

Kassirer Merger Arbitrage Monitor: October 15th, 2018

(All figures expressed in USD)

| Payment Type Summary | # Deals | Volume | Percent |
|----------------------|---------|---------|---------|
| Cash & Stock | 17 | 287.1B | 41.18 |
| Stock | 25 | 201.12B | 28.84 |
| Cash | 32 | 109.56B | 15.71 |
| Cash or Stock | 5 | 99.49B | 14.27 |

| Deal Size Breakdown | # Deals | Volume | Percent |
|----------------------------|-----------|---------|---------|
| > 10,000M | 10 | 491.17B | 12.66 |
| 5000.01-10,000M | 14 | 100.06B | 17.72 |
| 1000.01-5000M | 42 | 95.95B | 53.16 |
| 500.01-1000M | 13 | 10.09B | 16.46 |
| Pending Deal Count: | 79 | | |

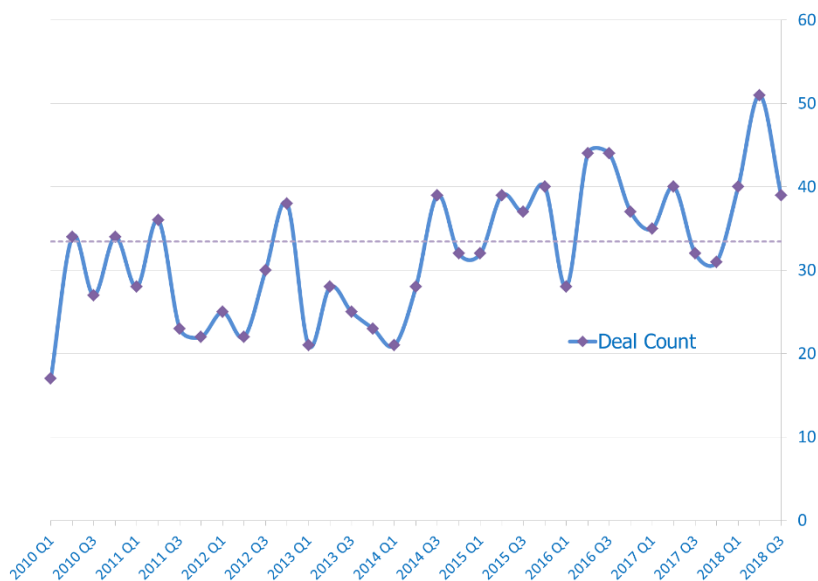
| Nature of Bid Summary | # Deals | Volume | Percent |
|-----------------------|---------|---------|---------|
| Friendly | 68 | 666.19B | 90.67 |
| Unsolicited | 5 | 8.86B | 6.67 |
| Hostile | 1 | 4.93B | 1.33 |
| Friendly to Hostile | 1 | 953.02M | 1.33 |

| Premiums Paid | # Deals | Volume | Percent |
|---------------|---------|---------|---------|
| >50% | 5 | 19.0B | 2.54 |
| 40.01-50% | 5 | 12.58B | 1.8 |
| 30.01-40% | 6 | 107.72B | 15.45 |
| 20.01-30% | 14 | 121.34B | 17.4 |
| 10.01-20% | 20 | 267.02B | 38.29 |
| 0-10% | 12 | 43.85B | 6.29 |

| Target Industry Summary | # Deals | Volume | Percent |
|----------------------------|-----------|---------|---------|
| Basic Materials | 5 | 8.99B | 1.29 |
| Communications | 6 | 147.75B | 21.19 |
| Consumer, Cyclical | 7 | 13.52B | 1.94 |
| Consumer, Non-cyclical | 11 | 243.62B | 34.94 |
| Energy | 13 | 101.71B | 14.59 |
| Financial | 19 | 58.46B | 8.38 |
| Industrial | 7 | 55.21B | 7.92 |
| Technology | 7 | 39.12B | 5.61 |
| Utilities | 4 | 28.9B | 4.14 |
| Pending Deal Count: | 79 | | |

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

Quarterly Deal Count



Deal flow has picked up dramatically, as we have seen 12 new definitive agreements totalling \$44B in October alone! The majority of these deals are trading relatively tight at the moment, but the increased supply is welcomed nonetheless. The passing of CFIUS Reform in August, and more recently, the USMCA trade agreement in early October have provided clarity for would-be North American acquirers who have responded as expected. 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 represent fatter tail risk and should be sized appropriately as a consequence.

Recent Announcements:

| Announced | Target | Acquirer | Sector | Deal Size | Premium | Cash/Stock |
|-------------------|-----------------------|-------------------------|--------------------------|-------------|--------------|-------------|
| 10/10/2018 | Esterline Tech. Corp | TransDigm Group Inc | Aerospace | 4B | 65.76 | Cash |
| 10/10/2018 | Imperva Inc | Thoma Bravo LLC | Internet Security | 1.9B | 22.13 | Cash |
| 10/8/2018 | Rowan Cos Plc | EnSCO PLC | Oil & Gas Drilling | 3.5B | -0.36 | Stock |
| 10/5/2018 | Trinidad Drilling Ltd | Precision Drilling Corp | Oil & Gas Drilling | 1B | 13.12 | Stock |
| 10/3/2018 | Hortonworks Inc | Cloudera Inc | Enterprise Software | 1.7B | -0.4 | Stock |

FOCUS: IMPERVA - THOMA BRAVO: 55.75/sh Cash

On Oct 10th Thoma Bravo announced a definitive agreement to acquire Imperva Inc. (IMPV) for \$55.75 Cash (USD \$2.1B). The deal includes a 45 day "go-shop" period. The deal is currently trading at 1.16% absolute and 4.54% annualized, assuming an early January close. While Thoma Bravo's investment portfolio includes a number of cyber security providers, we do not see any specific product overlap here and expect timely HSR expiration as a result. The offer represents a premium of approximately 29% to IMPV's previous closing price and 22% to its 30-day VWAP. The deal spread continues to tighten as the market ascribes some option value to a potential competitive situation.

Kassirer Merger Arbitrage Monitor: Spreads

(All figures expressed in USD)

Pending Deal Universe

| | |
|---------------------------------------|--------|
| Pending Deal Pool (\$B): | 685.03 |
| Arbitrage Potential Profit Pool (\$B) | 33.02 |
| # Deals with positive Spreads | 66 |
| # Deals with negative spreads | 13 |

Pending Deal Spreads

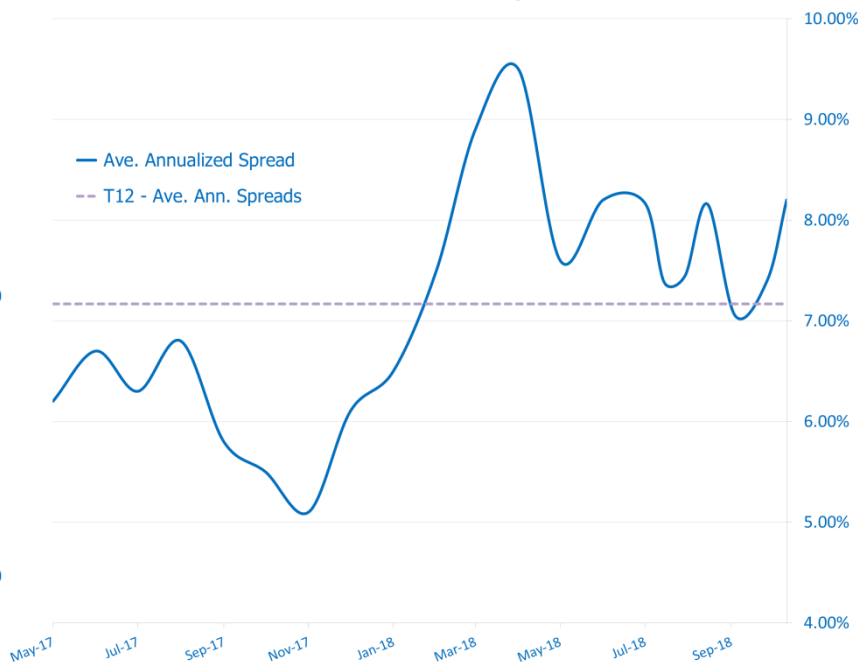
| | |
|-------------------------------------|--------|
| Annual Deal-Weighted Average Spread | 12.24% |
| Median Annual Spread | 7.00% |
| Average Annual Spread | 8.27% |

Market Cap

| | |
|----------|--------|
| Annual | |
| <\$1B | 7.07% |
| 1 - \$5B | 7.51% |
| >\$15B | 12.24% |

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

Deal Universe Annualized Spreads



Spreads have widened slightly in the past couple weeks as the markets have sold off. The current average spread of 8.2% is >500bps over current LIBOR. Merger arbitrage returns have historically offered 300bps-500bps spread over LIBOR so this wider spread environment is a reflection of constantly moving regulatory goalposts. As interest rates continue to rise, absolute merger arbitrage returns will increase as our 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.

Recent Completions:

| Closed | Target | Acquirer | Sector | Deal Size | Cash/Stock |
|------------|--------------------------|-------------------------|-------------------------|-----------|------------|
| 10/12/2018 | Web.com Group Inc | Siris Capital Group LLC | Web Hosting/Design | 1.87B | Cash |
| 10/11/2018 | Envision Healthcare Corp | KKR & Co Inc | Medical-Hospitals | 9.5B | Cash |
| 10/10/2018 | Gramercy Property Trust | The Blackstone Group LP | REITS-Warehouse/Industr | 7.17B | Cash |
| 10/10/2018 | KLX Inc | Boeing Co/The | Aerospace/Defense-Equip | 4.19B | Cash |
| 10/10/2018 | Syntel Inc | Atos SE | Computer Services | 3.6B | Cash |

Recent Termination:

| 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.

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