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**WEEKLY**

Telecom Gear M&A Slows,  
But Doesn't Stop

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Bad News Bears for  
Barclays

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Euro Telecom M&A Could  
Become Easier

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Analyst Corner: Private Equity in  
China: Foreigners Hold Off For Now

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Media Moves Heating up in India

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From the Data Room:  
R.I.P. -- Bids That Have Died  
This Year

**FACTSET**

## Telecom Gear M&A Slows, But Doesn't Stop

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## Bad News Bears for Barclays

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## Euro Telecom M&A Could Become Easier

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## Analyst Corner: Private Equity in China: Foreigners Hold Off For Now

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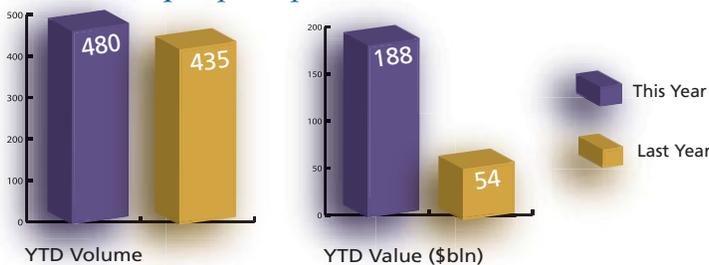
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## Telecom Gear M&A Slows, But Doesn't Stop

The telecom gear market may have a hard time matching the levels of M&A seen last year. But the industry is still ripe for deals.

Led by **Alcatel's** takeover of **Lucent Technologies**, telecom gear deals reached US\$32.9 billion, according to data from **FactSet Mergerstat**. That was a high not seen since 2000's telecom bubble.

This year, the pace has been slightly slower with only US\$11.9 billion worth of deals announced as yet, the biggest being the private equity takeover of business phone maker **Avaya** for US\$8.2 billion.

Telecom gear is not the high growth industry it once was, but it is healthier as networks upgrade to handle larger amounts of data. Steadier spending is attracting more private equity interest in the sector. But strategic buyers are still expected to do most of the deals.

"The whole transition to Internet Protocol-based networks is causing disruption in the industry," said Glover Lawrence, Managing Director at **McNamee Lawrence & Co**. "There will continue to be M&A as companies seek to sell new products and services for the transition to next-generation networks."

Overall carrier telecom spending is forecast to rise 1% this year, down from 7% growth last year, according to **UBS**. The big phone companies continue to suffer from customers turning off their landline phones in favor of wireless, cable- and broadband-based phones.

That continues to hurt the large, integrated telecom gear companies such as Alcatel-Lucent and **Nortel Networks**.

But the weak growth masks pockets of strength, says Ari Bensinger, **Standard & Poor's** telecom analyst. Carriers such as **AT&T** and **Verizon** are expected to spend billions on efforts to bring video to their broadband customers.

"A larger percentage of spending is going from legacy equipment to next-generation," Bensinger said. "This is a totally new network opportunity."

And it's mostly smaller companies that are benefiting. That includes **ADC Telecommunications** Bensinger says.

Increased spending on video has been behind several deals this year including **Ericsson's** purchase of **Tandberg Television** for US\$1.4 billion and **Motorola's** purchase of **Modulus Video** for an undisclosed amount.

Business spending on telecom gear is another growth area. It's expected to rise 5% to 7%, thanks to increasing use of Internet-based phone systems and the need to connect remote offices. Lawrence says there is also a large amount of recurring revenue from upgrades and maintenance, making it an attractive area for private equity.

"There are hundreds of customers who pay ongoing maintenance or are in an upgrade cycle," Lawrence

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A **Prudential Equities** report says there is more potential for consolidation among business communications companies. With **Cisco Systems** and Avaya holding the lion's share of the business, other companies like **NEC, 3Com, Mitel, Inter-Tel** and Nortel are battling it out for the remaining market share.

Despite the leveraged buyout of Avaya, Bensinger says it's more likely though that strategic buyers, rather than financial buyers, will be more attracted to smaller telecom gear companies. A larger telecom buyer can provide the scale and distribution that a private equity firm lacks.

"Scale is the most important reason for consolidation," Bensinger said. "You don't get that benefit from private equity ownership."

Along with the hardware, software could be another area of consolidation, Lawrence says. As carriers upgrade their networks to handle new services such as video-on-demand, wireless messaging and Internet-based television, the software which bills and maintains customer records will need to be improved.

Ericsson recently made a move in that area through its purchase of billing software vendor **LHS** for EUR310 million. While LHS is a small vendor, the deal makes Ericsson a "more material player in the communications software space," according to an **RBC Capital Markets** report. That could impact both traditional rivals like Alcatel-Lucent and **Nokia** as well as software firms like **Comverse, Amdocs** and **Convergys**.

Telecom software firms offer a good opportunity to private equity firms, Lawrence says. They get much of their revenue from recurring services and maintenance contracts. That was one reason behind **Warburg Pincus'**

and **Provident Equity Partners'** purchase last year of **Telcordia Technologies**, one of the major providers of software and services to the telecom industry.

Lawrence says much of the opportunity lies with smaller, private companies that have sold some software but need a bigger player in order to grow. He points to deals such as Amdocs' purchase of privately held UK firm **Cramer Systems**.

"When you move to an all Internet-based network, a whole bunch of new companies can come in," Lawrence said.

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## Bad News Bears for Barclays

LONDON – It's been a stormy June this year for London, and especially for banking giant **Barclays**.

First a consortium led by **Royal Bank of Scotland** offered 10% more for Dutch bank **ABN Amro** than did Barclays. It was a classic face-off for a while – until RBS launched a smear campaign against Barclays including claims that if Barclays wins the ABN deal, 11,000 jobs will be cut in the UK. That made unions side with RBS and become wary of a takeover by Barclays. The attacks were blatantly put forth by RBS, but damage was done, regardless.

Then a flood of even worse news came in.

Barclays was labelled a “pay enabler” in a report put together by the **American Federation of State, County and Municipal Employees (AFSCME), The Corporate Library** and the **Shareowner Education Group**.

The study found Barclays to be the second-worst culprit regarding overpaying executives.

Barclays supported shareholder proposals only 33.8% of the time while throwing its support to 94.7% of management proposals.

Then came news that the bank's asset management arm, **Barclays Global Investors**, is having serious trouble breaking into the lucrative American 401(k) market. Barclays' best-selling products, exchange-traded funds, are being shunned by the US' biggest retirement planners. And Barclays is the biggest ETF provider in the world with about US\$1.8 trillion under management now.

Basically, Barclays built a business around ETFs and just pushed hard to expand its ETF offerings into a new space, only to hit a seemingly unsurmountable obstacle — that using ETFs for retirement planning is a dud business in the US.

Tough break.

The next nail in the coffin had to do with PPI insurance (payment protection insurance). Apparently, says a **This is Money** new study, Barclays isn't granting true refunds when customers cancel coverage. PPI insurance covers financial obligations when a person is

unable to do so (i.e., pays your mortgage while you're in a coma, or suffer from another less dramatic malady). But when clients opt against continued protection, Barclays is only giving back about half of the refund, citing small print excuses, regardless of bold promises made by adverts and bankers.

The next press release served as fuel to the now-stoking fire.

Barclays has lowered its hiring standards. Whereas it once stuck to a fairly strict policy of selecting employees from among the highest ranks at universities, now Barclays is saying it is focusing on hiring more “well-rounded” folk.

Bankers who think outside the box, they'd say. Scraping the barrel's bottom, from another point of view.

To recap, Barclays is hiring less skilled people, but paying their top dogs the biggest bucks around.

Perhaps thinking its prime time for a turnaround, **Barclays Private Equity** announced it's trying to raise a blockbuster US\$2.2 billion (GBP1.12 billion) fund. The fund has been focusing on mid-market deals and its last three deals involved retailers. Its last exit was out of **Phase Eight**, which sold for GBP51.5 million to a consortium of financial buyers.

An announcement that Barclays is expanding into Dubai came soon after, as well as a reminder that its Barclays Capital business in Asia is doing well.

Still, it's too much muck to rake over with a couple of tiny positive spins.

### Barclays plc M&A June 2006-June 2007



## Euro Telecom M&A Could Become Easier

This month's statement by the European Commission that it will seek to create a single, Europe-wide telecoms regulator has been greeted as welcome news by many in the industry seeking a way to jump-start activity in the sector amidst sluggish growth.

The European Commission, which serves as the executive body of the European Union, will formalize the proposal in October, according to said Viviane Reding, Information Society and Media Commissioner for the EC, at a speech delivered in Athens, Greece

"In many EU countries I see that national telecom regulators are prevented from doing the best possible job, either because they are not sufficiently independent or lack the required resources and instruments – it is here, where Europe can help," a transcript of Reding's remarks, posted on the EC website, read. "In many cases, I see that cooperation among national regulators is not sufficiently developed to deal, in a consistent way, with cross-border issues or issues which have an impact on competition in the internal market."

The announcement is a new sign of a growing activist mentality in the European Commission when it comes to European telecom M&A.

Reding's agency recently took the German government to court to halt **Deutsche Telekom's** construction on a multibillion European broadband network that would not have allowed access to competitors. The commissioner has also pushed mobile operators to substantially reduce the cost of intra-Euro and international mobile phone calls.

"Ever since the EU was created, there's been a feeling that progressively as Europe becomes more united that regulation would become more uniform," says Martin Mabbutt, European Telecoms Analyst with **Nomura International** in London. "Were it to actually happen, it would potentially create more opportunity for cross-border mergers among the big companies. A common EU regulator might make some of those deals potentially more doable."

So far in 2007, European's telecom providers have been creating a somewhat scattered mélange of holdings through takeovers and asset sales in the quest for profits in a market that is largely already saturated with providers.

Deutsche Telekom, which is currently ranked as Europe's largest phone company, has reportedly offered EUR1.3

billion to **France Télécom** for its Dutch wireless unit, **Orange Netherlands**. If successful, the bid would add some 2 million wireless customers to Bonn-based Deutsche Telekom's client list and would make the provider the second largest mobile-phone company in the Netherlands.

Deutsche Telekom has also mulled jettisoning its French broadband unit to French alternative telecoms operator **Neuf Cegetel** for nearly EUR900 million.

Up to this point, Europe has not witnessed the kind of consolidation that occurred in the United States in years past, where many companies in the telecom sector, such as AT&T Corp, have merged in order to pool their resources and increase their scale of coverage. Complicated rules governing telecom employees from the days when the companies had official or quasi-government status, and which vary from country to country, throw up additional obstacles.

A new upper level was recently set for telecom M&A activity worldwide with the purchase of the **Alltel** Corp - the fifth largest wireless company in the United States - by a group of private equity investors for a deal valued at around US \$24.8 billion.

The group of purchasing investors included **TPG** and **GS Capital Partners**, a subsidiary of **Goldman Sachs**.

With things appearing to be ready to change in Eurozone telecom regulations, though, investors and analysts are looking at which telecom operators might be ripe targets for M&A activity.

One name the frequently comes up in such discussions is **Swisscom**, which, with its Swisscom Mobile division, is Switzerland's leading mobile telecoms provider, with some 4.6 million mobile customers.

Swisscom Mobile recently launched a video-on-demand content option to its mobile customers, preceded and followed, naturally, by advertisements, and also introduced the phone-based music download service Napster Mobile to its customers. Recently, Swisscom also acquired the Italian broadband and Internet-TV concern **Fastweb** SpA for EUR 3.1 billion.

The British giant **Vodafone**, fresh from its US \$11.1 billion purchase of the controlling stake in Indian mobile-phone operator **Hutchison Essar** Ltd., for its part, seems determined to expand its broadband business into Spain, where it has already made substantial inroads in the mobile-phone market.

## Private Equity in China: Foreigners Hold Off For Now

Amidst the talk of a bubble economy, overheating and an eventual global correction, some private equity insiders are saying that there is still a bit of runway left for foreign private equity investment in China. However in the opinion of this analyst, whatever room it does have to grow is slim.

In regards to market saturation, private equity does indeed have room to expand since buyouts are only a fraction of M&A activity in China. Furthermore, in comparison to the private equity market in the US, the private equity market in China over the last five years has experienced a capital underhang. Put simply, the rate at which capital invested by financial buyers exceeded the rate at which the buyout capital was raised.

According to **FactSet**, since 2002 the amount of capital raised by buyout funds focused on investing in China totaled US\$8.935 billion, in comparison to the US\$8.977 billion invested. The amount is a tiny proportion of the US\$180.835 billion in M&A activity in China.

Although the numbers support the argument for further foreign private equity investment into China, growth statistics and warnings from economists and policymakers tell a different story.

As of the first quarter, China's economy stands at about US\$2.6 trillion with an annual growth domestic product rate growing at 11.1%.

China's money supply M2, which includes cash and all deposits, shot up 17.3% in March from a year earlier, overshooting the central bank's target of 16% for 2007.

Currency reserves also jumped 37% to US\$136 billion in the first quarter and outstanding yuan loans rose 16.3% in March from a year earlier from 413.8 billion yuan to 441.7 billion yuan.

The Shanghai Stock Exchange's composite index has risen 50% so far, following the 130% gain in 2006. The smaller Shenzhen exchange is also up nearly 100%.

Taking precautions that the bubble could burst, foreign private equity firms should avoid investing in China until the market cools.

The latest developments highlight China's efforts at tightening the market. On May 30, the "A shares" traded on the Shanghai and Shenzhen market fell 6.8%, triggered by an increase in the stamp tax from 0.1% to 0.3%.

On May 18 The People's Bank of China increased the one-year interest rate from 6.39% to 6.57%, representing the fourth increase of its kind since the spring of 2006%. The bank also widened the trading band in which the yuan is allowed to fluctuate against the dollar from 0.3% to 0.5%.

More importantly in 2006, the Chinese government established new takeover rules that increase the hurdles for overseas buyout funds. The stricter controls were enacted in response to domestic nationalism, terminated deals like the acquisition of **Unocal** by **Cnooc**, and the allegations that international banks were buying Chinese lenders on the cheap.

In April 2006, **Goldman Sachs** paid US\$2.6 billion for a 4.9% stake in the **Industrial & Commercial Bank of China**. So far the value of the stake has tripled since

the shares began trading in October 2006.

However some recent buyout and investment activities suggest that China may be loosening its grip. Earlier this May, **Warburg Pincus** which has invested in Shangdong-based **Deosen** Corp since 2004, acquired a controlling stake in the company. The deal is groundbreaking and more like it are expected to follow.

The Chinese government is performing a balancing act of quality versus quantity of capital. Recent moves have focused more on acquiring technology, management expertise and research to foster independent domestic growth.

In May, the Chinese government invested US\$3.0 billion to buy an approximate 10% non-voting stake in prominent US-based private equity firm **Blackstone Group**. The deal could be about learning how to structure and value private equity deals.

All this is a step in the right direction. However, the Chinese government could do more by increasing the consumption of foreign goods and services and expanding local capital fundraising options.

If China were to increase its consumption of physical and financial capital in the US, the demand for dollars would increase and boost the value of the dollar which has been steadily depreciating against the yuan.

Moreover the allocation of capital to foreign markets would decrease the money supply in China and increase real interest rates which have been running painfully low at about 3%.

However there is one caveat, proceeds must not be reinvested into China for awhile since it makes no monetary sense to take capital out of China to cool things down and then put it back in to heat things up.

Instead Chinese companies should seek to generate capital from local sources.

One suggestion made by Wu Xiaoling, the country's deputy central bank governor, has been let local commercial banks invest in mainland private equity funds.

Currently about 60% of private-sector investment is funded from companies' own profits and 20% is funded from banks.

At a conference in eastern China's Tianjin city, Wu said, "Our current capital market is insufficient in meeting the funding needs of our companies. Banks are institutions that manage risks anyway so they should be in the best position to judge the risks in these instruments."

Li Fuan, the director of product innovation at the **China Banking Regulatory Commission**, agrees saying that it is "imperative" for banks to increase their investment product offerings.

Moreover Tang Shuangning, the vice chairman of China Banking Regulatory Commission, has said that the regulatory body would aim to bring Chinese banks in line with foreign banks. In a statement, Tang called for banks to triple the share of revenue they earn from non-interest income which stands at about 10% compared to 35% abroad. If successful, the move would slow down the growth in loans.

Wu also suggested some adjustments to exit rules regarding private equity and venture capital investments. She says private equity funds should be allowed to buy stakes in privately-held Chinese companies before an initial public offering and be given the opportunity to gain overseas management expertise. China also needs funds that specialize in investing in the yuan, she adds.

Therefore although China may be considered by most to be the land of opportunity, the market is still very volatile. For that reason, foreigners should hold off investing until things have settled in.

**Table 1: General and Financial Indicators of the People's Republic of China**  
(All figures are in billions of RMB or percent unless otherwise indicated)

Main indicators	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross Domestic Product (GDP)	7,897.3	8,440.2	8,967.7	9,921.5	10,965.5	12,033.3	13,582.3	15,987.8	18,282.0	20,940.7
<b>Real GDP growth</b>	9.3	7.8	7.6	8.4	8.3	9.1	10	10.1	10.2	10.7
Consumer price index	2.8	-0.8	-1.4	0.4	0.7	-0.8	1.2	3.9	1.8	1.5
<b>Urban per capita disposable income (RMB)</b>	5,160.3	5,425.1	5,854.0	6,280.0	6,859.6	7,702.8	8,472.2	9,421.6	10,493.0	11,759.0
Rural per capita net income (RMB)	2,090.1	2,162.0	2,210.3	2,253.4	2,366.4	2,475.6	2,622.2	2,936.4	3,254.9	3,587.0
<b>Unemployment rate*</b>	3.1	3.1	3.1	3.1	3.6	4	4.3	4.2	4.2	4.1
<b>Financial indicators</b>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>M0 supply</b>	1,017.8	1,120.4	1,345.6	1,465.3	1,568.9	1,727.8	1,974.6	2,146.8	2,403.2	2,707.2
% growth over previous year	15.6	10.1	20.1	8.9	7.1	10.1	14.3	8.7	11.9	12.6
<b>M1 supply</b>	3,482.6	3,895.4	4,583.7	5,314.7	5,987.2	7,088.2	8,411.9	9,597.1	10,727.9	12,602.8
% growth over previous year	22.1	11.9	17.7	16	12.7	16.8	18.7	13.6	11.8	17.5
<b>M2 supply</b>	9,099.5	10,449.9	11,989.8	13,461.0	15,830.2	18,500.7	22,122.3	25,321.0	29,875.6	34,557.7
% growth over previous year	19.6	14.8	14.7	12.3	17.6	16.8	19.6	14.6	17.6	15.7
<b>Exchange rate (RMB/\$)</b>	8.0	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.07	7.8
Foreign exchange reserves (US\$ billion)	139.9	145.0	154.7	165.6	212.2	286.4	403.3	609.9	818.9	1,066.3
<b>Government deficit</b>	58.2	92.2	174.4	249.1	251.7	315	293.5	209.0	228.1	NA
Domestic debt	247.7	331.1	371.5	418.0	460.4	567.9	615.4	687.9	692.3	NA
<b>Foreign debt (\$ billion)</b>	12.6	146.0	151.8	145.7	170.1	171.4	1936.3	228.6	281.0	NA

Sources: PRC National Bureau of Statistics (NBS), China Statistical Yearbook, 2004; The People's Bank of China

Notes: \*According to official SSB figures, which do not include underemployment or the migrant population, NA = not available

## Media Moves Heating up in India

Rupert Murdoch-promoted **News Corp's** US\$5 billion takeover bid for **Dow Jones & Co** and Toronto-based **Thomson Corp's** \$17.5 billion for Reuters have kept the M&A scene sizzling in the West.

In India too, the media M&A scene is beginning to heat up, though experts say it is unlikely to see the kind of takeover frenzy seen in the overseas media sector in the immediate future.

"It is not as if the deals are not happening. But they are small and local in nature," said Gopal Jain Founder and Managing Director of **Gaja Capital Partners**.

Media experts say that despite this, there are clear signs that the industry has entered the consolidation phase. "The big deals will follow domestic consolidation," Jain said.

One of the important indicators of things to come, they point out, is the **TV18-Viacom** alliance.

The two companies recently announced the creation of a new 50-50 joint venture named **Viacom-18**. This strategic alliance would cover television, film and digital media content across numerous brands to build India's leading multi-platform entertainment company.

"We have seen television in India grow from day one," said Raghav Bahl Managing Director TV18 Group. "That was the first phase. We are now launching the second wave."

Other indicators include the flurry of activity seen amongst venture capitalists during the last two years.

As a result, several foreign and domestic funds have entered the media space such as **3i, Matrix Partners, Warburg Pincus, DE Shaw, T. Rowe Price International, UTI Ventures, Sequoia Capital** and **West Bridge Capital**.

Akhil Gupta, Chairman and Managing Director of **Blackstone Advisors India** Pvt Ltd, pointed out that the Indian media sector would be a key beneficiary of the growth in personal consumption, which was driving India's economic expansion. "This in turn will spur advertising growth," he said.

Blackstone is one of the private equity funds that has

taken a 26% stake at US\$275 million in **Ushodaya Enterprises** Ltd, the publisher of *Eenadu*, the third largest newspaper and Eenadu TV, a television broadcasting network.

According to Ramoji Rao, Chairman of Ushodaya, the company had access to several financing options, including an initial public offering. However, it decided to go with Blackstone.

"We believe that we have an opportunity to create significant value by leveraging Blackstone's outstanding experience and track record in the global media sector." Rao said.

Eenadu and Eenadu TV apart, Ushodaya's parent, the Ramoji Group, also owns **Ramoji Film City** which is Asia's largest studio.

Aside from the Blackstone deal, other noteworthy investments in media have also included **UTI Venture Funds'** US\$10 million exposure in **Laqshya Media**; a Warburg Pincus deal with **Dainik Bhaskar**, a Hindi media group, at US\$37 million; the infusion of US\$125 million into **Nimbus Communications** from **3i, Cisco** and **Oman International Fund**; and New Jersey-based **New Vernon Capital** investing US\$7 million in **Jagran TV** Pvt Ltd, the broadcasting arm of Kanpur-based publisher **Jagran Prakashan**.

Though nobody is sure which investments will pay, funds are betting on different strategies to differentiate their media sector investments.

UTI Venture Funds, for instance, became the first private equity fund to financially back an out-of-home advertising firm in India. Founded in 1997, Laqshya Media is amongst the top three in its space and has billing revenues amounting to US\$49 million. "Every one wants to be where the action is, but still be different," said Ajay Mittal Director Private Equity & Chief Financial Officer of UTI Venture Funds.

Further, India is also witnessing consolidation at the regional press level. **Hindustan Times** group, the print media conglomerate, recently said that it was scouting around for promising domestic acquisitions.

The TV18 group acquired a 45% stake in Channel 7, a

Hindi channel from the **Jagran** group. Incidentally, TV18 is the Indian partner of CNBC TV18, and also a majority partner in **Global Broadcasting Network**, which owns CNN-IBN. It also partners with **Time Warner** and **NBC Universal** in their Indian broadcast ventures.

Similarly, **Zee Telefilms** Ltd is acquiring 50% stake in the Dubai-based sports channel, **Ten Sports** at US\$62 million.

Bennett Coleman, the promoters of the **Times of India Group**, acquired 12% stake in **Sandesh** Ltd, the publishers of a Gujarati daily at US\$27 million.

Meanwhile Rupert Murdoch's News Corp is reported to be in talks with India's **Sun TV** group, which operates the Sun TV Network Ltd, to launch a tabloid in India.

Further, calendar 2007 has opened on a promising note for media companies. The stocks of **Balaji Telefilms**, **Deccan Chronicle**, **ENIL**, **HT Media**, **Jagran Prakashan**, **NDTV**, Sun TV, TV18, UTV have notched an average rate of return of 27.5%, while **BAG Films** has gained a mind-boggling 371% during the same period.

In a recent research report, UBS forecasted a 20% revenue compounded annual growth rate for the Indian media industry over the next five years.

The main drivers for such a growth would be a favorable economic environment and increasing investments in the sector as it was opened up further, it said.

Understandably, such favorable projections are attracting new entrants. For instance, **CineMaya Media** group recently announced its intention of deepening its presence in India. Sunil Hali Chairman of CineMaya Media said, "Our team is committed to make the company 'future ready' by serving a larger, global base of audiences and clients," Hali said.

#### Asia Briefs:

US-based venture capital fund **Mayfield Fund** has opened an office in Mumbai, and has added Nikhil Khattau and Vikram Godse to its Indian investing team. Khattau has 12 years of investing experience in public markets and private equity. He was the founding CEO of **SUN F&C Asset Management**, now part of the Principal Financial Group. He also serves on the boards of public companies like Marico, the MidDay group and Nagpur Power & Industries, and private company boards

such as Indo Schottle. Godse was a founding member of JM Financial Investment Managers Ltd, a multi-sector India private equity fund. He has served on the boards of companies like Satya Paul, the Sona Group, and International Tractors. He has also worked with Cisco's investment arm and Infinity Venture Fund. Mayfield has made two direct investments in India—Tejas Networks and the Seed Fund. Its Indian activities are being led by US-based managing directors Navin Chaddha and Robin Vasan.

Swiss investment bank **Credit Suisse** has hired banker Matt Whineray to head its Asia coverage of financial sponsors, or private equity firms. Whineray was working till recently as the managing director of First NZ Capital, the Swiss bank's partner in New Zealand. He had previously worked for Credit Suisse in New York and Auckland.

Investment bank **Lehman Brothers** has appointed Benjamin Fuchs as head of the newly established principal strategies group in Asia in order to build the firm's principal-based trading businesses across multiple products and asset classes. Prior to this appointment, Fuchs headed equity trading in Asia. He will continue to operate out of Tokyo and report directly to David Goldfarb, head of strategic partnerships, principal investing and risk, and Hyung Lee, head of capital markets in Asia. After joining the firm in 1995, Fuchs managed equities, Asian convertible bond trading and derivatives trading, a company said in a press release.

**Satya Capital** sold its entire stake of 8.8% in **Singapore Petroleum** through a US\$99 million placement arranged by **Merrill Lynch**. The seller, which was Singapore Petroleum's second-largest shareholder, chose to exit the petroleum company after its shares gained 14% during the last month. The seller offered 45.65 million shares at a price between \$3.25 and \$3.45. After a few hours of bookbuilding, the price was set at \$3.32 a share.

**Menlo Worldwide** LLC, the global logistics subsidiary of **Con-way** Inc announced that it was buying Singapore-based **Cougar Holdings** Pte Ltd, and its primary subsidiary, **Cougar Express Logistics**, in a transaction valued at US\$33.9 million. The purchase price includes a US\$28.2 million cash payment to Cougar and the assumption of US\$5.7 million in debt. Cougar Express is a leading Southeast Asia freight forwarding, warehousing, logistics and distribution management company with personnel, facilities and operations in

Singapore, Malaysia and Thailand. A profitable, long-established enterprise, Singapore-based Cougar Express covers 12 operating locations in the region with a client base of nearly 200 Asia-based and global businesses. In its most recent fiscal year, Cougar Express recorded US\$23 million in revenues.

Germany's **Deutsche Bank** AG has received an informal nod from the **State Bank of Vietnam**, the country's central bank, to buy a 10% stake in **Hanoi Building Commercial Joint Stock Bank**. The German bank had wanted to buy 20% stake in the Vietnamese bank. However, the country's banking sector regulator had turned down this proposal, as foreigners can hold that level of stake in a Vietnam bank only under special circumstances. The State Bank of Vietnam said in a statement that the two banks would complete procedures for the acquisition, following which they would be required to resubmit their proposal for formal approval.

**Baring Asia** announced that its subsidiary and **International Finance** Corp have jointly acquired a 27.3% stake in **Dongyue Group**, a Chinese green refrigerant manufacturer, for US\$47.20 million. Jean Eric Salata, the Administrative President from Baring Asia, said that this deal reflects the fact that private equity funds could exert positive effects on the development of China chemical sector and global environment protection. The Dongyue Group was established in Shandong province in 1987, is the leading refrigerant manufacturer in Asia.

India's **UB Group** has acquired a 26% stake in **Deccan Aviation** at US\$136 million. Of this, US\$37 million would be paid now, while the rest would be paid before June end. UB Group is paying US\$3.8 a share. The acquisition is being made by subscribing to new preferential shares. The acquirer will also make an open offer to buy an additional 20%, Chief Financial Officer Ravi Nedungadi said. Capt C R Gopinath will be the chairman of the board, while the acquirer proposes to appoint a new CEO to run the company.

**Lehman Brothers** and **Spinnaker Investments** have picked up an undisclosed shareholding in **B K Modi** group, one of the promoters of **Spice Telecom** for US\$30 million. The investors have reportedly bought the shares at US\$ 1.1 apiece in a pre-Initial Public Offer deal. Spice is expected to file its Red Herring prospectus with the Securities and Exchange Board of India soon for

diluting 20% stake through the offering and is expected to tap the market within the next two months. The offering will see the sale of 138 million shares to raise about US\$148 million. Lehman and Spinnaker would be picking up a fifth of these shares. B K Modi and Telekom Malaysia, the promoters of Spice, would reduce their stake by 10% to bring down their stake to 41% and 39% respectively.

Private equity fund **General Atlantic** is reported to be buying 13% stake in the Hyderabad-based **Infotech Enterprises**, a company that specializes in geospatial, design engineering and software services and solutions. Mauritius-based **Carrier International** is also buying 2% in the company. BVR Mohan Reddy, CMD of Infotech Enterprises confirmed that his company would dilute close to 15% equity to raise about US\$75 million. The deal is likely to be sealed by month end. Meanwhile, there are also reports that General Atlantic is planning to exit either fully or partially from its earlier investments like Patni Computers (it's believed to be talking to IBM) and Genpact (via the forthcoming Initial Public Offer). So it needs to find new investments to keep up the India investing momentum. Infotech is raising the capital for acquisitions. Reddy said that his company had already identified a US-based engineering services company for acquisition, which could cost it US\$10-12 million. The company was also looking at US\$20-50 million acquisitions in the automotive and embedded systems space, Reddy said.

**Evolve India Holding** plc, promoted by the Dubai-headquartered alternative investments company, **Evolve Capital**, has invested US\$40 million out of the US\$65 million it raised in 2005. Evolve India Holding raised the sum through the issue of 65 million new ordinary shares on AIM, a market of the London Stock Exchange. The Fund's portfolio includes investments in seven private equity funds including **Baring India Private Equity Fund II, IDFC Private Equity Fund II, India Value Fund II, Leverage India Fund, New York Life Investment Management India Fund, Ascent India Fund** and **JM Financial India Fund**. EIF has also made five co-investments to date. The Evolve India Fund is an independent private equity fund of funds set up for investments into India. The fund primarily focuses on investments in private equity across all sectors, including financial services, hospitality and infrastructure development. It has invested directly and through its underlying funds in 69 companies in high growth sectors in India.

# FROM THE DATA ROOM: R.I.P. -- BIDS THAT HAVE DIED THIS YEAR

Announce Date	Buyer Name	Seller Name	Unit Name	Deal Value (\$mm)	EV	Unit Mergerstat Industry	% Target Stock Owned	% Sought	Method of Payment
17-Jan-07	Dove Parent LLC, a consortium of Vornado Realty Trust, Starwood Capital Group Global LLC, and Walton Street Capital LLC	Equity Office Properties Trust		\$19,683.22	\$35,066.42	Brokerage, Investment & Mgmt. Consulting		100.00	Combo
05-Apr-07	Tracinda Corp.	DaimlerChrysler AG	The Chrysler Group	\$4,500.00	\$4,500.00	Autos & Trucks		100.00	Cash
05-Feb-07	Private group led by CCMP Capital Advisors LLC and GS Capital Partners LP	Triad Hospitals, Inc.		\$4,439.99	\$5,936.79	Health Services		100.00	Cash
02-Feb-07	J H Whitney & Co Llc	Herbalife Ltd.		\$1,977.13	\$2,772.92	Retail	27.00	73.00	Cash
02-Jan-07	Private group led by company's CEO and Chairman James R. Crane and private equity firms, Centerbridge Capital Partners LP and The Woodbridge Co Ltd	EGL, Inc.		\$1,822.85	\$2,243.22	Miscellaneous Services	17.34	82.66	Cash
25-Mar-07	Beckman Coulter, Inc.	Biosite, Inc.		\$1,437.67	\$1,413.84	Health Services		100.00	Cash
25-Apr-07	Fillmore Capital Partners LLC	Genesis Healthcare Corp.		\$1,369.51	\$1,774.96	Health Services		100.00	Cash
21-Feb-07	ValueAct Capital Management LP	Catalina Marketing Corp.		\$1,260.27	\$1,572.20	Miscellaneous Services	15.58	84.42	Cash
17-Jan-07	Brookfield Asset Management, Inc.	The Mills Corp.		\$1,188.67	\$6,429.97	Brokerage, Investment & Mgmt. Consulting		100.00	Cash
20-Apr-07	Foot Locker, Inc.	Genesco, Inc.		\$1,160.19	\$1,252.70	Wholesale & Distribution		100.00	Cash
02-Mar-07	General Atlantic LLC / Francisco Partners Management LLC	Aeroflex, Inc.		\$994.15	\$983.23	Instruments & Photographic Equipment		100.00	Cash
13-Mar-07	High River Ltd	WCI Communities, Inc.		\$789.30	\$2,983.85	Construction Contractors & Eng. Svcs.	15.00	85.00	
16-May-07	Vector Capital Corp.	Inter-Tel, Inc.		\$715.84	\$566.32	Electrical Equipment		100.00	Cash
19-Mar-07	Brenntag Investor Holding GmbH	CHEMCENTRAL Corp.		\$700.00	\$700.00	Chemicals, Paints & Coatings		100.00	
23-Mar-07	Technitrol, Inc.	Bel Fuse, Inc.		\$510.60	\$433.84	Electronics		100.00	Cash
21-Feb-07	Wilbur Acquisition Holding Co. LLC	Winston Hotels, Inc.		\$411.59	\$429.33	Brokerage, Investment & Mgmt. Consulting		100.00	Cash
16-Jan-07	Private group led by company's CEO and Chairman Martin Tuchman and an investment fund affiliated with Fortis Merchant Banking	Interpool, Inc.		\$253.06	\$1,762.17	Miscellaneous Services	63.00	37.00	Cash
25-Jan-07	Ebix, Inc.	Docucorp International, Inc.		\$140.00	\$136.61	Computer Software, Supplies & Services		100.00	Combo
11-Jan-07	Investment entity formed by private equity firm Kinderhook Industries LLC and company's Chairman and CEO Michael P. O'Donnell and CFO David D. Womac	Champps Entertainment, Inc.		\$75.00	\$85.63	Leisure & Entertainment	4.60	95.40	Cash
06-Mar-07	Gannett Co., Inc.	Tribune Co.	Southern Connecticut Newspapers, Inc.	\$73.00	\$73.00	Printing & Publishing		100.00	
30-Jan-07	Fraser Papers, Inc.	Katahdin Paper Co. LLC		\$67.69	\$67.69	Paper		100.00	Cash
19-Jan-07	Internet Commerce Corp.	EasyLink Services Corp.		\$54.72	\$53.55	Computer Software, Supplies & Services		100.00	
01-Feb-07	j2 Global Communications, Inc.	EasyLink Services Corp.		\$49.23	\$46.94	Computer Software, Supplies & Services		100.00	Cash
10-Jan-07	Gordon Brothers Group LLC	Malden Mills Industries, Inc.		\$44.00	\$44.00	Textiles		100.00	
21-Mar-07	Kingsmill Capital Ventures, Inc.	Optical Surveillance International, Inc.		\$25.91	\$38.10	Miscellaneous Services		68.00	Stock
13-Mar-07	Analytical Surveys, Inc.	Ecowood, Inc.		\$22.32	\$22.32	Timber & Forest Products		100.00	Stock
13-Feb-07	Credit Suisse Group	ResMAE Financial Corp.	ResMAE Mortgage Corp.	\$19.10	\$19.10	Brokerage, Investment & Mgmt. Consulting		100.00	
27-Mar-07	Sonesta International Hotels Corp.	Chateau Sonesta Hotel		\$18.00	\$31.40	Leisure & Entertainment		100.00	
23-Jan-07	Ablest, Inc. /Management/	Ablest, Inc.		\$8.32	\$18.94	Miscellaneous Services	62.13	37.87	Cash
06-Mar-07	RISCO Ltd.	International Electronics, Inc.		\$6.95	\$6.34	Computer Software, Supplies & Services	0.03	99.97	Cash
18-Jan-07	Hythiam, Inc.	Comprehensive Care Corp.		\$4.94	\$3.45	Health Services	22.72	77.28	Stock
17-Jan-07	AquaCell Technologies, Inc.	Sky Electronics, Inc.		\$4.50	\$4.50	Wholesale & Distribution		100.00	Combo
18-Apr-07	Xeta Technologies, Inc.	High Wire Networks, Inc.		\$4.45	\$4.45	Construction Contractors & Eng. Svcs.		100.00	Cash
12-Feb-07	Vendome Capital Corp.	North Coast Energy Resources, Inc.		\$1.20	\$1.20	Computer Software, Supplies & Services		100.00	Combo
31-Jan-07	Royal Laser Corp.	Delaware Street Capital LLC	Hamilton Specialty Bar Corp.	\$0.85	\$0.85	Primary Metal Processing		100.00	Stock
09-May-07	Magna International, Inc.	DaimlerChrysler AG	The Chrysler Group	N/A	N/A	Autos & Trucks		100.00	
26-Apr-07	GFI Group, Inc.	Gulf States Energy, Inc.	GSE Consulting LP	N/A	N/A	Construction Contractors & Eng. Svcs.		100.00	
05-Mar-07	Mattress Holdings LLC	Mattress Discounters Corp.		N/A	N/A	Furniture		100.00	
20-Feb-07	Shadow Marketing, Inc.	Solar Energy Ltd.	D2Fusion, Inc.	N/A	N/A	Miscellaneous Services		100.00	Stock
14-Feb-07	TMSF Holdings, Inc.	Central Pacific Mortgage	Central Pacific Mortgage /Wholesale Division/	N/A	N/A	Banking & Finance		100.00	

## M&A Insurance Morphs into Bargaining Chip for Savvy Buyers



### JOHN McNALLY

John McNally is a Vice President, AIG Europe (UK) Limited, where since 2004 he has been responsible for managing the development, underwriting and marketing of Representations & Warranties (Warranty & Indemnity) Insurance and other transactional insurance products globally. John joined AIG in 1995 as a Supervisor for AIG Technical Services' Environmental Claims Division. In 1999, John joined AIG's Litigation Buyout Group, where he underwrote coverage involving existing claims in areas such as securities litigation, intellectual property disputes, employment practices litigation and product liability exposures. John holds a B.A. in Philosophy from the University of Chicago and a J.D. from the Fordham University School of Law.

**Q:** Tell me about your background. How did you land with AIG?

**A:** I have been with AIG for 12 years and for the last eight, I have been working on M&A insurance products. For the last three years I've been running our M&A insurance group covering international and non-North American deals from London.

Our international group is 13 people globally. The North America practice is separate and that's run from New York. Those are basically the lines AIG's general insurance business is divided along, as well.

**Q:** Tell me about the main issues you advise on.

**A:** Out of 13 people in our practice, 12 of us are attorneys, so our experience is with advising on legal risks. We're looking at legal risks that come with doing deals.

There are three general types of risks we cover. About 80% of our work has to do with representation and warranty insurance. In the UK and Australia that's called warranty and indemnity insurance. That can cover a number of claims. Warranties in M&A transactions are a statement of facts given in the share purchase agreement – that the seller has the capacity to sell those shares, they have paid their taxes, they're compliant with laws and regulations, etc. The warranties can be 10-40 pages, really. Basically, the seller is giving something to the buyer such that if those statements are not valid, the buyer can seek recourse against the seller or the insurer.

The rest of our work is related to two other products. One

is tax liability insurance and it insures against known tax risks which are ancillary to M&A transactions. These risks typically arise from the restructuring at the target group level. The tax risk might crystallize into a tax liability during the exit of the target group from the seller.

The other product covers issues that are already known about, like outstanding litigation, such as product liability and securities litigation. Rather than have a purchase price reduction to cover concerns, the seller can offer specific litigation insurance. That's also known as after the fact or known issue insurance.

**Q:** Where is M&A insurance more popular – the UK or the US?

**A:** It's a more developed market in Europe and especially more so in the UK. The market for this type of insurance began here about a dozen years ago. For Europe overall, versus North America, though, there's a similar level of knowledge. It's not used all that often. There's a higher percentage used on deals in the UK.

**Q:** Are most of your clients financial sellers?

**A:** Yes. Private equity sellers want to maximize their sale price. Giving warranty statements increases the chance that a buyer will pay the full amount. However, they don't want full recourse against them, so they insure a significant amount of the risk. That removes the bulk of the recourse against the seller, who would normally have that burden, and moves it onto the insurance.

We see private equity involvement now on the vast majority of deals, either on one side of the deal or on both. We do

see corporate or family-owned companies, though.

**Q:** How often do you see secondary deals?

**A:** Well, over the time we've had the practice, we're seeing them more often. Starting in 2000, for a few years we were seeing more corporates and for the last few we've been seeing more private equity firms. I'd say that in the last couple of years we've been seeing more secondary deals.

**Q:** What experience do you have with hedge funds?

**A:** We've seen a few in the US, a few outright purchases, but not a significant amount.

**Q:** How big is your usual deal?

**A:** The vast majority we're involved with are between EUR25 million enterprise value up to EUR1 billion.

**Q:** Do you usually get involved when two parties come to a stumbling block? If so, what's most common?

**A:** That's really changed over the years. At the beginning of writing these products we were called in when they couldn't agree on an indemnity cap between the buyer and seller. In the last two or three years we've been used much more strategically when sellers know early on that they want to sell without offering a high level of recourse.

We see sales that are being done within auction processes more often than not. When sellers know that buyers want a higher level of recourse they can use insurance.

From the buyers' side, they are using insurance to distinguish their bids. They all want some level of indemnity, of course, but if they offer a lower level of recourse, topped up with buyer's insurance, and a cleaner exit for the seller, that's obviously more attractive to the seller. Buying insurance may make a buyer's offer a more attractive package based not just on price but also on other factors.

**Q:** Where are most of the companies you represent, geographically?

**A:** There are three big areas. We have UK targets, Western European targets, and we're active in Australia and New Zealand. We've also done deals in Japan and Hong Kong and Eastern Europe, as well.

**Q:** Just to clarify, what sort of tax issues can insurance cover?

**A:** Warranty insurance covers whether a seller has figured out their taxes right, if they've been audited. If there's a specifically known tax risk, there might be various exemptions under the tax code. We can insure that against not having those exemptions get applied. For example, in Europe there are tax neutrality regimes if you structure the deal correctly, the target can avoid certain capital gains taxes.

Insurance can cover whether the tax planning is correct, like with the substantial shareholder exemption in the UK, so if the revenue were to challenge it, that's what coverage would be for. The insurance is based upon planning that should resist revenue challenges.

**Q:** Have you worked with clients going public?

**A:** Rarely. However, if a company is listing on an exchange like LSE or AIM, there's a separate public offering of securities insurance available in the market, but our group doesn't do that.

**Q:** What about club deals – do you work on many of those?

**A:** We tend not to be involved in them, but it's really just a matter of size. There's no reason we couldn't be, and we've done a half-dozen club deals over the years, but they now tend to be EUR5-10 billion in size and if you look at the amount of insurance capacity out there, that's a very high level of risk for the insurers to take on. Those deals tend to be done almost as public company deals, with a very low level of recourse. Often there are basically no reps and warranties. A deal bigger than EUR2 billion doesn't work very well for a transaction insurance product.

**Q:** What are your thoughts on the recent attempts to force private equity groups to be more transparent?

**A:** We tend to work in the more transparent governance jurisdictions, like the Nordic region, the UK and Western Europe, Hong Kong and Australia.

**To contact Mr. McNally please email him at [John.McNally@aig.com](mailto:John.McNally@aig.com)**

# Deal/Spotlight

## Telecoms Deal

**Avaya** Inc has agreed to an US\$8.2 billion sale to private equity groups **Silver Lake Partners** and **TPG Capital**.

Avaya manufactures telecoms equipment.

The financial buyers are paying US\$17.50 per share in cash and stipulate a break-up fee of US\$80 million.

It is still looking at other bidders, and **Cisco** and **Nortel Networks** have long been rumored to possibly take over Avaya. **Alcatel-Lucent** is

another possible contender.

Nortel was the bidder most set to flourish from a tie-up, so eyes are peeled to Nortel now to gauge its next move.

The deal is being panned by some tech junkies complaining that a private equity buyout offers nothing in terms of creative developments in technology for Avaya, although it could be used as a platform for add-on acquisitions.

Soon after the deal was announced, Cisco and Nortel

publicly said they are developing services with **Microsoft's** Office Communications Server.

Microsoft and Cisco have steadily been outperforming Avaya.

## SILVER LAKE PARTNERS AND TPG CAPITAL ACQUIRE AVAYA INC

Transaction Details		Currency in USD					
		Pricing Info	Multiples		Method of Payment		
<b>Date Announced:</b>	4-Jun-07	<b>Base Eq. Price:</b>	7,891.7	<b>EV/Sales:</b>	1.3	<b>Cash:</b>	7,891.7
<b>Deal Status:</b>	Pending	<b>Total Inv. Cap:</b>	7,891.7	<b>EV/Net Income:</b>	21.9	<b>Stock:</b>	
<b>Acquisition Type:</b>	Acq-GP	<b>Enterprise Val:</b>	7,004.7	<b>EV/EBITDA:</b>	10.1	<b>Debt Notes:</b>	
<b>Acq. Purpose:</b>	Financial	<b>Price Per Share:</b>	17.5	<b>EV/EBIT:</b>	17.5	<b>Warrents/Opt:</b>	
<b>Deal Attitude:</b>		<b>Premiums</b>		<b>EV/Tang. Book Val:</b>	8.1	<b>Other:</b>	
<b>% Shares Owned:</b>		<b>1 Day:</b>		<b>P/E Ratio:</b>		<b>Liab. Assumed:</b>	
<b>% Sought:</b>	100.0	<b>5 Day:</b>		<b>P/Sales:</b>	1.5	<b>Shs Considered:</b>	
<b>Shs Sought (000):</b>	450,952.9	<b>30 Day:</b>		<b>P/Tang. Book Val:</b>	9.1		

# Movers & Shakers

To submit a recent deal announcement, advisory engagement, financing or hiring alert, email all pertinent information to [kkunert@factset.com](mailto:kkunert@factset.com).

## Financial Adviser Alert

**BB&T Capital Markets** represented **Logistics Express** Inc, a contract hauler of industrial gases and a portfolio company of **American Capital Strategies** Ltd, in the sale of assets to the **Trimac Group**.

**Ewing Bemiss & Co** advised **International Junior Golf Tour** Inc and **Heritage Academy** on their sale to **The Riverside Company**.

**Deutsche Bank Securities** advised **BGC Partners** in its merger with **eSpeed** Inc, a leader in electronic marketplaces and related trading technology for the global capital markets. The combined company will be a world-class provider of voice and electronic brokerage services.

**Deutsche Bank Securities** advised **Thomas H. Lee Partners** and **Fidelity National Financial** in their acquisition of **Ceridian** in an all cash transaction valued at approximately US\$5.3 billion. Ceridian is a leading provider of human resources, transportation and retail information management services, serving businesses and employees.

**Rothschild** advised **Eurotunnel**, the operator of the cross-Channel rail link, in its financial restructuring with the closing of a tender offer that saw 87% of the company's shareholders accept the proposed terms. The restructuring is expected to close by the end of June 2007.

**Rothschild** acted as exclusive advisor to the shareholders of **Cogedim** on the disposal of 100% stake to **Altaréa**.

**Rothschild** has acted as financial adviser to **Solutia** Inc on the sale of its **Dequest** water treatment phosphonates business to **Thermphos Trading** GmbH for

approximately US\$67 million in cash.

**Rothschild** has acted as joint financial adviser to **AMEC** plc on the proposed divestment of its Property Developments and Building and Civil Engineering businesses to **Morgan Sindall**.

## Legal Adviser Alert

**Skadden** represented **Lupus Capital** plc, a public investment management firm, in its approximately US\$471 million acquisition of **Laird Security Systems**, a manufacturer of locks and security hardware for doors and windows, a division of **The Laird Group** PLC. Both **Lupus Capital** and **The Laird Group** are based in the United Kingdom.

**Skadden** represented **Oberon Media** Inc, a developer of electronic and online video games, in its acquisition of **I-play**, a developer of video games for mobile telecommunication devices.

**Skadden** represented **SEGRO** plc, a commercial and industrial real estate developer, in its US\$2.9 billion sale via an auction of **Slough Estates** USA Inc, the US operations of **SEGRO**, to **Health Care Property Investors** Inc, a real estate investment trust that develops health care facilities.

**Weil, Gotshal & Manges** represented **Alliant Insurance Services** Inc, one of the nation's largest insurance brokerage firms, in its acquisition by **The Blackstone Group** from **Lindsay Goldberg & Bessemer**.

**Weil, Gotshal & Manges** represented **Avaya** in their pending merger with **Silver Lake** and **TPG Capital** valued at \$8.2 billion.

**Weil, Gotshal & Manges** represented **Evercore Partners** as financial adviser to credit card transaction processor **First Data** Corp, which is being

acquired by **Kohlberg Kravis Roberts & Co** for about US\$27 billion in cash.

**Weil, Gotshal & Manges** represented **Bear Stearns** as financial advisor to subprime mortgage lender **Accredited Home Lenders** which agreed to be acquired by private-equity company **Lone Star Fund V LP** for about US\$400 million in cash.

**Wilkie Farr & Gallagher** represented **OAO Severstal** in its purchase of a further 9 % stake in **Lucchini** SpA for EUR85 million. **Lucchini** produces high-quality steels and long products in Italy and France and has a European distribution network. **Severstal** now owns 79.82% of the shares of **Lucchini**.

## Deal Alert

**Water Street Healthcare Partners**, a Chicago private equity firm specializing in healthcare, has acquired a division from **Stryker** Corp to form the second largest outpatient physical therapy services company in the US. Purchase price is \$150 million with an additional \$50 million in equity investment for future growth and acquisitions.

**The Riverside Company** sold **Zetkama**, the leading Polish manufacturer of a wide array of industrial valves and specialized cast iron. The company was acquired by **Riverside** in April 1999. The sale was to a consortium of entities associated with **Avallon MBO**.

**The Riverside Company** acquired **Baldor Electric's** US power services operating segment, which operated under the **Reliance Electric** name and was previously owned by **Rockwell Automation**. **IPS** is a national leader in the service and repair of electric motors, with over 1,400 customers across a broad set of end markets.

## Bankruptcy

### US Automotive Products & Accessories

**Delphi** Corp officials said last week it entered into a sale and purchase agreement with Belgium-based **Umicore** for the sale of its global OE and aftermarket catalyst business. As part of Delphi's transformation plan, which was announced on March 31, 2006, Delphi identified the catalyst business as a non-core business line that would be better positioned within another firm. The aggregate purchase price for the assets related to the catalyst business was approximately US\$55.6 million.

**Tower Automotive** Inc received approval last week from the bankruptcy court to send its Chapter 11 reorganization plan, which depends on the company's sale to **Cerberus Capital Management**, to a creditor vote. Judge Allan L. Gropper of the US Bankruptcy Court in Manhattan set a July 11 hearing to consider approval of the plan. If it receives confirmation, Tower says it will be able to move toward an exit from bankruptcy under the ownership of Cerberus.

### US Broadcasting

**Granite Broadcasting** Corp last week emerged from bankruptcy protection. The company's Chapter 11 plan was given court approval last month over a shareholder group's rival proposal led by hedge fund **Harbinger Capital Partners**. Granite successfully lopped off more than US\$300 million in debt from its books

and exits bankruptcy under the control of buyout firm **Silver Point Capital**. The company's reorganization plan gave control of Granite to Silver Point in exchange for US\$295 million the company owed the buyout firm.

### US Communications

**Amp'd Mobile**, an Aliso Viejo, California-based niche cell phone provider, last week filed for Chapter 11 bankruptcy protection. The company said it intended to revamp the business and find new financing, but insisted that service would not be interrupted during the process. The company also said that the bankruptcy filing reflected its inability to expand its infrastructure quickly enough to meet demand.

### US Construction Contractors & Engineering Services

**Meyer-Sutton Homes** Inc, a Fayetteville, Georgia-based home builder, and affiliate **Meyer-Sutton Land Acquisition** Inc filed for Chapter 11 bankruptcy last week in the US Bankruptcy Court in Newnan, Georgia. The company cited a "sudden and dramatic" fall-off in business. Meyer-Sutton listed total assets of about US\$44 million and debts of US\$40 million in its bankruptcy petition. Both Meyer-Sutton Homes and Meyer-Sutton Land Acquisition are owned by James W. Buchanan. According to its bankruptcy filing, the company has cut new construction starts to two a month from 25 a month.

**American Landmark Group** Inc, a

Marietta, Georgia-based fence builder, filed for Chapter 11 protection in Atlanta last week. The company's bankruptcy petition listed assets and liabilities each in the range of US\$1 million to US\$100 million. Through its **American Landmark Fence** Co subsidiary, the company says it is Georgia's largest fence builder.

### US Food Processing

**Interstate Bakeries** Corp, the maker of Twinkies and Wonder Bread, last week won a four-month extension to file a Chapter 11 reorganization plan. The company is working out the details of how it will repay creditors as it works to complete a five-year business plan by July 1, which is expected to form the basis of the reorganization plan. The US Bankruptcy Court in Kansas City, Missouri granted extension to Interstate Bakeries through October 5.

### US Packaging & Containers

**EarthShell** Corp, an eco-friendly packaging company, inched closer last week to emerging from bankruptcy protection under the control of private equity firm **Cornell Capital Partners**. Judge Kevin Gross of the US Bankruptcy Court in Wilmington, Delaware signed off on a reorganization plan outline, allowing EarthShell to send its plan to exit Chapter 11 to creditors for a vote.

### US Valves, Pumps & Hydraulics

**Amtrol** Inc said last week it emerged from Chapter 11 bankruptcy after it closed a US\$128 million exit financing facility. The Rhode Island-based maker

of water storage and pressure control products said the financing was used to repay debtor-in-possession financing, pay expenses related to the bankruptcy cases and to fund ongoing operations.

## Activist Wire

### US Aerospace, Airlines & Defense

#### Midwest Air Group, Inc. / AirTran Holdings, Inc.

Dissident amended tender offer statement containing a letter to the board outlining weaknesses it has found in Midwest's Standalone Plan, and asking the company to move forward to build a "great airline" with AirTran. (Dissident launched a tender offer to acquire the company for \$15 per share, consisting of \$9 cash and .5842 of a share of AirTran stock, and nominated 3 persons to the board at the upcoming annual meeting. 56.6% have tendered as of 5-17-2007.)

### US Brokerage, Investment & Management Consulting

#### TD Ameritrade Holding Corporation / SAC Capital Advisors, LLC and JANA Partners LLC

Dissident press release discloses letter to Board dated 6-8-2007 urging them to create a special committee free from influence by the company's largest shareholder to explore strategic combinations. JANA and SAC also provided analysis of what they called the "massive value creation opportunity" inherent in a

combination with E\*Trade Financial or Charles Schwab. The investors also responded to the company's statement this week regarding the Board's exploration of strategic combinations including challenging the company's claim the timing may not be right for such a combination and stated their belief the Board's strategic review process had "glaring" conflicts of interest due to the influence of Toronto-Dominion.

### US Computer Software, Supplies & Services

#### Openwave Systems Inc. / Harbinger Capital Partners

Dissident press release clarifying that the \$8.30 offer will be automatically reduced to \$7.10 on account of the \$1.20 per share dividend declared by the company on 6-4-2007. The offer was extended to 6-21-2007, with 1,646 shares tendered to date. (Dissident launched a partial tender offer to acquire 40,389,560 shares for \$8.30 per share, for approximately \$335 million. The offer is for an additional 49% of the company and would bring its total ownership to 62%. If Harbinger acquires control, it intends to replace management and the board. It would move to acquire BridgePort Networks.)

#### Openwave Systems Inc. / Harbinger Capital Partners

Dissident amended tender offer statement containing a press release announcing a conference call on 6-7-2007 to discuss the tender offer. (Dissident launched a partial tender offer to acquire 40,389,560 shares for \$8.30 per share, for approximately

\$335 million. The offer is for an additional 49% of the company and would bring its total ownership to 62%. If Harbinger acquires control, it intends to replace management and the board. It would move to acquire BridgePort Networks.)

#### eSpeed, Inc. / Chapman Capital L.L.C

13D/A disclosing that Chapman Capital has received inquirers from other significant shareholders of eSpeed conveying corporate governance concerns relating to the company's CEO Mr. Howard Lutnick and its board. (In April 2007 Mr. Lutnick and the board rejected a \$12 per share acquisition proposal for the company which Chapman had favored.)

### US Electrical Equipment

#### Inter-Tel Incorporated / Steven G. Mihaylo

Dissident preliminary contested proxy statement in connection with the proxy fight at the 6-29-2007 special meeting to vote against the company's proposed merger agreement to be acquired by **Mitel Networks** Corporation for US\$25.60 in cash. (Mr. Mihaylo has waged several campaigns against the company and is currently waging a proxy fight for 5 seats on the company's 11 member board at 2007 annual meeting.)

#### Inter-Tel, Incorporated / Steven G. Mihaylo

Dissident DFAN14A containing a presentation prepared by its financial advisor in connection with its proposed \$400 million buyback. The

Dissident believes a recapitalization and buyback would bring more value to shareholders than the company's proposed merger. (In connection with the proxy fight at the 6-29-2007 special meeting to vote against the company's proposed merger agreement to be acquired by Mitel Networks Corporation for \$25.60 in cash. Mr. Mihaylo has waged several campaigns against the company and is currently waging a proxy fight for 5 seats on the company's 11 member board at 2007 annual meeting.)

## US Electronics

### **Optical Communication Products, Inc. / Oplink Communications, Inc.**

Dissident press release announcing the closing of the Furukawa transaction to acquire a majority of the company's shares and an agreement with the company to acquire the rest of the outstanding shares for a sweetened \$1.65 per share. (Company had adopted a 30-day poison pill, which expired 6-2-2007, to stop the Furukawa transaction and in response to the dissident's unsolicited offer to acquire the company for \$1.50 per share.)

## US Energy Services

### **Teton Energy Company / First New York Securities LLC**

SC13D with a letter to the company's board expressing disappointment in their failure to enhance the value of the company's shares. The letter also advised the board that a complete sale of the company is in the best interest of the company's shareholders.

## US Food Processing

### **The Topps Company, Inc. / Crescendo Partners LP**

13D/A includes a letter to the board refuting the company's claims that the dissidents who sit on the ad hoc committee voted for the retention of Willkie Farr & Gallagher LLP (current director Mr. Nusbaum is the Chairman of that firm). It also criticizes the 3% premium that would be paid to shareholders in the going-private transaction. (In connection with the proxy fight to vote down the company's agreement to be acquired by Michael D. Eisner and Madison Dearborn Partners at the 6-28-2007 special meeting. Dissident has also nominated an alternate slate to replace the board if the merger fails.)

## US Real Estate

### **WCI Communities, Inc. / Carl C. Icahn**

Dissident DFAN14A containing the confidentiality agreement entered into in connection with Icahn's participation in the company's sale process. (In connection with the proxy fight to replace the 10 person board at the 6-15-2007 annual meeting. Dissident's tender offer to acquire the company for \$22 per share was launched on 3-23-2007 and expired 5-18-2007 without any shares taken up.)

### **WCI Communities, Inc. / Carl C. Icahn**

13D/A disclosing the confidentiality agreement entered into in connection with Icahn's participation in the

company's sale process. (In connection with the proxy fight to replace the 10 person board at the 6-15-2007 annual meeting. Dissident's tender offer to acquire the company for \$22 per share was launched on 3-23-2007 and expired 5-18-2007 without any shares taken up.)

## US Retail

### **CSK Auto Corporation / Karsch Capital Management, LP**

13D/A discloses an additional letter to the Board in which it again urged the Board to review strategic alternatives but to also weigh the merits of selling the company versus giving a new management team time to turn around the business. Karsch Capital also threatens a proxy fight to replace some or all of the Board should it hire a CEO that it does not believe is adequate for the turnaround and it does not conduct a strategic review.

## US Stone, Clay & Glass

### **Meadow Valley Corp. / CD Capital Management, LLC**

13D/A discloses letter to Board stating that CD Capital Management voted its entire 5.7% stake with management on all proposals to be voted on at company's 6-11-2007 annual meeting, including a proposal submitted by hedge fund Titan Capital Management LLC to liquidate the company's investment in Ready Mix, Inc. and distribute the proceeds to the company's shareholders. CD Capital Management also stated it was pleased with the partial recovery in the stock price and management's progress toward improving operating

margins and would continue to support a sale of the company at a price of at least \$18 per share.

## Shareholder & Regulatory Approvals

### Banking & Finance

**Sky Financial Group** Inc said last week that its shareholders approved the company's acquisition by **Huntington Bancshares** Inc. Under the terms of the agreement, for each share of Sky Financial Group stock, shareholders will receive 1.098 shares of Huntington common stock and a cash payment of \$3.023.

Federal regulators last week cleared **The Bank of New York** Co Inc to buy **Mellon Financial** Corp in a US\$14.7 billion all-stock transaction.

Federal regulators last week cleared **Travelex** Ltd to acquire **Ruesch International** Inc from **Welsh Carson Anderson & Stowe** for approximately US\$440 million.

### US Communications

**M/C Venture Partners** and **Wachovia Capital Partners** Inc, a subsidiary of **Wachovia** Corp, got the OK from US regulators to buy **National Grid Wireless US** from **National Grid** Plc for US\$290 million in cash.

### US Computer Software, Supplies & Services

**Kronos** Inc, a provider of human resource software and services, said

last week its shareholders approved a US\$1.8 billion buyout of the company by private equity companies **Hellman & Friedman** LLC and **JMI Equity**. Holders of Kronos' 31.7 million shares outstanding will receive US\$55 in cash for each share.

**Harris** Corp got federal regulatory approval to buy **Multimax** Inc, a subsidiary of **Netco Government Services** Inc, for approximately US\$400 million in cash.

### US Electric, Gas, Water & Sanitary Services

Federal regulators last week approved **UBS** AG's deal to buy a 50% stake in **Northern Star Generation** LLC from **AIG Highstar Capital Management** LLC for an undisclosed amount.

### US Electrical Equipment

Federal regulators last week gave the OK for **Motorola** Inc to acquire **Terayon Communications Systems** Inc for approximately US\$139.7 million in cash.

### US Electronics

Federal regulators last week cleared **Exar** Corp to acquire **Sipex** Corp for US\$175.1 million in stock.

### US Insurance

**Hub International** Ltd said last week that its shareholders approved a proposed acquisition by affiliates of private equity firm **Apax Partners** and **Morgan Stanley Principal Investments**. The affiliates will pay US\$41.50 per share. The deal also includes the assumption of US\$145 million in debt.

Federal regulators last week cleared **Aetna** Inc to buy **Schaller Anderson** Inc from **General Atlantic** LLC for approximately US\$535 million.

### US Miscellaneous Services

**Ablest** Inc said last week that its stockholders approved Ablest's previously announced merger with **Select Acquisition** Inc, an entity wholly-owned by **Koosharem** Corp. SelectRemedy has approximately 280 professional staffing offices throughout North America.

### US Oil & Gas

**Houston Exploration** Co said last week that its stockholders approved a previously announced US\$1.5 billion cash-and-stock acquisition by **Forest Oil** Corp.

### US Wholesale & Distribution

**Imation** Corp got federal regulatory approval last week to acquire **Memcorp** Inc and **Memcorp Asia** Ltd, subsidiaries of **Hopper Radio of Florida** Inc, for US\$60 million in cash and notes.

### Australia Household Goods

**Housewares International** shareholders have approved the sale of the Australian and New Zealand homewares business to **Playcorp**.

### China Computer Software, Supplies & Services

**Tom Online** Inc said last week that over 99% of independent shareholders who attended its extraordinary general meeting (EGM) voted in support of a postponement of a vote on a proposal by parent **Tom Group** to take the company private.

## Companies Seeking Acquisitions

### US Banking

**Bank of America** Corp will accuse a Dutch commercial court of acting in a “shocking and unlawful manner” by blocking its US\$21 billion acquisition of **ABN Amro Holding** NV’s US unit **LaSalle** in an appeal to the Dutch Supreme Court, *Financial Times* newspaper reported June 7. Bank of America claims that the Amsterdam Enterprise Chamber breached European Union and Dutch law last month when it ruled in favor of calls from ABN investors for the LaSalle deal to be frozen until shareholders can vote on the deal. The LaSalle deal is part of ABN Amro’s agreed merger with **Barclays** PLC, but the court ruling threw open the takeover battle for ABN Amro, leading to a rival takeover bid from a consortium of banks including **Royal Bank of Scotland Group**, **Banco Santander Central Hispano** SA and **Fortis** NV.

**FBOP** Inc, a privately held Chicago bank holding company, made an unsolicited US\$610 million bid for a controlling stake in cash-strapped **Doral Financial** Inc of Puerto Rico, *Chicago Tribune* reported June 4. With the bid, FBOP is attempting to derail an agreement that the San Juan mortgage and financial services company agreed to only last month. Doral, which has been struggling financially, agreed last month to a proposal from a group led by investment banker **Bear Stearns**. Under that cash-infusion plan, the Bear Stearns group would pay a total of US\$610 million to purchase a 90% stake in Doral. Under FBOP’s plan, it is

seeking to buy an 80% stake for the same price, which would leave existing stockholders with a larger 20% holding.

### US Broadcasting

The **Federal Communications Commission** invited public comments on the proposed merger of licensees **Sirius Satellite Radio** Inc and **XM Satellite Radio Holdings** Inc, *Associated Press* reported June 8. The FCC will decide whether it is in the public interest for both licenses to be controlled by a single company. The merger, valued at US\$4.7 billion, is also subject to approval by the Department of Justice, which will examine any competitive harm that may result from the combination. The acceptance of the applications for filing starts an informal “shot clock” at the FCC, which tries to finish its review of mergers within 180 days. That would put a decision potentially sometime in December.

### US Brokerage

Two hedge funds pushed **TD Ameritrade** to do a merger with rivals **E\*Trade Financial** or **Charles Schwab**, *Dow Jones* reported June 8. **Jana Partners LLC** and **SAC Capital Advisors LLC** launched an activist campaign targeting TD Ameritrade. The two own a stake of more than 8% and urged the company to pursue a deal. If the board of TD Ameritrade Holdings waits too long to authorize a merger or an acquisition, it may squander an opportunity to create the highest possible value for shareholders of the discount broker, two activist hedge funds said.

### US Energy Services

**KeySpan** Corp, which is being bought by **National Grid** Plc, is being investigated by the Department of Justice about its role in New York City’s troubled electric-energy market, *Newsday* reported June 8. The issue may cause the Long Island Power Authority, which had voted just a few hours earlier to approve KeySpan’s takeover, to revisit the issue. The department issued a “civil investigative demand” to KeySpan on May 31, but the company didn’t reveal that fact until June 6. LIPA said the board “had no knowledge whatsoever” of the federal investigation before its vote endorsing the KeySpan-National Grid merger.

### US Health Services

**Sierra Health Services** Inc agreed to settle a purported class-action lawsuit over the company’s pending acquisition by **UnitedHealth Group** Inc, *Dow Jones* reported June 8. The suit, filed against the Las Vegas health care services company and its directors, alleges that the defendants breached their fiduciary duties in agreeing to the deal. The agreement will lead to a settlement under which Sierra Health will deny all allegations of wrongdoing. The settlement will be subject to court approval and won’t affect the acquisition agreement. But also as part of the proposed settlement, Sierra Health agreed to make certain disclosures related to the acquisition, including an analysis by Lehman Brothers of price-earnings ratios for comparable companies.

### US Retail

The **Federal Trade Commission** said

it would file a legal complaint to block the proposed buyout of **Wild Oats** by **Whole Foods**, *The New York Times* reported June 6. The FTC is arguing the merger would ultimately lead to higher prices for natural and organic products in markets where the two chains now compete. Whole Foods announced in February that it planned to acquire Wild Oats for US\$565 million.

## European Banking

French banking group **Societe Generale** is considering a possible acquisition of larger rival **BNP Paribas** and has hired two US banks to study potential deal scenarios, *Les Echos* reported June 7. Such a deal is being championed by Daniel Boulton, SocGen's chief executive, partly as a way of defending the bank against any potential bid from another European player. But the idea doesn't have unanimous support within the bank, as some SocGen executives would still prefer a deal with Italy's **UniCredit**. A deal between the two would create a European banking giant with a market capitalization of about EUR152 billion, putting it just behind **HSBC Holdings**.

## European Retail

German home improvement retailer **Praktiker Bau und Heimwerkermaerkte Holding AG** remains on the lookout for potential acquisitions, *Euro am Sonntag* reported June 7. Chief Executive Wolfgang Werner says the industry on the whole is likely to see consolidation in the current year, pointing to widespread overcapacity. "I'm thinking of small and medium-sized do-it-yourself retail chains in particular," he notes.

## Asian Brokerage

**Tokyo Stock Exchange** Inc, in its preparation for a public offering, selected banks with merger-and-acquisition experience, *Wall Street Journal* reported June 8. The Tokyo exchange picked **Daiwa Securities Group** Inc, **Nomura Holdings** Inc and **Morgan Stanley** to handle the listing of the world's second-largest exchange as early as December 2008. The offering could hasten deals with other exchanges. The TSE has been aggressively pursuing tie-ups with exchanges around the world. In April, the **NYSE** and **Euronext** merger created the world's largest stock-exchange group.

## Companies For Sale (Or Not)

### US Broadcasting

**Lincoln National** said it will consider a sale of its media business, which operates radio and TV stations in the Southeast and West, *Bloomberg* reported June 8. Credit Suisse estimates the price could be US\$1.6 billion. Potential buyers include **Radio One**, **Entercom**, **Cox Radio**, **Univision** and private equity firms.

### US Chemicals

**Pioneer Cos**, which makes chlorine, caustic soda and other products, said a group of its shareholders are suing to stop rival chemical company **Olin Corp's** pending acquisition of the company, *Associated Press* reported June 8. The lawsuit accuses Pioneer's board of breach of fiduciary duty and other violations stemming from the pending sale to Olin. Olin announced plans in May to buy, creating a large supplier of products used in water treatment and various industrial segments.

UK beverage can maker **Rexam Plc** is in talks that may lead to the acquisition of **Owens-Illinois** Inc's plastics division, *MarketWatch* reported June 7. Any deal is likely to be funded by the disposal proceeds from its glass business, debt and an element of equity, the firm said.

## US Computer Software & Services

**Time Warner** Inc said it will make a decision on **AOL's** future by the end of the year, *Reuters* reported June 7. The online unit could be spun off or merged with another company. It also said it could see a complete separation of majority-owned Time Warner Cable, in five years, but no decision has been made yet.

## US Drugs, Medical Supplies & Equipment

A group of private investors boosted its offer for **Biomet** 4% to \$46 per share, or US\$11.4 billion, following criticism that the deal was too cheap, *Reuters* reported June 8. Analysts praised the revised offer, which capped a flurry of developments for the orthopedics maker. Biomet canceled a shareholder meeting scheduled for today to consider the previous offer of US\$44 per share. The investors – which include the **Blackstone Group**, **Goldman Sachs Capital Partners**, **Kohlberg Kravis Roberts & Co** and **TPG** - will make an offer on or before June 14 to acquire the outstanding shares of Biomet's common stock.

## US Leisure

Former gaming executive and regulator Dennis Gomes and **JEMB Realty Corp** are bidding to buy **Trump Entertainment Resorts** Inc in

its entirety, *Associated Press* reported June 8. Trump said in mid-March it hired **Merrill Lynch & Co** to explore strategic options for the company. The company said last month it has received interest in an acquisition.

## US Miscellaneous Services

**Laureate Education** Inc accepted an increased offer from the investor group that offered to buy the company in January, *Reuters* reported June 4. The US\$62.00 per share tender offer represents a US\$1.50 per share increase over the original US\$60.50 per share price, for an increased aggregate value of US\$3.82 billion. The investor group, led by Laureate Chief Executive Douglas Becker, includes **Kohlberg Kravis Roberts & Co**, **Citi Private Equity**, **S.A.C. Capital Management** and others.

## US Printing & Publishing

**Dow Jones** said it had amended its compensation plans so that 160 senior managers could take sizable severance payments with them if they were forced out after a sale, *The New York Times* reported June 7. The changes expanded the number of managers covered by special severance contracts to 160 from 25. And the changes could enhance the payouts for managers, who would be able to cash out all of their unvested stock options and get a portion of their 2007 bonus if they were forced out by new owners. Dow Jones is entertaining a US\$5 billion takeover offer from Rupert Murdoch, who controls the **News Corp**. Separately, **Philadelphia Media Holdings**, which owns *The Inquirer*, the *Philadelphia Daily News* and *Philly.com* has expressed interest

in joining with outside partners to buy Dow Jones. Also, the main union of the Dow Jones employees is shopping around for another bidder and has begun talks with aides to Ronald W. Burkle, a California billionaire, about a joint bid.

## Canadian Metals

Canada's **Stelco** Inc is to be sold as a whole to another steel maker, *Globe and Mail* reported June 7. Selling off the steel company's two main assets in Hamilton and Nanticoke separately would be "very difficult" without addressing the complex issues of how to carve out the pension plans, CEO Rodney Mott said. "The sale of the whole company to somebody who's in the steel business is what I prefer," he said. Stelco revealed last week that it has appointed an independent committee of directors and hired two investment firms to advise it on a strategic partnership or sale of the business.

## European Banking

**Banca Italease** SpA said that Italian merchant bank **Mediobanca** SpA and **Goldman Sachs International** have expressed interest in the company, *Dow Jones* reported June 8. The board of Italease named Massimo Mazzega as new chief executive after Italease CEO Massimo Faenza resigned after the Italian bank said its potential exposure to losses from derivatives contracts nearly doubled in five months, sending shares into a tailspin. Goldman Sachs International, part of **Goldman Sachs Group Inc**, and Mediobanca have approached Italease in the past few days with a restructuring proposal that may also include the acquisition of a stake in the bank.

Shares in Germany's **Commerzbank**, which has been persistently cited as a possible takeover target, jumped over 3% to near a seven-year peak on market talk that **Citigroup** was likely to bid about EUR45 euros per share for the bank, *Reuters* reported June 5.

## European Communications

**The Vodafone Group**, the world's largest cellphone company, received a letter from a group of shareholders asking it to return as much as EUR38 billion to investors in part by spinning off its stake in Verizon Wireless, *The New York Times* reported June 8. A little-known group of investors, **Efficient Capital Structures**, suggested that Vodafone give its investors tracking shares representing the company's 45% stake in Verizon Wireless, increase borrowing as a way to return more money to shareholders; and ask the permission of shareholders before making any large acquisitions. Vodafone rejected the proposals late Thursday, saying that they would not be in the best interest of shareholders.

## Asian Electronics

**Matsushita Electric Industrial** Co's talks with **TPG** Inc over the sale of **Victor Co of Japan** are breaking down, *Asahi Shimbun* reported June 7. Management at both JVC and Matsushita are desperate to turn things around at the 80-year-old company. But the companies want JVC to retain its independence, and a big reason talks between TPG and Matsushita are falling apart is opposition to the deal by management at JVC.

# Multiples & Premiums

## PREMIUMS ANNOUNCED FOR DEALS LAST WEEK

Announce Date	Buyer	Seller	Enterprise Value (\$mm)	5-Day Premium Offered	Percent Sought (%)	Method of Payment
6/4/2007	Lone Star Management Co. Ltd.	Accredited Home Lenders Holding Co.	9276.6	3.6%	100.0%	Cash
6/4/2007	Flextronics International Ltd.	Solectron Corp.	3159.9	16.1%	100.0%	Combo
6/3/2007	Qiagen NV	Digene Corp.	1507.1	40.4%	100.0%	Combo
6/4/2007	Fenway Partners, Inc.	1-800 Contacts, Inc.	371.7	29.1%	100.0%	Cash
6/4/2007	Inverness Medical Innovations, Inc.	Cholestech Corp.	329.7	23.1%	100.0%	Stock
6/4/2007	Chittenden Corp.	Community Bank & Trust Co. (New Hampshire)	146.0	34.5%	100.0%	Combo

## INDUSTRY EV/EBITDA MULTIPLES FOR DEALS ANNOUNCED LAST WEEK

Target Industry	Volume	Avg EV/EBITDA	52-week Avg
Wholesale & Distribution	1	6.0	12.3
Retail	1	16.6	12.5
Real Estate	1	10.0	14.4
Plastics & Rubber	1	17.4	12.3
Office Equipment & Computer Hardware	1	8.1	15.1
Electronics	1	8.9	14.2
Electrical Equipment	1	10.1	9.0
Drugs, Medical Supplies & Equipment	1	18.0	15.1
Computer Software, Supplies & Services	1	12.6	15.3

The FactSet Mergerstat deal premiums show 5-day premiums. Only positive premiums are listed.

The FactSet Mergerstat EV/EBITDA industry multiples show the number of deals with EV/EBITDA multiples for the week in a Mergerstat industry and the average EV/EBITDA multiple of those deals for the week. It also indicates in parentheses the average EV/EBITDA multiple for the Mergerstat industry over the past 52 weeks.

The FactSet Mergerstat EV/EBITDA deal multiples are calculated on transactions that have disclosed an Enterprise Value and an EBITDA figure. Only EV/EBITDA multiples of between 0 to 35 are shown on the list.

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## ANNOUNCED DEALS WITH EV/EBITDA MULTIPLES LAST WEEK

Announce Date	Buyer	Seller	Unit Sold	Enterprise Value (\$mm)	EV/EBITDA
6/4/2007	Inverness Medical Innovations, Inc.	Cholestech Corp.		329.7	18.0
6/7/2007	Proventec Plc	Katy Industries, Inc.	Contico Manufacturing Ltd.	13.6	17.4
6/4/2007	Fenway Partners, Inc.	1-800 Contacts, Inc.		371.7	16.6
6/4/2007	International Business Machines Corp. / Lehman Brothers Holdings, Inc.	Kingdee Intl Software Group Co. Ltd.		169.2	12.6
6/4/2007	Lone Star Management Co. Ltd.	Accredited Home Lenders Holding Co.		9276.6	12.3
6/4/2007	Silver Lake Partners / TPG Capital LP	Avaya, Inc.		7004.7	10.1
6/4/2007	Health Care Property Investors, Inc.	SEGRO Plc	Slough Estates USA, Inc.	3947.7	10.0
6/4/2007	Flextronics International Ltd.	Solectron Corp.		3159.9	8.9
6/4/2007	Elevation Partners	Palm, Inc.		1118.0	8.1
6/4/2007	Chittenden Corp.	Community Bank & Trust Co. (New Hampshire)		146.0	6.7
6/7/2007	PNC Financial Services Group, Inc.	Yardville National Bancorp		733.8	6.7
6/4/2007	Harris Bankcorp, Inc.	All American Semiconductor, Inc.		62.4	6.0

# Private Equity / Update

## New Trends

### Newest Players

PE firms have brought in a new player to the bargaining table: an insurance broker. Insurance brokers aim to value a company's liabilities as much as possible and provide insurance against those they can not price. Bringing in brokerages can be advantageous to a PE bidder because "locking down potential risks and costs can give your client a strategic edge over other bidders," says Alastair Burns, head of Marsh Inc's deal unit in London. Marsh Inc is a unit of **Marsh & McLennan Cos**. As a result, insurance brokerages like Marsh Inc, **Willis Group Holdings Ltd**, and **Aon Corp** are seeing a sharp rise in business. In five years Marsh's PE and merger advisory unit has grown to 160 worldwide from 45. Willis' assignments have jumped to 1,100 in 2006 from less than 100 in 2004. The trend signals the increasing degree of complexity and implications of the buyout boom.

### Bonds: Change-of-Control Covenants

Amid the buyout boom, change-of-control provisions for bondholders are growing in popularity. These

covenants protect bondholders from losses associated with leveraged buyouts. **Countrywide Financial Corp's** US\$2.5 billion corporate bond offering made on June 4, had a change-of-control clause that would be triggered by a downgrade by three ratings agencies. **Valero Energy Corp's** US\$2.25 billion two-part note and **WellPoint Inc's** US\$1.5 billion two-part note also contained similar provisions.

### Default Rate, the Lowest Ever

Private equity firms can give themselves a pat on the back. According to Standard & Poor's Leveraged Commentary & Data, the default rate, or number of loans defaulted as a percentage of total number of loans, has dropped to its lowest ever, 0.29%. The historical average has been in between 4% to 5%. However with signs that growth and liquidity are weakening, many fear that this period may just turn out to be a bubble. According to the S&P, one company experiencing sagging growth and performance rates is **Freescale Semiconductor** which was bought out last year.

## Potential Targets

### Biogen Idec

Until now private equity bidders have avoided coming head to head with strategic buyers in the biotech industry. Given there need develop and offer new drugs, strategic buyers are willing to outbid and shoulder losses commonly made in the first eight to 10 years of a biotech company. However with a deep capital overhang, private equity could soon peak its head in to explore. According to the *Wall Street Journal*, larger players like **Amgen** and **Genentech** might be out of reach but smaller companies like **Biogen Idec** with a market cap of US\$18 billion might be just right.

## Investor Relations

### Biomet

The company's bidders, **Blackstone Group, Goldman Sachs, Kohlberg Kravis Roberts** and **TPG** begrudgingly raised their offer for Biomet from US\$44 a share to US\$46 a share in response to public shareholder pressure and an Indiana law that mandates that 75% of outstanding shares must be voted for a takeover proposal. With so much competition in the middle market for deals, PE bidders are finding

### Top Potential Targets in North American and European Biotechnology (Comparable to Biogen Idec)

Symbol	Firm	EV to EBITDA	EV to Sales	Price to Cash Flows	Debt to Equity	ROA	ROE
BIIB	Biogen Idec	14.1x	6.2x	18.3x	24.7%	0.0%	-0.4%
MLNM	Millennium Pharmaceuticals	40.1	5.9	152.0	18.4	-22.5	-29.7
PDLI	PDL BioPharma	57.3	7.4	498.2	34.7	-8.4	-12.5
LGND	Ligand Pharmaceuticals	3.8	-1.6	32.4	166.4	-47.4	-448.3

\* Price to Cash Flow, Debt to Equity, ROA and ROE ratios based in 12 year average

themselves being more accommodating than they want to be.

## OSI Restaurant Partners

Shareholders of the company that owns Outback Steakhouses and seven other casual dining restaurant chains have cleared a bid to go private for US\$41.15 a share, or US\$3.2 billion. Bidders **Bain Capital** and **Catterton Management Co** can now take a sigh of relief. The vote deciding the company's fate had been postponed twice in recent weeks when the bidders knew their offer of US\$40 a share would fail. The deal represents a victory for shareholders who originally thought the offer was lowball and highlights the capabilities shareholders have in terms of creating roadblocks to a deal.

## Political/ Regulatory Updates

### Ben Bernanke

The big story of the week came after Federal Reserve Chairman Ben Bernanke predicted that the economy would rebound, dashing hopes and forecasts of a cut in interest rates. Following his comments the Dow closed down 80.86, at 13,595.46, after falling more than 100 points earlier in the session. The S&P500 index fell 8.23 to 1,530.95, while the Nasdaq composite index fell 7.06 to 2,611.23. Before the announcement, the Dow and the S&P had risen more than 8% since the beginning of the year, fueled by speculations of an interest rate cut.

### European Central Bank

The Europe Central Bank president Jean-Claude Trichet continued to warn those at the G-8 summit about the risks hedge funds pose to financial stability. Trichet said he would support proposals for measures in which hedge fund professionals would adhere to a voluntary set of best practices.

## Pending LBO/IPO Updates

### First Data LBO

In a recent proxy statement filed with the Securities and Exchange Commission, First Data says that it intends to issue up to US\$8 billion in junk bonds, making it the

largest offering of its kind to date. The company will issue US\$5.5 billion in senior unsecured notes and up to US\$2.5 billion in senior subordinated notes as part of the financing for the US\$25.6 billion leveraged buyout by **Kohlberg Kravis Roberts**. The offer should test the limits of how much debt the markets can absorb. If the investment goes belly up, **Citigroup**, **Credit Suisse**, **Deutsche Bank**, **HSBC**, **Lehman Brothers**, **Goldman Sachs** and **Merrill Lynch** maybe stuck on the line since they committed to providing the bridge loan to finance the buyout in case the bond deal runs into murky waters.

## Blackstone Group IPO

It's almost here. The Blackstone Group IPO, aimed at US\$4.75 billion, is expected to occur later this month, perhaps the week of June 18. In an updated prospectus filed with the Securities and Exchange Commission on May 21, Blackstone affirmed that it would abandon the controversial accounting rules it adopted in its original filing and swap it with a more conservative traditional valuation technique. Originally, Blackstone had wanted to employ accounting rules that would allow the firm to recognize profits from investments immediately, even if they were unrealized. Under those rules, which were attacked for being Enron-esque, Blackstone's pro forma 2006 net income was improved by US\$595 million, according to the original filing.

## Platinum Asset Management IPO

On May 23 Sydney-based hedge fund manager Platinum Asset Management, which oversees more than AUD\$22 billion or US\$18 billion, listed its own shares on the Australian Stock Exchange. The newly listed shares jumped 76% on their first day of trading from its offer price of AUD\$5 a share to AUD\$8.80 a share, making founder Kerr Neilson a very rich man. The company currently has a market capitalization of AUD\$4.4 billion. The listing follows wave of offerings by PE firms and hedge fund managers including New York-based **Fortress Investment Group**, which saw shares rise 68% on first day trading. However there are some doubts that hedge funds will be able to sustain and prosper in the long term. The Credit Suisse/Tremont hedge fund index gained 5.4% so far this year compared to the S&P500 index which has increased 8.3%, London's FTSE100 index which has risen 7.3% and Australia's market benchmark that has jumped 12.4%.

# Venture Capital / IPO Update

## New Funds

London's **Benchmark Capital Europe** has spun off US-based technology VC firm **Benchmark Capital** and renamed itself **Balderton Capital**. Balderton has about US\$1.5 billion under management, *AltAssets* reports June 8.

**TechTown Venture Fund** has been established with the intent of US\$10 million in capitalization to be used to fund local start-ups. Appealing targets will be tech-related.

**PhillipCapital Japan** announced the successful initial closing of **PhillipCapital Global I Limited Partnership**, its first venture capital fund in Japan as of May 31, 2007. PhillipCapital Global I will invest initially in **GVC V LP**, a fund managed by **Global Venture Capital** focusing on early stage investments in companies in Japan as well as overseas. Total committed capital for the venture fund as of the initial closing is 1.7 billion yen.

**BioVeda Capital**, a Singapore-based venture capital firm, announced that **Lilly (LLY) Asia Ventures** has made a US\$10 million investment into the **BioVeda China** fund. BioVeda China is the first international venture capital fund dedicated to making life science investments in China. BioVeda China will seek to identify companies that can become future industry leaders, transforming them into next-generation multinationals. Lilly Asia Ventures is a newly formed subsidiary of Lilly Ventures, the well-established venture capital arm of giant pharma Lilly.

## New Fundings

**Nanoradio AB**, a Stockholm, Swedish semiconductor company that manufactures in components for Wi-Fi applications, has raised a further US\$27 million in VC funding, *EE Times Europe* reported June 8. The round was led by Norwegian group **Ferd Ventures**, with existing investors **Nordic Venture Partners**, **Innovacom**, **Teknoinvest** and

**Industrifonden**. The company has now raised US\$56 million in VC funding since its inception in 2004.

**Efficas Inc** raised US\$1.5 million in its latest round of VC financing, bringing the grand total of that round to US\$15.75 million, *Rocky Mountain News* reported June 7. The capital came from an independent public fund in Finland known as Sitra. Since it was founded in 2003, investors have pumped US\$24.25 million into Efficas. Efficas makes medical foods for allergy-plagued people.

**Steamboat Ventures** (Disney's investing arm) invested alongside Silicon Valley firms **Draper Fisher Jurvetson** and **Sequoia Capital** in **CTS Media**, a Shanghai-based company that inserts advertisements into streaming online video, *Associated Press* reported June 7.

**Tepha Inc**, a medical device company, closed a US\$10.7 million financing led by **The Vertical**

## IPOs: Week of June 2, 2007 - June 8, 2007

Ticker	Name	IPO Date	IPO Price	June 8 Price	Shares Offered	Gross Proceeds	Spread %	Spread Total (\$)	Manager
LLNW	Limelight Networks Inc.	08-Jun-2007	15.00	---	16.00	240.0	7.00	16.80	---
INFN	Infinera Corp.	07-Jun-2007	13.00	19.71	14.00	182.0	7.00	12.74	Goldman Sachs & Co.
RGDX	Response Genetics Inc.	06-Jun-2007	7.00	7.03	3.00	21.0	8.00	1.68	---
STAR	Starent Networks Corp.	06-Jun-2007	12.00	14.70	10.53	126.4	7.00	8.85	Goldman Sachs & Co.

**Group.** Also participating in the financing were **Integra Ventures, Novartis Venture Fund,** and **Westfield Life Sciences Fund.** The funds will be used to support the further development of Tepha's unique biopolymer technology platform including materials processing, device testing, and regulatory submissions.

**Hyperic** secured US\$6.1 million in its second round of venture capital funding led by **Benchmark Capital** with **Accel Partners** — the same two investors that put up about US\$3.8 million for the open source management software maker in May 2006. Hyperic develops open-source software.

Business transaction management company **OpTier** has raised an additional US\$15 million in funding from new investor **Gemini Israel Funds** and existing investors **Pitango Venture Capital, Carmel Ventures,** and **Lightspeed Venture Partners.** Over the past year, OpTier has continued to expand its deployments within Fortune 500 organizations. OpTier's innovation and momentum with Fortune 500 customers have positioned the company as a leader in Business Transaction Management. OpTier's management team will use the funding to aggressively pursue plans

to enhance the company's offerings, expand industry partnerships and fuel sales and marketing. The company will also broaden employee recruitment in the US, Europe and Israel.

**AdaptiveMobile,** a Dublin-based start-up that sells mobile usage protection and mobile security software, announced that it has closed a US\$14 million second funding round that included a contribution from **Intel's** venture capital arm. **Doughty Hanson,** an early-stage venture capital fund, was the prime investor in the second round. Additional investment came from **Noor Financial Investment Company** and **Intel Capital.**

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FACTSET

# Breaking US M&A Deals

## Banking & Finance

### **Chittenden Corp agreed to acquire Community Bank & Trust Co (New Hampshire)**

Chittenden Corp agreed to acquire Community Bank & Trust Co in Wolfeboro, New Hampshire for about US\$118.7 million in cash and stock. Under the terms of the agreement, shareholders of Community can elect to receive US\$33.37 per share in cash, with a total cash consideration of approximately US\$33.4 million, or 1.1293 share of Chittenden common stock for each share of Community stock, with a total stock consideration of about 3.1 million shares of Chittenden stock. Elections will be subject to allocation procedures that ensure that 75% of the consideration will be represented in Chittenden stock. The deal is expected to close in the fourth quarter of 2007. The financial advisors in the deal include: SMH Capital Advisors Inc for Chittenden Corp, McConnell Budd & Romano Inc for Community Bank & Trust Co (New Hampshire). The legal advisors in the deal include: Goodwin Procter LLP for Chittenden Corp, Cranmore FitzGerald & Meaney for Community Bank & Trust Co (New Hampshire).

## Banking & Finance

### **Cardtronics Inc agreed to acquire 7-Eleven Inc's US ATM Operations**

Cardtronics Inc has entered a definitive agreement to acquire the US ATM operations of 7-Eleven, Inc for approximately US\$135 million in cash. The ATM operations of 7-Eleven consists of approximately 5,500 high volume ATMs throughout the US. According to the purchase agreement

Cardtronics Inc will have a 10 year exclusive right to operate all ATMs and advanced function financial self-service kiosks in 7-Eleven locations throughout the US, including any new 7-Eleven stores.

## Broadcasting

### **Prof-Media Holding OOO agreed to acquire Wayfarer Media OAO from Viacom Inc**

Prof-Media Holding OOO, which is a subsidiary of Interros Holding Co ZAO, acquired Wayfarer Media OAO, which is ultimately owned by Viacom Inc, for RUB9.3 billion (USD360 million) in cash. This acquisition will increase Prof-Media Holding OOO's stake in the television broadcasting market in Russia.

## Brokerage, Investment & Mgmt. Consulting

### **Menlo Worldwide LLC agreed to acquire Cougar Holdings Pte Ltd from Cougar Logistics Corp Ltd**

Menlo Worldwide LLC entered into a sale and purchase agreement to acquire Cougar Holdings Pte Ltd from Cougar Logistics Corp Ltd for US\$28.2 million in cash. Cougar Holdings provides investment holding services and leasing of warehouses. Pursuant to an international restructuring, a 65% stake in Cougar Logistics Thailand Ltd will not be part of the acquisition. The completion of this transaction will take place upon the approval of shareholders and completion of certain conditions, including no material adverse change.

## Computer Software, Supplies & Services

### **SilverBirch Inc agreed to acquire CrossRoad Mobile LLC**

SilverBirch Inc agreed to acquire a 60% majority stake in CrossRoad Mobile LLC for approximately \$0.5 million in cash and stock. The purchase price consists of \$0.2 million in cash and 2.0 million shares. The acquisition expands SilverBirch Inc's products and services. CrossRoad Mobile LLC is a mobile content, auction and mobile and landline billing company. The transaction is expected to close within the next 45 days.

## Computer Software, Supplies & Services

### **International Business Machines Corp, Lehman Brothers Holdings Inc agreed to acquire a minority stake in Kingdee Intl Software Group Co Ltd**

World-leading information technology company International Business Machines Corp and listed securities underwriting company Lehman Brothers Holdings Inc agreed to acquire a 7.7% minority stake in, representing 35,000,000 shares of Kingdee International Software Group Co Ltd from the non-executive director of Kingdee Mr. Zhao Yang for approximately HKD 132.6 million (US\$ 17.0 million). According to the terms of the agreement, each Kingdee share will be acquired at RMB 3.7 (US\$ 0.5). Based in Shenzhen, Guangdong Province, the target is a Hong Kong-listed developer and distributor of enterprise application software, including accounting software and enterprise resource planning software; it also provides software-related after-sales services. Upon completion of the transaction, IBM and Lehman Brothers will each hold a 3.85% minority stake in Kingdee and IBM will have the right

to appoint one non-executive director to the board of Kingdee. IBM and Kingdee also entered into a memorandum of understanding to establish global alliances.

## Computer Software, Supplies & Services

### **Hostopiacom Inc agreed to acquire TemplateRover.com from Geeksforless Inc**

Hostopia.com Inc acquired all of the operating assets of TemplateRover.com from Geeksforless Inc for CAD247,000 (US\$233,691). The assets include ownership rights to over 3,200 web site templates, over 30,000 digital images, and a retail and channel software distribution system.

## Computer Software, Supplies & Services

### **VSE Corp agreed to acquire Integrated Concepts & Research Corp**

VSE Corp acquired Integrated Concepts & Research Corp for approximately US\$11.6 million in cash and contingent payouts of up to approximately US\$5.8 million within the next 6 years. Integrated Concepts and Research, based in Alexandria, Virginia, is a diversified technical and management services company primarily serving the U.S. Government market. For the year ended March 31, 2007, Integrated Concepts and Research reported revenues of approximately US\$459 million. The acquisition will expand VSE's presence in the markets and provide them with the opportunity to diversify its client base.

## Drugs, Medical Supplies & Equipment

### **Amgen Inc agreed to acquire Ilypsa Inc**

Amgen Inc agreed to acquire Ilypsa, a company developing non-absorbed

drugs for renal disorders, for US\$420 million in cash. Ilypsa has raised over US\$46 million in VC funding since 2003, from firms like 5AM Ventures, Sprout Group, CMEA Ventures, Delphi Ventures, Johnson & Johnson Development Corp., Mediphase Venture Partners and U.S. Venture Partners. The deal is expected to close in the third quarter of 2007. The financial advisors in the deal include: Lehman Brothers Holdings Inc for Ilypsa Inc. The legal advisors in the deal include: Sullivan & Cromwell LLP for Amgen Inc.

## Drugs, Medical Supplies & Equipment

### **Inverness Medical Innovations Inc agreed to acquire Cholestech Corp**

Inverness Medical Innovations Inc entered into a definitive agreement to acquire Cholestech Corp for approximately US\$329.7 million in a stock transaction. Under the terms of agreement, Cholestech stockholders will receive 0.43642 of a share of Inverness common stock for each share of Cholestech common stock that they own. Cholestech, based in Hayward, California, is a leading provider of diagnostic tools and information for immediate risk assessment and therapeutic monitoring of heart disease and inflammatory disorders. The acquisition will help expand their client base and product pipeline of cardiac markets. The transaction is anticipated to close during the fall of 2007. The financial advisors in the deal include: UBS AG for Inverness Medical Innovations Inc, Covington Associates LLC for Inverness Medical Innovations Inc, Savvian LLC for Cholestech Corp. The legal advisors in the deal include: Foley Hoag LLP for Inverness Medical Innovations Inc, Wilson Sonsini Goodrich & Rosati

Professional Corp for Cholestech Corp.

## Drugs, Medical Supplies & Equipment

### **Natrol Inc agreed to acquire Medical Research Institute**

Natrol Inc acquired Medical Research Institute for US\$8 million in cash. The purchase also allows for potential earn-out payments based on the achievement of certain levels of EBIT over the next three years. Founded in 1997, Medical Research Institute supplies high-quality sports nutrition products. Natrol Inc will grow the acquired business improving manufacturing and logistics capabilities, expanding into new geographic markets, and extending its product lines.

## Drugs, Medical Supplies & Equipment

### **Qiagen NV agreed to acquire Digene Corp through a tender offer**

Qiagen NV offered to acquire Digene Corp for approximately \$1.5 billion in cash and stock. The purchase price consists of either \$61.25 in cash or 3.545 shares of Qiagen NV for each share of Digene Corp held. The price represents a 37% premium of the closing price of Digene on June 1, 2007. In the offer, 55% of the consideration will be paid in cash and 45% will be paid by the issuance of Qiagen NV common shares. Digene Corp develops technology to detect human diseases. The transaction is expected to close in September of 2007. The financial advisors in the deal include: Goldman Sachs & Co for Qiagen NV, JPMorgan & Co for Digene Corp. The legal advisors in the deal include: Mintz Levin Cohn Ferris Glovsky & Popeo PC for Qiagen NV, Ballard Spahr Andrews & Ingersoll LLP

for Digene Corp, De Brauw Blackstone Westbroek for Qiagen NV, Freshfields Bruckhaus Deringer for Qiagen NV, Sullivan & Cromwell LLP for Goldman Sachs & Co.

## Drugs, Medical Supplies & Equipment

### **NxStage Medical Inc agreed to acquire Medisystems Corp**

NxStage Medical Inc entered into a definitive agreement to acquire Medisystems Corp for approximately US\$78.6 million in stock. Medisystems Corp will receive 6.5 million shares of NxStage common stock. Medisystems, headquartered in Seattle, Washington, develops, manufactures and distributes medical devices for use in dialysis and blood related treatments. The financial advisors in the deal include: Merrill Lynch & Co Inc for NxStage Medical Inc.

## Drugs, Medical Supplies & Equipment

### **Amgen Inc agreed to acquire Alantox Pharmaceuticals Holding Inc**

Amgen Inc agreed to acquire Alantox Pharmaceuticals Holding Inc for US\$300 million in cash. Alantox Pharmaceuticals Holding Inc develops drugs for the treatment of diabetes and inflammatory diseases. The acquisition will give Amgen Inc Alantox' lead drug candidate, ALS 2-0426, is a DPP-IV inhibitor in clinical development (Phase 2a) for the treatment of type II diabetes. The deal is expected to close in the third quarter of 2007. The legal advisors in the deal include: Sullivan & Cromwell LLP for Amgen Inc.

## Electronics

### **Flextronics International Ltd agreed to acquire Solectron Corp**

Flextronics International Ltd entered into a definitive agreement to acquire

Solectron Corp for approximately \$3.6 billion in cash and stock. Under the terms of the agreement, Solectron Corp shareholders will, at their election, receive either \$3.89 in cash or 0.345 shares of Flextronics International Ltd in exchange for each Solectron Corp share. The aggregate consideration is subject to the limitation that between 50% and 70% of Solectron Corp shares be converted into Flextronics International Ltd shares, with the remaining being exchanged for cash. As a result of the transaction, Solectron Corp shareholders will own approximately 20% to 26% of Flextronics International Ltd's outstanding shares. The transaction is expected to close by the end of calendar year 2007. The financial advisors in the deal include: Citigroup Inc for Flextronics International Ltd, Goldman Sachs & Co for Solectron Corp. The legal advisors in the deal include: Jones Day for Citigroup Inc, Curtis Mallet-Prevost Colt & Mosle for Flextronics International Ltd, Wilson Sonsini Goodrich & Rosati Professional Corp for Solectron Corp.

## Electronics

### **Micronetics Inc agreed to acquire MICA Microwave Inc**

Micronetics Inc acquired MICA Microwave Inc for approximately \$5 million in cash and stock. MICA Microwave Inc offers a line of high performance RF/microwave mixers and ferrite devices that are expected to complement Micronetics Inc's product portfolio.

## Energy Services

### **J Ray McDermott SA agreed to acquire Secunda International Ltd**

J Ray McDermott SA, a subsidiary of McDermott International Inc, agreed to acquire all the assets of Secunda

International Ltd for approximately CAD260 million (US\$244.4 million). The acquisition allows J Ray McDermott SA to offer a broader and stronger offshore construction portfolio. Secunda International Ltd operates a fleet of offshore support vessels servicing oil and gas companies. The transaction is expected to close in early third quarter of 2007.

## Energy Services

### **Loews Corp agreed to acquire Dominion Resources Inc's E&P Ops Michigan & Alabama**

Loews Corp agreed to acquire Dominion Resources Inc's operations in the Permian Basin, Michigan and Alabama for \$4.0 billion. The operations produce oil and gas and include reserves of approximately 2.5 trillion cubic feet equivalents on Dec. 31, 2006. The transaction is expected to close in August 2007.

## Energy Services

### **Nighthawk Energy Plc and Running Foxes Petroleum Inc agreed to acquire Desperado Trucking Inc**

Nighthawk Energy Plc and Running Foxes Petroleum Inc acquired the business and assets of Desperado Trucking Inc for US\$450,000. The assets include two water tankers and trucks used for the transportation of water and frac fluids and all necessary operational permits. The transaction is expected to reduce Nighthawk Energy Plc and Running Foxes Petroleum Inc's costs of necessary water trucking. Desperado Trucking Inc provides oilfield services including water and frac fluids transportation services.

## Food Processing

### **The Coca-Cola Co agreed to acquire Sandora OAO**

The Coca-Cola Co submitted a bid to

acquire an 80% majority stake in Sandora OAO for UAH2.7 billion (USD542 million), plus an additional unknown amount to pay off Sandora OAO's debt. This acquisition would increase The Coca-Cola Co's stake in the juice production market in Ukraine. PepsiCo Inc and PepsiAmericas Inc jointly made a competing bid for Sandora OAO. Sandora OAO has over 3500 employees and is one of the leading juice producers in Ukraine.

## Food Processing

### **HJ Heinz Co Australia Ltd agreed to acquire Australia Jams Toppings Jellies from Cadbury Schweppes Plc**

HJ Heinz Co Australia Ltd, a subsidiary of HJ Heinz Co, will acquire Cadbury Schweppes Plc's Australian jams, toppings, and jellies business for approximately AUD70 million (US\$45.8 million) in cash. The transaction includes the license to use the brands Cottee's and Rose's in certain categories, excluding confectionery and beverages, in Australia and New Zealand. It is expected to be completed in early third quarter of 2007. Concurrently, Cadbury Schweppes also decided to dispose of other non-core assets, namely Canadian subsidiary Allan Candy and Cadbury Italia.

## Health Services

### **AdCare Health Systems Inc agreed to acquire Family Home Health Services Inc**

AdCare Health Systems Inc agreed to acquire Family Home Health Services Inc for approximately \$10.8 million in stock. According to the terms of the transaction, Family Home Health Services Inc shareholders will receive 7,036,953 common shares of AdCare Health Systems Inc, and will own

approximately 65% of the outstanding common stock of AdCare Health Systems Inc following the completion of the transaction. AdCare Health Systems Inc intends to change its name to Family Home Health Services Inc. Family Home Health Services Inc provides home health care services. The transaction is expected to close in the third quarter of 2007.

## Leisure & Entertainment

### **Losan Hotels World agreed to acquire Dylan Hotel**

Losan Hotels World acquired Dylan Hotel for \$78 million. The transactions stems from the strategy of Losan Hotels World to expand upon its operations in the United States.

## Leisure & Entertainment

### **Thayer Lodging Group agreed to acquire Marriott International Inc /3 Hotels/ from Marriott International Inc**

Thayer Lodging Group acquired 3 Marriott International Inc hotels for US\$57.5 million. The three Marriott hotels are located in Miami International Airport and after the scheduled renovations are completed will hold approximately 862 rooms. According to Thayer Lodging Group the company plans on investing an additional US\$65 million to totally make over the complex. The renovations are expected to take place in phases and expected to be completed by early 2009.

## Leisure & Entertainment

### **Gaming Entertainment (Michigan) LLC agreed to acquire Green Acres Casino Management**

Gaming Entertainment (Michigan) LLC, jointly owned by Full House Resorts Inc and RAM Entertainment LLC, agreed to acquire Green Acres Casino Management for

approximately \$10 million. Green Acres Casino Management is part of the Nottawaseppi Huron Band of the Potawatomi casino project in Michigan.

## Leisure & Entertainment

### **MHI Hollywood LLC agreed to acquire Crowne Plaza Sian Resort from MCZ/Centrum VI Owner LLC**

MHI Hollywood LLC, a subsidiary of MHI Hospitality Corp, agreed to acquire Crowne Plaza Sian Resort from MCZ/Centrum VI Owner LLC for \$74.0 million. Crowne Plaza Sian Resort is a 311-room hotel located in Hollywood, Florida. The acquisition extends MHI Hospitality Corp's footprint into the south Florida hospitality market. The transaction is expected to close in the third quarter of 2007.

## Miscellaneous Services

### **HydraLogic Systems Inc agreed to acquire Third Coast Mosquito Control**

HydraLogic Systems Inc acquired the business and assets of Third Coast Mosquito Control for approximately \$1.5 million in cash and stock. The acquisition expands HydraLogic Systems Inc's services and product offerings. Third Coast Mosquito Control is a mosquito control services company based in Houston, Texas.

## Miscellaneous Services

### **Zion Ltd agreed to acquire DR Fortress LLC**

Zion Ltd, a publicly listed internet technology consulting service provider, signed an agreement to acquire approximately 10.0 million ordinary shares or 50.1% majority stake in DR Fortress LLC, an internet data center operator, for US\$ 14.3 million. Based in Honolulu, Hawaii, the target operates data centers with

annual sales of US\$ 128.5 thousand for the fiscal year ended in December 2006. This transaction will allow the bidder to establish a business base in the datacenter operating industry.

## Miscellaneous Services

### **Ocwen Financial Corp agreed to acquire NCI Holdings Inc**

Ocwen Financial Corp acquired NCI Holdings Inc for approximately \$55 million in cash. The acquisition is part of Ocwen Financial Corp's strategy to focus on both organic and acquisition-based revenue growth. NCI Holdings Inc provides call center and receivables management services.

## Miscellaneous Services

### **YP Corp agreed to acquire LiveDeal Inc**

YP Corp acquired LiveDeal Inc for approximately US\$11 million in stock. The consideration consisted of 15,968,514 shares of YP Corp common stock. LiveDeal Inc operates online local classifieds and Yellow Pages marketplaces. YP Corp will use LiveDeal Inc to converge its four principal marketing channels - directories, mobile services, classifieds and advertising/distribution networks into a first-of-its-kind, hyper-local marketing solution for businesses and consumers. The financial advisors in the deal include: Portico Capital Securities LLC for LiveDeal Inc, Roth Capital Partners LLC for YP Corp. The legal advisors in the deal include: Latham & Watkins LLP for LiveDeal Inc, Snell & Wilmer LLP for YP Corp.

## Plastics & Rubber

### **Proventec Plc agreed to acquire Contico Manufacturing Ltd from Katy Industries Inc**

Proventec Plc agreed to acquire a majority 80% stake in Contico Manufacturing Ltd, a subsidiary of Contico International Inc, itself owned

by Katy Industries Inc for GBP5.5 million (US\$10.95) cash on a debt-free basis. The payment comprises of GBP3.7 million (US\$7.4 million) to be financed from the company's existing cash reserves and GBP1.8 million (US\$3.58 million) to be financed from new bank debt. Approximately GBP5.1 million (US\$10.8 million) is payable on completion with the balance being paid following confirmation of the completion balance sheet as at 1 June 2007. The remaining 20% of Contico Manufacturing Ltd will be owned by existing management. Contico Manufacturing Ltd had net assets of GBP2.75 million was expected to increase Contico Manufacturing Ltd's revenue, and contribute immediately to profitability.

## Real Estate

### **Health Care Property Investors Inc agreed to acquire Slough Estates USA Inc from SEGRO Plc**

Health Care Property Investors Inc reached a definitive agreement to acquire Slough Estates USA Inc from SEGRO Plc for an aggregate cash consideration of US\$2.9 billion, including the assumption or refinancing of approximately \$1.2 billion on Slough Estates USA Inc's outstanding debt. Slough Estates USA Inc's portfolio includes 83 existing properties representing approximately 5.2 million square feet of life science/pharma space concentrated in the San Francisco Bay area and San Diego County. The transaction is expected to close in the third quarter of 2007. The financial advisors in the deal include: Merrill Lynch & Co Inc for SEGRO Plc, UBS AG for SEGRO Plc. The legal advisors in the deal include: Latham & Watkins LLP for Health Care Property Investors Inc, Skadden Arps Slate Meagher & Flom LLP for SEGRO Plc.

## Retail

### **Paramount Acquisition Corp agreed to acquire Chem Rx**

Paramount Acquisition Corp agreed to acquire Chem Rx for approximately \$146.9 million in cash and stock plus additional consideration of \$12.5 million cash and 9.0 million shares and the assumption \$32.5 million in debt. The purchase price consists of \$133 million payable in cash and the issuance of 2.5 million shares. The management team of Chem Rx will remain with the company. Chem Rx operates a privately-owned long-term care pharmacy based in Long Beach, New York. The transaction is expected to close in the third quarter of 2007.

## Retail

### **Mega Group Inc agreed to acquire Hosanna Development LLC**

Mega Group Inc agreed to acquire Hosanna Development LLC for \$30,000, plus the assumption of an undisclosed amount in debt. The transaction is contingent upon the completion of an asset purchase agreement in which Mega Group Inc has agreed to acquire four gasoline convenience store operations located in the Tidewater area of Virginia. Mega Group Inc acquired Hosanna Development LLC to manage the four gasoline convenience store operations.

## Transportation

### **Advanced Disposal Services Inc agreed to acquire Urrutia Inc**

Advanced Disposal Services Inc acquired Urrutia Inc, doing business as Arrow Disposal Service, for approximately US\$36 million. Arrow Disposal Services, based in Abbeville, Alabama, provides waste hauling and recycling services.

# Breaking US PE Deals

## Banking & Finance

### **Lone Star Management Co Ltd agreed to acquire Accredited Home Lenders Holding Co**

The Lone Star Fund agreed to acquire Accredited Home Lenders Holdings Co for US\$15.10 per share in cash, in a deal valued at approximately US\$381.4 million. The acquisition price represents a premium of approximately 9.7% to Accredited's closing share price of US\$13.76 on June 1, 2007. The financial advisors in the deal include: Bear Stearns Cos Inc for Accredited Home Lenders Holding Co, Friedman Billings Ramsey Group Inc for Accredited Home Lenders Holding Co, Piper Jaffray Inc for Lone Star Management Co Ltd, Houlihan Lokey Howard & Zukin for Accredited Home Lenders Holding Co. The legal advisors in the deal include: Weil Gotshal & Manges LLP for Bear Stearns Cos Inc, Dewey Ballantine LLP for Accredited Home Lenders Holding Co, Morris Nichols Arsht & Tunnell for Accredited Home Lenders Holding Co, Sullivan & Cromwell LLP for Lone Star Management Co Ltd.

## Electrical Equipment

### **Silver Lake Partners and TPG Capital LP agreed to acquire Avaya Inc**

Private equity firms Silver Lake Partners and TPG Capital agreed to acquire Avaya Inc for approximately US\$7.9 billion in cash. Under the terms of the agreement, the firms

will pay US\$17.50 for each share of Avaya Inc. This represents about an 8.8% premium over Avaya Inc's June 1, 2007 close price of US\$16.08. As part of the agreement, Avaya Inc can solicit proposals from third parties for 50 days after the signing of the merger agreement. Avaya Inc delivers Intelligent Communications solutions that help companies transform their businesses to achieve marketplace advantage. The deal is expected to close in the Fall of 2007. The financial advisors in the deal include: Credit Suisse (US) for Avaya Inc, Morgan Stanley for Silver Lake Partners, Morgan Stanley for TPG Capital LP, Citigroup Inc for Silver Lake Partners, Citigroup Inc for TPG Capital LP. The legal advisors in the deal include: Ropes & Gray LLP for Silver Lake Partners, Ropes & Gray LLP for TPG Capital LP, Weil Gotshal & Manges LLP for Avaya Inc, Skadden Arps Slate Meagher & Flom LLP for Avaya Inc.

## Furniture

### **European Capital SA SICAR agreed to acquire Hillarys Blinds (Holdings) Ltd from Change Capital Partners LLP**

European Capital SA SICAR, a wholly-owned subsidiary of European Capital Limited and American Capital Strategies Ltd, acquired a 52% stake in Hillarys Blinds (Holdings) Ltd from Change Capital Partners LLP for GBP228.2 million (US\$454.4 million). European

Capital Ltd's investment will consist of equity, loan notes, mezzanine debt and senior term loans. The management of Hillarys Blinds is also investing in the company via equity and loan notes. Following completion, European Capital Ltd owns approximately 52% of the company on a fully-diluted basis. The transaction was European Capital Ltd's seventh "One Stop Buyout(TM)" and the fourth led by its London office whereby the company demonstrated its ability to quickly conduct thorough due diligence and close a transaction in a timely manner by providing all of the capital for the transaction. Change Capital Partners acquired the company from Close Brothers Group Plc in 2004. Hillarys Blinds provides made-to-measure window blinds. It employs over 900 people, and also has a team of over 800 self-employed sales advisors.

## Health Services

### **Water Street Healthcare Partners agreed to acquire Physiotherapy Associates Inc from Stryker Corp**

Water Street Healthcare Partners acquired Physiotherapy Associates Inc from Stryker Corp for approximately \$150 million in cash. Physiotherapy Associates, which will retain its name, provides outpatient physical therapy services, such as general orthopedics, spinal care and neurological rehabilitation, through 475 clinics in 31 states. Water Street

Healthcare Partners intends to acquire additional small to mid-size physical therapy companies to complement Physiotherapy Associates Inc.

## Leisure & Entertainment

### Collier Enterprises agreed to acquire The Village On Tharpe from Education Realty Trust Inc

Collier Enterprises acquired The Village On Tharpe from Education Realty Trust Inc for \$50 million. Education Realty Trust Inc intends to use the proceeds from the sale to reduce its outstanding corporate debt. The Village On Tharpe offers 486 units in 37 buildings near Florida State University.

## Office Equipment & Computer Hardware

### Elevation Partners agreed to acquire a minority stake in Palm Inc

Venture capital firm Elevation Partners agreed to acquire a 25% minority stake in Palm Inc in exchange for a US\$325 million equity investment. The deal is part of Palm's larger recapitalization, which also includes US\$400 million in debt. Both the equity and debt will be used to help finance a US\$9 per share cash distribution for Palm shareholders. Elevation partners Fred Anderson and Roger McNamee will join the Palm board of directors. The financial advisors in the deal include: Morgan Stanley for Palm Inc, JPMorgan Chase & Co Inc for

Elevation Partners.

## Retail

### Fenway Partners Inc agreed to acquire 1-800 Contacts Inc

Private equity firm Fenway Partners agreed to acquire 1-800 Contacts Inc for US\$24.25 per share in cash, in a deal valued at approximately US\$340 million in cash. The financial advisors in the deal include: Goldman Sachs & Co for 1-800 Contacts Inc, Sonenshine Pastor & Co for 1-800 Contacts Inc. The legal advisors in the deal include: Ropes & Gray LLP for Fenway Partners Inc, Kirkland & Ellis LLP for 1-800 Contacts Inc.

## Wholesale & Distribution

### AAH Holdings Corp agreed to acquire Gags & Games Inc

AAH Holdings Corp, a portfolio company of Berkshire Partners LLC, acquired Gags & Games Inc

for approximately US\$5 million in cash and stock, plus the assumption of about US\$3.1 million in debt. Gags & Games Inc, based in Livonia, Michigan, operates a chain of approximately 20 party superstores in Michigan and Ohio, under the trade name Party USA.

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### Jun 4 - Jun 8

For a deal to be included on Flashwire's official US M&A deal list, the following criteria are to be met: (1) A formal transfer of ownership of at least 5.0% of a company's equity; and (2) At least one party in the agreement is a US entity. Please note: We may cover stories outside of this list in any given issue of Flashwire Weekly.

Announced	Seller (Unit Sold)	Buyer Name Target Address	Deal Size (\$mm)	Target Ownership	Buyer Phone Buyer Website Contact Name Contact Title	Target Phone Target Website Contact Name Contact Title	Seller SIC	Percent Sought	Method of Payment
6/4/07	Avaya, Inc.	Silver Lake Partners / TPG Capital LP 211 Mount Airy Road, Basking Ridge, NJ, US	\$7,891.68	Public	1.650.233.8120 Ken Hao Managing Director	1.908.953.6104	3669	100	Cash
6/4/07	Dominion Resources, Inc. (Dominion Resources, Inc. /E&P Ops, Michigan & Alabama)	Loews Corp. 120 Tredegar Street, Richmond, VA, US	\$4,025.00	Division	1.212.521.2000 Roger Morris 312-822-4195 312-822-5819	1.804.819.2000 Thomas N. Chewning Executive VP/CFO	1381	100	
6/4/07	Solectron Corp.	Flextronics International Ltd. 847 Gibraltar Drive, Milpitas, CA, US	\$3,604.40	Public	Robert R B Dykes President:Systems Group/CFO	1.408.957.8500 Susan Wang Senior VP/CFO	3672	100	Combo
6/4/07	SEGRO Plc (Slough Estates USA, Inc.)	Health Care Property Investors, Inc. 234 Bath Road, Slough, UK	\$2,900.00	Division	1.562.733.5100 Kenneth B Roath	44.1753.537171	6531	100	Cash
6/4/07	Dominion Resources, Inc. (Dominion Resources, Inc. /E&P Ops, Louisiana & California)	XTO Energy, Inc. 120 Tredegar Street, Richmond, VA, US	\$2,500.00	Division	1.817.870.2800	1.804.819.2000 Thomas N. Chewning Executive VP/CFO	1381	100	
6/3/07	Digene Corp.	Qiagen NV 1201 Clopper Road, Gaithersburg, MD, US	\$1,495.52	Public	31.77.320.84.00	1.301.944.7000 Charles M Fleischman President/CFO/COO	3841	100	Combo
6/6/07	Sandora OAO	PepsiCo, Inc. / PepsiAmericas, Inc. 17 North Zavodskaya Street, Mykolayiv, UA	\$544.22	Private	1.612.661.4000 Robert C. Pohlard CEO	380.512.581041	2037	80.0	
6/4/07	Change Capital Partners LLP (Hillarys Blinds (Holdings) Ltd.)	American Capital Strategies Ltd. College House, 272 Kings Road, 2nd Floor, London, UK	\$454.36	Division	1.301.951.6122 John R Erickson Exec VP/CFO/Secretary	44.20.7808.9110 Luc Vandeveldel Founder	2591	52.0	Stock

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6/4/07	Ilypsa, Inc.	Amgen, Inc. 3406 Central Expressway, Santa Clara, CA, US	\$420.00	Private	1.805.447.1000 David Kaye	1.408.215.2800	2836	100	Cash
6/7/07	Yardville National Bancorp	PNC Financial Services Group, Inc. 2465 Kuser Road, Hamilton, NJ, US	\$387.92	Public	1.412.762.2000 Robert L. Haunschild Senior VP: Planning/Fin/ CFO	1.609.584.2189	6021	100	Combo
6/4/07	Accredited Home Lenders Holding Co.	Lone Star Management Co. Ltd. 15253 Avenue of Science, San Diego, CA, US	\$381.45	Public	1.214.754.8300	1.858.676.2100	6162	100	Cash
6/4/07	Viacom, Inc. (Wayfarer Media OAO)	Interros Holding Co. ZAO 1515 Broadway, New York, NY, US	\$360.80	Division	7.495.785.6363	1.212.258.6000	4833	100	Cash
6/4/07	1-800 Contacts, Inc.	Fenway Partners, Inc. 66 East Wadsworth Park Drive, 3rd floor, Draper, UT, US	\$339.73	Public	1.212.698.9400	Scott Tanner CFO/COO	5961	100	Cash
6/4/07	Cholestech Corp.	Inverness Medical Innovations, Inc. 3347 Investment Boulevard, Hayward, CA, US	\$329.66	Public	1.781.647.3900 Ron Zwanziger Chairman/President	1.510.732.7200	3845	100	Stock
6/4/07	Palm, Inc.	Elevation Partners 400 North McCarthy Boulevard, Milpitas, CA, US	\$325.00	Public	1.650.687.6700	1.408.503.7000 Ronni Sarmaanian Media Contact	3577	25.0	
6/6/07	Alantos Pharmaceuticals Holding, Inc.	Amgen, Inc. Riverside Technology Center, 840 Memorial Drive, 2nd floor, Cambridge, MA, US	\$300.00	Private	1.805.447.1000 David Kaye	1.617.577.0011	2834	100	Cash

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6/4/07	Secunda International Ltd.	McDermott International, Inc. 1 Canal Street, Dartmouth, CA	\$240.00	Private	1.281.870.5011 Francis Kalman Exec VP/CFO	1.902.465.3400	1382	100	
6/4/07	Chem Rx	Paramount Acquisition Corp. 750 Park Place, Long Beach, NY, US	\$209.56	Private	1.212.554.4300	1.516.889.8770	5912	100	Combo
6/4/07	Stryker Corp. (Physiotherapy Associates, Inc.)	Water Street Healthcare Partners 2825 Airview Boulevard, Kalamazoo, MI, US	\$150.00	Division	1.312.506.2900	1.269.385.2600 David Simpson VP/CFO/Secretary	8049	100	Cash
6/5/07	7-Eleven, Inc. (7-Eleven, Inc. /US ATM Operations/)	Cardtronics Holdings LLC 2711 North Haskell Avenue, Dallas, TX, US	\$135.00	Division		1.214.828.7011	6099	100	Cash
6/4/07	Community Bank & Trust Co. (New Hampshire)	Chittenden Corp. 15 Varney Road, Wolfeboro, NH, US	\$118.68	Public	Kirk Walters Exec VP/CFO	1.603.569.8400	6022	100	Combo
6/2/07	Masisa SA (Forestal Argentina SA)	Diversified International Timber Holdings LLC Av. Apoquindo 3650, Piso 11, Las Condes, Santiago, AR	\$107.20	Division		56.2.7078800	851	90.0	
6/4/07	Medisystems Corp.	NxStage Medical, Inc. 701 Pike Street, 16th floor, Seattle, WA, US	\$78.59	Private	1.978.687.4700	1.206.834.1200	3841	100	Stock
6/6/07	Dylan Hotel	Losan Hotels World 52 East 41st Street, New York, NY, US	\$78.00	Private	34.917.	1.212.338.0500	7011	100	
6/4/07	MCZ/Centrum VI Owner LLC (Crowne Plaza Sian Resort)	MHI Hospitality Corp. US	\$74.00	Division	1.757.229.5648		7011	100	

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6/5/07	Cadbury Schweppes Plc (Cadbury Schweppes Plc /Australia Jams Toppings Jellies Bus)	HJ Heinz Co. 25 Berkeley Square, London, UK	\$58.61	Division	1.412.456.5700 Ted Smyth Media Contact	44.20.7409.1313 Todd Stitzer Group Finance Director	2033	100	Cash
6/7/07	Marriott International, Inc. (Marriott International, Inc. /3 Hotels)	Thayer Lodging Group 1 Marriott Drive, Washington, DC, US	\$57.50	Division	1.410.268.0515	1.301.380.3000 Tom Marder Media Contact	7011	100	
6/6/07	NCI Holdings, Inc.	Ocwen Financial Corp. 2015 Vaughn Road Northwest, Suite 300, Kennesaw, GA, US	\$55.00	Private	1.561.682.8000 Richard Hurwitz	1.770.644.7427	7389	100	Cash
6/8/07	CSM Corp. Bhd. (Wholesale Produce Supply Co Inc)	Stone Arch Capital LLC Suite 8.2, 8th Floor, Menara CSM, Jalan Semangat, Petaling Jaya, MY	\$50.00	Division	1.612.317.2980		5141	100	
6/6/07	Education Realty Trust, Inc. (The Village On Tharpe)	Collier Enterprises 530 Oak Court Drive, Suite 300, Memphis, TN, US	\$50.00	Private		1.901.259.2500	7021	100	
6/5/07	Urrutia, Inc.	ADStar Waste Holdings, Inc. PO Box 130, Abbeville, AL, US	\$36.00	Private			4212	100	
6/6/07	Interdom Partners Ltd.	Hub Group, Inc. 11800 South 75th Avenue, Suite 2N, Palos Heights, IL, US	\$31.00	Private	1.630.271.3600	1.708.671.2030	4789	100	Cash
6/7/07	Cougar Logistics Corp. Ltd. (Cougar Holdings Pte Ltd.)	Con-Way, Inc. 200 Cantonment Road, #09-01 Southpoint, Singapore, SG	\$28.20	Division	1.650.378.5200		6799	100	Cash

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6/7/07	Quantitative Technologies, Inc.	Intertek Group Plc Salem Industrial Park, 291 Route 22 East, Building 5, Whitehouse, NJ, US	\$25.00	Private	44.020.7936.3400	1.908.534.4445	8071	100	Cash
6/4/07	Surgery Center of Kalamazoo	NovaMed, Inc. 3200 West Centre, Suite 101, Portage, MI, US	\$24.60	Private	1.312.664.4100 Robert Goettling	1.269.323.9905	8011	62.5	
6/2/07	HARDI Electronics AB	Synplicity, Inc. Kalkstensvagen 3, Lund, SE	\$24.02	Private	1.408.215.6000	46.46.162900	3429	100	Cash
6/5/07	Cadbury Schweppes Plc (Cadbury Schweppes Plc /Allan Candy/)	The Allan Candy Co. Ltd. 25 Berkeley Square, London, US	\$20.74	Division		44.20.7409.1313 Todd Stitzer Group Finance Director	2064	100	Cash
6/4/07	Integrated Concepts & Research Corp.	VSE Corp. 1033 North Fairfax Street, Suite 400, Alexandria, VA, US	\$17.40	Private		1.703.519.9901	7379	100	Cash
6/4/07	Kingdee Intl Software Group Co. Ltd.	International Business Machines Corp. / Lehman Brothers Holdings, Inc. 4th Level, Zone B, Block W1, High-New Technology Industrial Estat, Shennan Highway, Nanshan District, Shenzhen, CN	\$16.64	Public	1.914.499.1900 John R Joyce Senior VP/CFO	Xu Shao Chun Chairman/CEO	7372	7.7	
6/4/07	All American Semiconductor, Inc.	Harris Bankcorp, Inc. 16115 Northwest 52nd Avenue, Miami, FL, US	\$15.20	Public	1.312.461.6199	1.305.621.8282	5065	100	
6/6/07	AKOS Ltd.	Cross Country Healthcare, Inc. The Coach House, Pipers Lane, Harpenden, US	\$13.98	Private	1.561.998.2232 Emil Hensel CFO/COO	44.1582.766339	9651	100	Cash

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6/7/07	LiveDeal, Inc.	YP Corp. 2550 Walsh Avenue, Suite 100, Santa Clara, CA, US	\$11.02	Private	1.480.654.9646	1.408.855.9988	7389	100	Stock
6/7/07	Katy Industries, Inc. (Contico Manufacturing Ltd.)	Proventec Plc 2461 South Clark Street, Suite 630, Arlington, VA, US	\$10.89	Division	44.151.7060626	1.703.236.4300 Stephen Nicholson VP of Finance	3082	80.0	Cash
6/6/07	Family Home Health Services, Inc.	AdCare Health Systems, Inc. 801 West Ann Arbor Trail, Suite 200, Plymouth, MI, US	\$10.82	Public	1.937.964.8974		8082	100	Stock
6/4/07	Green Acres Casino Management	Full House Resorts, Inc. MI, US	\$10.00	Private	Michael P Shaunnessy Exec VP: Finance/CFO		7999	100	
6/5/07	Medical Research Institute	Natrol, Inc. 444 De Haro Street, Suite 209, San Francisco, CA, US	\$8.00	Private	1.818.739.6000	1.415.888.4246	2833	100	Cash
6/7/07	LANCO Infratech Ltd. (LANCO Amarkantak Power Pvt Ltd.)	Government of the United States of America LANCO House, 141 Road No. 2, Banjara Hills, Hyderabad, IN	\$8.00	Division	1.202.219.9639	91.40.2354.0701	1629	5.8	
6/5/07	MICA Microwave, Inc.	Micronetics, Inc. 1096 Mellon Avenue, Manteca, CA, US	\$5.00	Private		1.209.825.977	3679	100	Combo
6/4/07	Gags & Games, Inc.	Berkshire Partners LLC 12658 Richfield Court, Livonia, MI, US	\$5.00	Private	1.617.227.0050 Bradley Bloom Managing Director	1.734.591.1717	5091	100	Combo
6/6/07	Dacom-Süd Electronic Vertriebs GmbH	Nu Horizons Electronics Corp. Freisinger Strasse 13, Ismaning, DE	\$2.70	Private	Paul Durando VP:Finance/Treasurer	49.89.964880	5065	100	Cash

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6/5/07	Third Coast Mosquito Control	HydraLogic Systems, Inc. 2121 Brittmoore Road, Suite 400, Houston, TX, US	\$1.50	Private	1.705.735.9535	1.713.977.7326	7342	100	Combo
6/4/07	DR Fortress LLC	Seven Seas Holdings Co., Ltd. 3375 Koapaka Street, Suite D- 198, Honolulu, HI, US	\$1.43	Private	Kimiyuki Kobayashi President/CEO	1.808.528.7500	7376	50.1	
6/5/07	Desperado Trucking, Inc.	Nighthawk Energy Plc / Running Foxes Petroleum, Inc. KS, US	\$0.65	Private	44.1271.882160	1..	1382	100	
6/6/07	Texas Energy Products	Lime Energy Co. 8701 Shoal Creek Boulevard, Suite 104, Austin, TX, US	\$0.50	Private	1.847.437.1666 Stephanie Cox	1.512.452.7917	3646	100	Combo
6/6/07	CrossRoad Mobile LLC	SilverBirch, Inc. 2323 Bryan Street, 18th floor, Dallas, TX, US	\$0.44	Private	1.416.621.6711	1.214.379.1379	7374	60.0	Combo
6/5/07	GeeksForLess, Inc. (TemplateRover.com)	Hostopia.com, Inc. 5915 Airport Road, Suite 110, Mississauga, CA	\$0.23	Division	1.416.493.7236	1.416.883.3000	7371	100	
6/7/07	Hosanna Development LLC	Mega Group, Inc. US	\$0.03	Private			5411	100	