

Kassirer Merger Arbitrage Monitor: October 1st, 2018

(All figures expressed in USD)

Payment Type Summary	# Deals	Volume	Percent
Cash & Stock	17	284.42B	40.31
Stock	21	195.07B	27.65
Cash	36	130.8B	18.54
Cash or Stock	5	95.33B	13.51

DEAL FLOW

Deal Flow has picked up significantly in the past few weeks, though newly announced deals continue to trade extremely tight (<4% annual). The recent passing of CFIUS reform in August has cleared the way for deals that were 'on ice' over the summer. Deal flow will also likely benefit from the new USMCA trade agreement which will provide further clarity for North American acquirers. The final major front in the ongoing trade war appears to be China, which should prove to be a significantly more complex negotiation. In the current environment, any deals that require Mofcom/SAMR approvals represent additional tail risk and should be harshly scrutinized & sized appropriately as a consequence.

Deal Size Breakdown	# Deals	Volume	Percent
> 10,000M	10	491.59B	12.66
5000.01-10,000M	16	116.7B	20.25
1000.01-5000M	39	86.31B	49.37
500.01-1000M	14	11.01B	17.72
Pending Deal Count:	79		

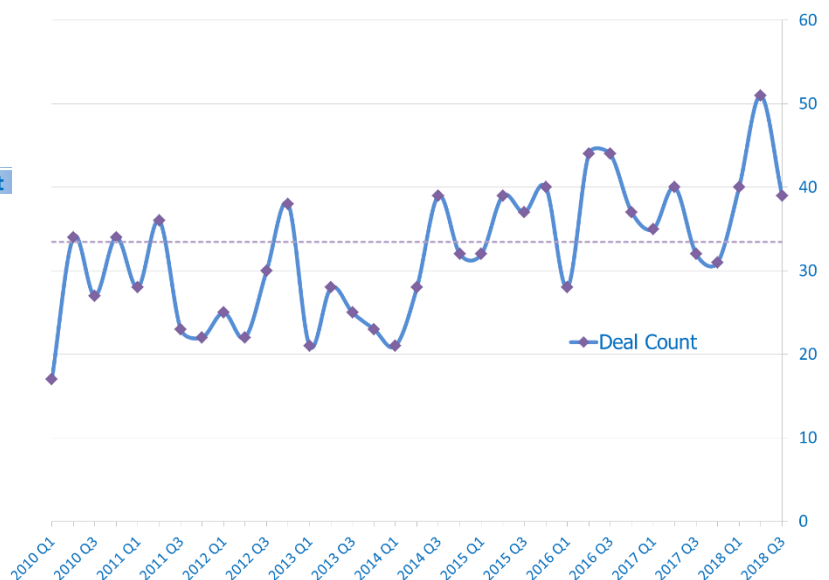
Nature of Bid Summary	# Deals	Volume	Percent
Friendly	70	682.5B	92.11
Unsolicited	5	8.86B	6.58
Friendly to Hostile	1	953.02M	1.32

Premiums Paid	# Deals	Volume	Percent
>50%	4	13.5B	1.95
40.01-50%	3	7.09B	1
30.01-40%	7	109.75B	15.55
20.01-30%	16	128.19B	18.17
10.01-20%	22	276.54B	39.19
0-10%	12	50.96B	7.22

Target Industry Summary	# Deals	Volume	Percent
Basic Materials	5	8.99B	1.27
Communications	6	147.82B	20.95
Consumer, Cyclical	9	14.94B	2.12
Consumer, Non-cyclical	12	253.12B	35.87
Energy	7	86.48B	12.26
Financial	20	65.86B	9.33
Industrial	7	55.41B	7.85
Technology	9	44.09B	6.25
Utilities	4	28.9B	4.1
Pending Deal Count:	79		

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

Quarterly Deal Count



Recent Announcements:

Announced	Target	Acquirer	Sector	Deal Size	Premium	Cash/Stock
9/25/2018	Sonic Corp	Roark Capital Group Inc	Retail-Restaurants	2.2B	20.33	Cash
9/25/2018	XO Group Inc	Weddingwire Inc	Internet Content	788MM	20.88	Cash
9/24/2018	Pandora Media Inc	Sirius XM Holdings Inc	Internet Content	2.5B	11.75	Stock
9/20/2018	Blue Hills Bancorp Inc	Independent Bank Corp	Commercial Banks	852MM	13.75	C & S
9/18/2018	Enbridge Fund Holdings	Enbridge Inc	Pipelines	4.2B	7.81	C & S

Recent Completions:

Closed	Target	Acquirer	Sector	Deal Size	Cash/Stock
10/1/2018	Andeavor	Marathon Petroleum Corp	Oil Refining & Marketing	28.9B	C & S
10/1/2018	CoBiz Financial Inc	BOK Financial Corp	Commercial Banks	1.1B	C & S
9/20/2018	Education Realty Trust	Greystar Real Estate LLC	REITS-Apartments	4.0B	Cash
9/20/2018	Cheniere Energy LP	Cheniere Energy Inc	Energy-Alternate Sources	575MM	Stock
9/12/2018	XL Group Ltd	AXA SA	Property/Casualty Ins	15.2B	Cash

Kassirer Merger Arbitrage Monitor: Spreads

(All figures expressed in USD)

Pending Deal Universe

Pending Deal Pool (\$B):	692.59
Arbitrage Potential Profit Pool (\$B)	27.73
# Deals with positive Spreads	72
# Deals with negative spreads	6

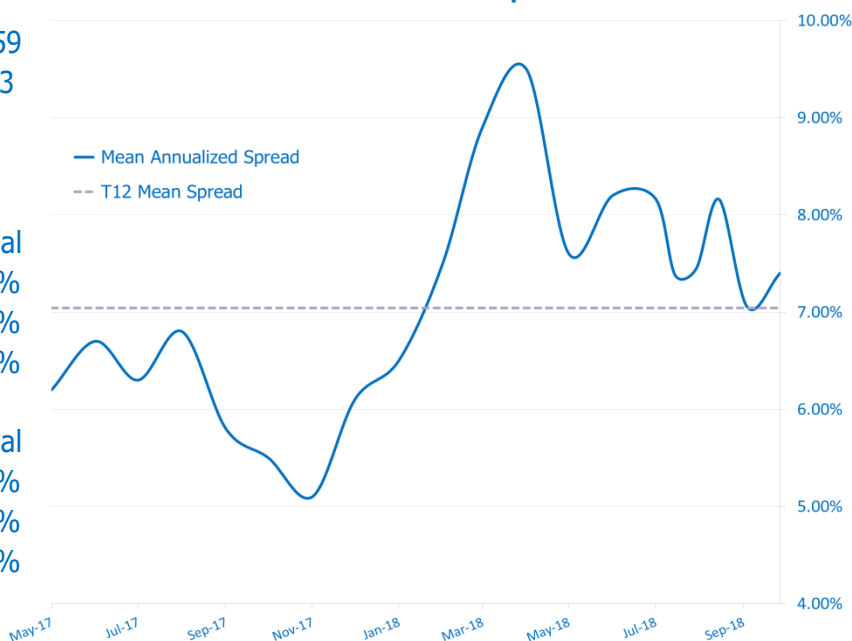
Pending Deal Spreads

Annual Deal-Weighted Average Spread	9.35%
Median Spread	6.50%
Average Spread	7.10%

Market Cap

Annual <\$1B	6.86%
1 - \$5B	6.84%
>\$15B	9.35%

Deal Universe Annualized Spreads



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

Spread Commentary:

The current average spread of approx. 7.1%, which is ~500bps+ over current LIBOR. Merger arbitrage returns have historically offered 300bps-500bps spread over LIBOR so we are currently in a 'juicier' spread environment, which makes sense in light of the constantly moving regulatory goalposts. As interest rates continue to rise, absolute merger arbitrage returns will increase as the all-weather strategy benefits from a natural hedge to both interest rate and inflation risks. In short, we expect robust deal flow fueled by the strong economy through 2019 coupled with wider spreads which should produce excellent risk-return characteristics over the next 12-18 months.

Post-Mortem: Terminated Transactions:

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
7/25/2018	NXP Semi	Qualcomm Inc.	Semiconductors	127.5/sh.

On October 27th 2016, Qualcomm announced a definitive agreement to acquire NXP for \$110 per share which was subsequently bumped to \$127.5 in February 2018. During this 15-month time-frame, the primary point of contention for most arbs was the risk that shareholders would not tender into the \$110 offer. As Broadcom's hostile approaches toward Qualcomm became increasingly aggressive in March, CFIUS pre-emptively blocked Broadcom's ability to pursue NXP's Acquirer (Qualcomm) and it became increasingly clear that NXP's approval by Mofcom would likely be used as a weapon in the ongoing trade US/China trade war. Despite Mofcom denials, one must conclude the deal was blocked by China in July, which represents an escalation in conflict and likely warrants retaliation by the U.S, especially in light of the U.S's removal of the ban on ZTE.

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
8/10/2018	Tribune Media	Sinclair Broadcast Group	Media	43.5/sh

On May 9th 2017, Tribune announced a definitive agreement to be acquired by Sinclair Broadcast Group for \$35 Cash and 0.23 SBGI shares. This deal had an unusual amount of 'moving parts' (mostly on the regulatory front) that were extremely difficult to quantify as is evident in the spread volatility throughout deal term. In April 2018 the FCC raised concerns that the divestiture package offered by Sinclair was not in compliance because the purchasing parties were not at arm's length. For months the FCC clearly stated they wanted to see "more air" between Sinclair and divestiture buyers but rather than do so, the FCC charged that Sinclair engaged in deception and referred the matter for the courts to decide. The merger agreement was subsequently terminated August 10th.

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