23
20.01-30%	15	115.74B	15.95
10.01-20%	21	244.6B	33.71
0-10%	17	87.32B	12.04

Target Industry Summary	# Deals	Volume	Percent
Basic Materials	2	3.3B	0.45
Communications	6	151.64B	20.9
Consumer, Cyclical	8	17.62B	2.43
Consumer, Non-cyclical	14	278.81B	38.43
Energy	10	62.48B	8.61
Financial	23	108.54B	14.96
Industrial	6	48.04B	6.62
Technology	6	18.13B	2.5
Utilities	6	36.96B	5.09
Pending Deal Count:	81		

Deal Universe: Bloomberg Pending M&A /
North American Public Target ex - L.P's.

Quarterly Deal Count



COMMENTARY

Aggregate deal volume in 2018 is on pace to exceed 2007 levels, but the number of deals continues at a measured pace and has not accelerated like we saw in the 2006/2007 time frame. In general, deal risks have increased as unusual interpretations of vertical integrations and the increasingly opaque Chinese antitrust review process have created heightened regulatory uncertainty. The favorable conclusion of the TWX/AT&T litigation and the recent clearance of two smaller semiconductor transactions (CAVM/MRVL, MSSC/MCHP) by MOFCOM have mitigated these risks to a certain extent and deal flow continues to be robust.

Recent Announcements:

Announced	Target	Acquirer	Sector	Deal Size	Premium	Cash/Stock
6/27/2018	Pinnacle Foods Inc	Conagra Brands	Food-Misc/Diversified	10.7B	4.68	C & S
6/25/2018	Education Realty	Greystar Real Estate	REITS-Apartments	4.1B	14.51	CASH
6/25/2018	Xerium Tech. Inc	ANDRITZ AG	Machinery-General	811MM	137.45	CASH
6/21/2018	Web.com Group Inc	Siris Capital Group LLC	Web Hosting/Design	1.9 B	17.54	CASH
6/19/2018	Cotiviti Holdings Inc	Verscend Tech Inc	Medical Information Sys	4.8 B	31.99	CASH

Recent Completions:

Closed	Target	Acquirer	Sector	Deal Size	Cash/Stock
25-Jun-18	ARMO BioSciences Inc	Eli Lilly & Co	Medical-Biomedical/Gene	1.47B	CASH
25-Jun-18	Analogic Corp	Altaris Capital Partners LLC	Medical Imaging Systems	850MM	CASH
18-Jun-18	Blackhawk Network Inc	P2 Capital / Silver Lake LLC	Finance-Credit Card	3B	CASH
15-Jun-18	Time Warner Inc	AT&T Inc	Multimedia	109.8B	C & S
6/07/2018	Monsanto Co	Bayer AG	Agricultural Chemicals	61.67B	CASH

Kassirer Merger Arbitrage Monitor: Spreads

(All figures expressed in USD)

Pending Deal Universe

Pending Deal Pool (\$B):	711.67
Arbitrage Potential Profit Pool (\$B)	51.27
# Deals with positive Spreads	57
# Deals with negative spreads	22

Pending Deal Spreads

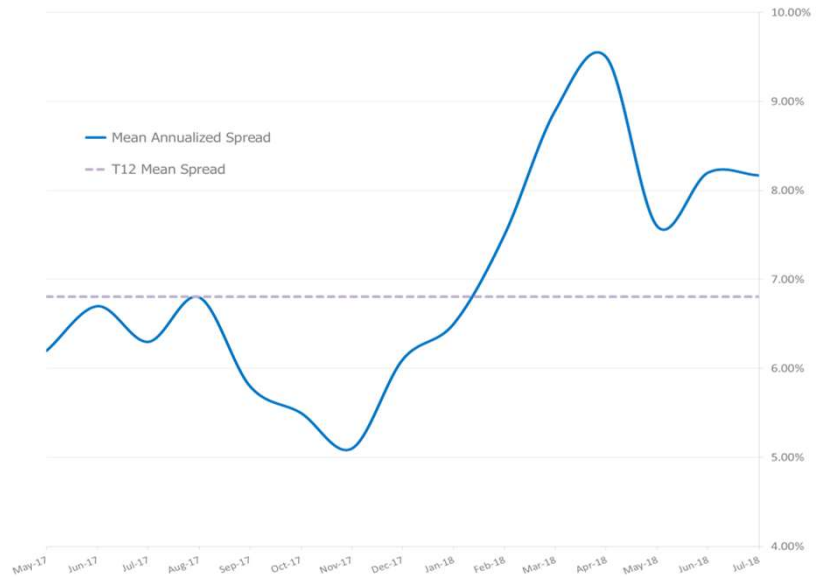
Annual Deal-Weighted Average Spread	12.14%
Median Spread	7.00%
Average Spread	8.85%

Market Cap

Annual	
<\$1B	7.26%
1 - \$5B	7.77%
>\$15B	12.14%

Deal Universe: Bloomberg Pending M&A / North American Public Target ex - L.P's.

Deal Universe Annualized Spreads



Spread Commentary:

The average spread of 8.85% is in-line with its historical average, versus the wider spreads we saw in early spring of approximately 12%. The current pending deal universe is bifurcated between high quality, strategic deals that trade at very tight spreads (ILG/VAC, RSPP/CXO) and riskier deals that trade with double-digit annualized spreads (AET/CVS, TRCO/SBGI, ESRX/CI). We believe spreads will continue to remain volatile as we churn through a rising interest rate cycle and continue to face increased trade tensions / regulatory uncertainty. We calculate the current aggregate arbitrage profit pool to be ~\$50B, significantly more supply than the T12 average of ~ \$35B, which should present significant near-term opportunities in a volatile spread environment.

Post-Mortem: Terminated Transactions:

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
4/23/2018	AKORN	Fresenius SE & Co KGaA	Medical-Drugs	34.0000/sh.

On 04/24/2017, Fresenius SE & Co KGaA announced it had signed an agreement to acquire Akorn Inc for USD 34.00 per share. Weakening fundamentals, an overly long process to negotiate antitrust divestitures, and a management team with a controversial history. Ultimately, the relatively small upside given the many issues led us to take a short position in the stock last summer. In late Feb 2018, an anonymous tipster alleged that the company was guilty of FDA data integrity violations. The stock traded from a price of \$30 down to \$17.50 based on this issue. On 04/23/2018, Fresenius terminated the merger due to Akorn Inc's failure to fulfill several closing conditions and shares closed at \$13.05, with implied aggregate losses to arbitrage participants of approximately USD \$1.2B by our estimates caused HFRXMA down 1% in FEB.

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
1/2/2018	MONEYGRAM INT'L	ANT Financial	E-Commerce/Services	18.0000/sh.

On 04/17/2017, Ant Financial increased its offer for MoneyGram International Inc to USD 18.00 per share. On 01/02/2018, MoneyGram and Ant Financial announced they have agreed to terminate their merger agreement due to the inability to gain required CFIUS approval after three separate attempts. At deal break, shares traded down to \$12 which implied moderate losses to arbitrage participants of USD \$120MM by our estimates, but have subsequently declined to \$6.50, which would imply significantly greater losses. On deal termination, Moneygram's CEO was quoted as saying "The geopolitical environment has changed considerably since we first announced the proposed merger last year. Despite our best efforts to work cooperatively with the US government, it has now become clear that CFIUS will not approve this merger."

Contact:

For more information, please contact:

Middlemark Partners

(203) 542-7371

Middlemark@middlemark.com

This document is being furnished on a confidential basis for a limited number of prospective investors who are reasonably believed to be "Accredited Investors" or "Qualified Purchasers." It is not an offer to sell or a solicitation of an offer to buy an interest in either Kassirer Merger Arbitrage Strategy ("KMAS" or the "Strategy") or Kassirer Market Neutral Limited Partnership ("KMNLP" or the "Fund"). The information contained in this document has been provided by Kassirer Asset Management Corporation ("Kassirer Asset Management" or the "Company") and other sources identified herein. Any unauthorized reproduction or distribution of this document in the United States or Canada, in whole or in part, and any unauthorized disclosure of its contents to any other person is prohibited. There are substantial potential risks associated with the Company's investment strategies. This document does not purport to discuss all such risks. The Company is in the process of forming a new offshore fund which will be available for investment by U.S. and other non-Canadian investors. The Fund is available for investment by Canadian residents only. Please contact the Company to obtain additional information. Past performance is not necessarily indicative of future results. Data in this document is as of April 30, 2018 unless otherwise indicated. Assets under management ("AUM") are expressed in U.S. dollars, converted at the USD/CAD exchange rate in effect on April 30, 2018.