

Kassirer Merger Arbitrage Monitor: September 17th, 2018

(All figures expressed in USD)

DEAL FLOW

Payment Type Summary	# Deals	Volume	Percent
Cash & Stock	15	279.64B	38.83
Stock	19	182.82B	25.39
Cash	35	131.84B	18.31
Cash or Stock	6	125.8B	17.47

Deal Size Breakdown	# Deals	Volume	Percent
> 10,000M	11	522.06B	14.67
5000.01-10,000M	15	107.43B	20
1000.01-5000M	36	80.68B	48
500.01-1000M	13	9.94B	17.33
Pending Deal Count:	75		

Nature of Bid Summary	# Deals	Volume	Percent
Friendly	66	696.98B	91.67
Unsolicited	5	8.86B	6.94
Friendly to Hostile	1	953.02M	1.39

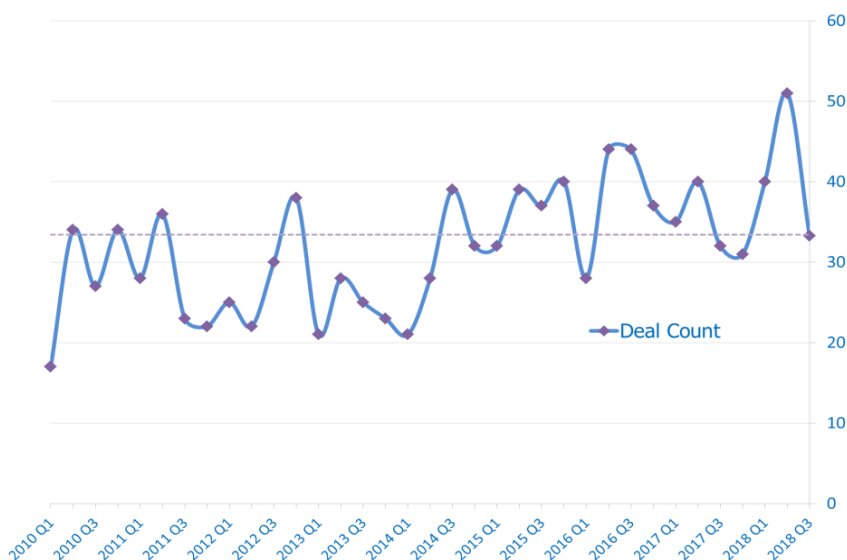
Premiums Paid	# Deals	Volume	Percent
>50%	5	14.2B	2.01
40.01-50%	2	6.33B	0.88
30.01-40%	8	140.21B	19.47
20.01-30%	14	125.14B	17.38
10.01-20%	19	271.28B	37.67
0-10%	12	43.3B	6.01

Target Industry Summary	# Deals	Volume	Percent
Basic Materials	5	8.99B	1.25
Communications	4	144.5B	20.07
Consumer, Cyclical	7	10.81B	1.5
Consumer, Non-cyclical	12	253.12B	35.15
Energy	6	103.99B	14.44
Financial	21	70.3B	9.76
Industrial	7	55.41B	7.69
Technology	9	44.09B	6.12
Utilities	4	28.9B	4.01
Pending Deal Count:	75		

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

Deal Flow has continued to slow from the rapid pace seen in the first half of the year. We have seen more deals in the Energy space of late, including some large MLP roll-ups (Spectra/Enbridge) in August. The on-going trade war is creating sufficient uncertainty that it is affecting decision making on all fronts. Would you buy a company that could be adversely affected by tariff issues, or that does business globally in geographies likely to be negatively affected by a trade war? It has been in the interest of political expediency to show some trade war wins before the mid-term elections. Moreover, we expect the recent passing of CFIUS Reform in August to clear the way for deals that may have been shelved earlier in the year and would not be surprised to see rapid deal flow resume in the fall, pending resolution of trade issues.

Quarterly Deal Count



Recent Announcements:

Announced	Target	Acquirer	Sector	Deal Size	Premium	Cash/Stock
9/10/2018	Integrated Device	Renesas Electronics Corp	Semis	6.5B	27.55	Cash
9/6/2018	LaSalle Properties	Pebblebrook Hotel Trust	REITs-Hotels	5.0B	48.39	Cash or Stock
9/10/2018	Engility Holdings	Science Apps	Computer	2.3B	16.25	Stock
9/14/2018	Essendant Inc	Staples Inc	Distribution	921M	-10.31	Cash
8/28/2018	Aspen Insurance Hold.	Apollo Global Management	Reinsurance	2.5B	5.07	Cash

Recent Completions:

Closed	Target	Acquirer	Sector	Deal Size	Cash/Stock
09/04/2018	XL Group Ltd	AXA SA	Property/Casualty Ins	15.2B	Cash
8/27/2018	MTGE Investment	Annaly Capital	REITs-Mortgage	5.6B	Cash & Stock
09/04/2018	ILG Inc.	Marriott Vacations Worldwide	Hotels & Motels	5.0B	Cash & Stock
08/27/2018	Cotiviti Holdings Inc.	Verscend Technologies Inc.	Medical Information	4.8B	Cash
08/13/2018	Williams Partners L.P	Williams Cos Inc.	Pipelines	9.9B	Stock

Kassirer Merger Arbitrage Monitor: Spreads

(All figures expressed in USD)

Spread Commentary:

The current average spread of approx. 7.5% is in-line with T-12 averages and has tightened significantly since early spring levels of approximately 10%. Major deal closings such as Time-Warner & Monsanto leave us with less supply which often has a 'tightening effect' on pending deal spreads as capital rotates into the pending deal universe. Ongoing trade wars and a shifting regulatory environment should keep spreads wider than usual in the near-term, and we expect an active Sept/Oct as deal-makers benefit from better regulatory clarity (Cfius Reform).

Pending Deal Universe

Pending Deal Pool (\$B):	711.15
Arbitrage Potential Profit Pool (\$B)	31.43
# Deals with positive Spreads	65
# Deals with negative spreads	9

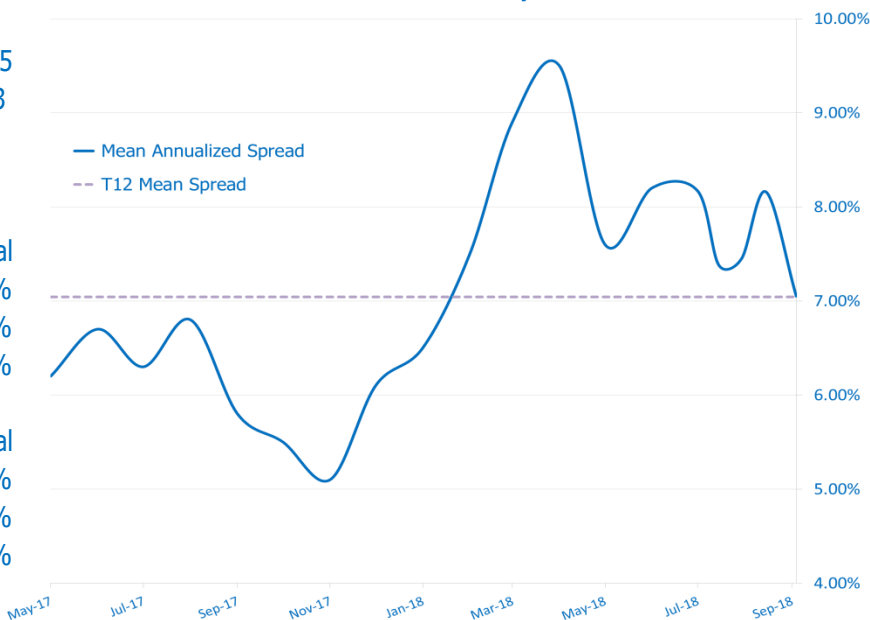
Pending Deal Spreads

Annual Deal-Weighted Average Spread	9.63%
Median Spread	7.00%
Average Spread	7.47%

Market Cap

Annual	
<\$1B	7.98%
1 - \$5B	7.03%
>\$15B	9.63%

Deal Universe Annualized Spreads



Post-Mortem: Terminated Transactions:

Termination Date	Target Name	Acquirer Name	Sector	Cash Terms
7/25/2018	NXP Semi	Qualcom 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. After the February bump the market immediately priced in a >90% probability of closing, at least for a few days. 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/Samr denials, one must conclude the deal was blocked by China in July, which represents an escalation in trade 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. Within 2 weeks of deal announcement TRCO traded wide at 11% PERIOD return reflecting industry policy groups efforts to get the FCC to overturn the discount rule that paved the way for this merger. By January 2018, the market implied probability of deal failure was virtually zero as the deal traded at ~2% annualized. 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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