

The Prospect News
Special Situations
Daily

Thursday January 17, 2008

Special Situations Calendar

JANUARY 17

- 10 a.m. ET: Graphic Packaging Corp.: special meeting of stockholders to vote on acquisition by Altivity Packaging LLC
- Midnight ET: Agrium Inc. tender offer for UAP Holding Corp. ends

JANUARY 22

- Eisai Co., Ltd.'s tender offer for MGI Pharma, Inc. ends

JANUARY 23

- Midnight ET: Teradyne, Inc.'s tender offer for Nextest Systems Corp. ends
- Reckitt Benckiser Group plc's tender offer for Adams Respiratory Therapeutics, Inc. ends

JANUARY 24

- Alabama National Bancorporation: special meeting of shareholders to vote on merger with Royal Bank of Canada

JANUARY 25

- 9:30 a.m.: Axcan Pharma Inc.: special meeting of shareholders to vote on acquisition by TPG Capital and its affiliates

JANUARY 28

- 10 a.m. ET: Dara Biosciences, Inc.: special meeting of shareholders to vote on merger with Point Therapeutics, Inc.

JANUARY 29

- 10 a.m. ET: Point Therapeutics, Inc.: special meeting of shareholders to vote on merger with Dara BioSciences, Inc.

JANUARY 30

- McLeodUSA Inc.: special meeting of stock-

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Prospect News

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Ambac plunges on funding plan; shareholder re-revolt re-lifts Mercer; Quebecor dives on financing failure

By Paul A. Harris

St. Louis, Jan. 16 – News from the monoline sector remained negative on Wednesday as **Ambac Financial Group, Inc.** announced a capitalization plan which includes a \$1 billion minimum preferred deal. However a source on the Street heard that Berkshire Hathaway is going to invest in the preferred.

Meanwhile a minority stakeholder in **Mercer International Inc.** relaunched a revolt that was initially undertaken in mid-December. As was the case in December, the Mercer share price got a boost.

And **Quebecor World** shares continued to plummet on news that the Canadian printer failed to come up with new bank financing – putting it on track for bankruptcy in the view of many in the market. However in after-hours trading the company was heard to have agreed to rescue financing, and the stock was up a

little.

Markets remain volatile

The major stock indexes got another bumpy ride on Wednesday, as the Labor Department reported that consumer prices rose in 2007 at the fastest pace in 17 years: 4.1%, up from 2006's 2.5%. Energy and food prices saw their biggest increases since 1990.

The Dow Jones Industrial Average lost 34.95, down 0.28%, to close at 12,466. The Nasdaq fell by 23.00, down 0.95%, to close at 2,395. And the S&P 500 was down 7.75, 0.56%, to close at 1,373.

Ambac hit on fund raising

In a move that was seen as highly dilutive to shareholders, Ambac (NYSE: ABK) announced a capitalization strategy that includes a \$1 billion minimum preferred deal and a truncated quarterly dividend.

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K Capital seeks changes to 'ineffective' Sun-Times board of directors

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Sun-Times Media Group, Inc.** investors led by K Capital Partners, LLC called on majority shareholder Hollinger Inc. and special monitor Richard C. Breeden to make changes to the company's board of directors.

K Capital sent separate letters to

Hollinger and Breeden on Jan. 15. The letters were included as part of a schedule 13D filing with the Securities and Exchange Commission.

In its letter to G. Wesley Voorheis, a director of Sun-Times and a director of Hollinger, K Capital expressed frustration with the current 11-member board.

"This large, ineffective board is a

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holders to vote on merger with Paetec Holding Corp.

- Paetec Holding Corp.: special meeting of stockholders to vote on merger with McLeodUSA Inc.

FEBRUARY 5

- 11 a.m. ET: Aldabra 2 Acquisition Corp.: special meeting of shareholders to vote on proposed acquisition of Boise Cascade, LLC's packaging and paper manufacturing businesses

FEBRUARY 6

- 10 a.m. ET: Radiation Therapy Services, Inc.: special meeting of stockholders to vote on merger with Vestar Capital Partners
- 4 p.m. ET: Commerce Bancorp, Inc.: special meeting of shareholders to vote on acquisition by Toronto-Dominion Bank

FEBRUARY 7

- 11 a.m. ET: National Energy Group, Inc.: special meeting of stockholders to vote on liquidation and dissolution of the company

FEBRUARY 12

- 10 a.m. ET: Great Lakes Bancorp. Inc.: special meeting of stockholders to vote on merger with First Niagara Financial Group, Inc.
- 3 p.m. ET: Virginia Financial Group, Inc.: special meeting of stockholders to vote on merger with FNB Corp.
- Midnight ET: Sun Capital Securities Group, LLC tender offer for Kellwood Co. ends

FEBRUARY 13

- 10 a.m. ET: American Bank Note Holographics, Inc.: special meeting of stockholders to vote on acquisition by JDS Uniphase Corp.
- 10 a.m. ET: American Financial Realty Trust: special meeting of shareholders to vote on merger with Gramercy Capital Corp.
- 10:30 a.m. ET: Gramercy Capital Corp.: special meeting of shareholders to vote on merger with American Financial Realty Trust
- 5 p.m.: LookSmart, Ltd. modified Dutch auction self-tender offer ends

FEBRUARY 21

- 11 a.m. ET: MarkWest Energy Partners, LP: special meeting of shareholders to vote on merger with MarkWest Hydrocarbon, Inc.
- Noon ET: MarkWest Hydrocarbon, Inc.: special meeting of shareholders to vote on merger with MarkWest Energy Partners, LP

FEBRUARY 27

- 9 a.m. ET: Regeneration Technologies, Inc.: special meeting to vote on merger with Tutogen Medical, Inc.
- 9 a.m. ET: Tutogen Medical, Inc.: special meeting to vote on merger with Regeneration Technologies, Inc.

MARCH 14

- 5 p.m. ET: Roche tender offer for Ventana Medical Systems, Inc. ends.

FIRST QUARTER 2008

- 3Com Corp.: acquisition by Bain Capital Partners, LLC
Announced: Sept. 28
Expected closing: First quarter of 2008

- Alabama National Bancorporation: acquisition by RBC Centura Banks, Inc.

Announced: Sept. 6
Expected closing: Early 2008

- Alcan Inc.: acquisition by Rio Tinto
Announced: July 12
Expected closing: Fourth quarter of 2007

- Alliance Data Systems Corp.: acquisition by Blackstone Group
Announced: May 17, 2007
Expected closing: Fourth quarter of 2007

- American Bank Note Holographics, Inc.: acquisition by JDSU Uniphase Corp.
Announced: Dec. 11
Expected closing: By March 31

- American Financial Realty Trust: acquisition by Gramercy Capital Corp.
Announced: Nov. 5
Expected closing: First quarter of 2008

- ASE Test Ltd.: acquisition by Advanced Semiconductor Engineering, Inc.
Announced: Sept. 4
Expected closing: December 2007

- A.S.V., Inc.: acquisition by Terex Corp.
Announced: Jan. 14
Expected closing: First quarter of 2008

- Bolnisi Gold NL and Palmarejo Silver and Gold Corp.: acquisition by Coeur d'Alene Mines Corp.
Announced: May 3, 2007
Expected closing: Fourth quarter of 2007

- Bradley Pharmaceuticals, Inc.: acquisition by Nycomed US Inc.
Announced: Oct. 30
Expected closing: First quarter of 2008

- Business Objects SA: acquisition by SAP AG
Announced: Oct. 8
Expected closing: First quarter of 2008

- Carolina National Corp.: acquisition by First National Bancshares, Inc.
Announced: Aug. 27
Expected closing: First quarter of 2008

- Chittenden Corp.: acquisition by People's United Financial, Inc.
Announced: June 27, 2007
Expected closing: First quarter of 2008

- Clear Channel Communications, Inc. Television Group: acquisition by Providence Equity Partners Inc.
Announced: April 20, 2007
Expected closing: First quarter of 2008

- Cognos Inc.: acquisition by IBM Corp.
Announced: Nov. 12
Expected closing: First quarter of 2008

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- Coley Pharmaceutical Group, Inc.: acquisition by Pfizer Inc.
Announced: Nov. 16
Expected closing: Early 2008
- Community Bank & Trust Co.: acquisition by Chittenden Corp.
Announced: June 4, 2007
Expected closing: Fourth quarter of 2007
- Cumulus Media Inc.: acquisition by investor group led by Lewis Dickey and Merrill Lynch Global Private Equity
Announced: July 23
Expected closing: Early 2008
- Document Sciences Corp.: acquisition by EMC Corp.
Announced: Dec. 27
Expected closing: First quarter of 2008
- E-Z-EM, Inc.: acquisition by Bracco Diagnostics Inc.
Announced: Oct. 30
Expected closing: Early 2008
- Electronic Clearing House Inc.: acquisition by Intuit Inc.
Announced: Dec. 19
Expected closing: First quarter of 2008
- First Charter Corp.: acquisition by Fifth Third Bancorp
Announced: Aug. 16
Expected closing: First quarter of 2008
- First Consulting Group Inc.: acquisition by Computer Sciences Corp.
Announced: Oct. 31
Expected closing: First quarter of 2008
- Genesco Inc.: acquisition by the Finish Line, Inc.
Announced: June 18, 2007
Expected closing: Fall of 2007
- Genesis Microchip Inc.: acquisition by STMicroelectronics NV
Announced: Dec. 11
Expected closing: First quarter of 2008
- Genlyte Group Inc.: acquisition by Philips Holdings USA Inc.
Announced: Nov. 26
Expected closing: First quarter of 2008
- Goodman Global, Inc.: acquisition by Hellman & Freidman LLC affiliates
Announced: Oct. 22
Expected closing: First quarter of 2008
- Great Lakes Bancorp, Inc.: acquisition by First Niagara Financial Group Inc.
Announced: Sept. 10
Expected closing: First quarter of 2008
- Harrah's Entertainment, Inc.: acquisition by Apollo Management and Texas Pacific Group
Announced: Dec. 19, 2006
Expected closing: Early 2008
- Image Entertainment, Inc.: acquisition by BTP Acquisition Co., LLC
Announced: March 30, 2007
Expected closing: Jan. 14
- Infocrossing, Inc.: acquisition by Wipro Technologies
Announced: Aug. 6
Expected closing: Fourth quarter of 2007
- InfoSpace, Inc.'s online directory business: acquisition by Idearc Inc.
Announced: Sept. 17
Expected closing: End of 2007
- KNBT Bancorp: acquisition by National Penn Bancshares, Inc.
Announced: Sept. 7
Expected closing: Feb. 1
- Lifecore Biomedical, Inc.: acquisition by Warburg Pincus
Announced: Jan. 15
Expected closing: First quarter of 2008
- MarkWest Hydrocarbon, Inc.: acquisition by MarkWest Energy Partners, LP
Announced: Sept. 6
Expected closing: Late 2007 or early 2008
- Metal Management, Inc.: acquisition by Sims Group Ltd.
Announced: Sept. 24
Expected closing: First quarter of 2008
- MGI Pharma, Inc.: acquisition by Eisai Co., Ltd.
Announced: Dec. 10
Expected closing: First quarter of 2008
- MidWestOne Financial Group, Inc.: acquisition by ISB Financial Corp.
Announced: Sept. 12
Expected closing: First quarter of 2008
- Navteq Corp.: acquisition by Nokia Corp.
Announced: Oct. 1
Expected closing: First quarter of 2008
- NetManage, Inc.: acquisition by Rocket Software, Inc.
Announced: Dec. 17
Expected closing: February 2008
- Nextest Systems Corp.: acquisition by Teradyne, Inc.
Announced: Dec. 12
Expected closing: First quarter of 2008
- Oglebay Norton Co.: acquisition by Carmeuse North America
Announced: Oct. 12
Expected closing: By end of 2007
- Pavilion Bancorp, Inc.: acquisition by First Defiance Financial Corp.
Announced: Oct. 4
Expected closing: First quarter of 2008
- PDL BioPharma, Inc.: acquisition of IV Busulfex (busulfan) drug by Otsuka Pharmaceutical Co., Ltd.
Announced: Dec. 17
Expected closing: First quarter of 2008

Ambac plunges on funding plan; shareholder re-revolt re-lifts Mercer; Quebecor dives on financing failure

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In a press release the bond insurer announced that its board approved issuance of at least \$1 billion of equity and equity-linked securities, including possible additional capital from reinsurance or issuance of debt securities.

Ambac said that it is committed to maintaining its triple-A ratings, adding that it will reduce its quarterly dividend to \$0.07 from \$0.21 per share.

The company also estimated that it lost a pre-tax amount of \$5.4 billion for the quarter that ended on Dec. 31, 2007. Approximately \$1.1 billion of that amount represents estimated credit impairment related to collateralized debt obligations (CDOs) based on asset-backed securities transactions. These transactions are backed primarily by mezzanine level subprime residential mortgage-backed securities that have been internally downgraded to below investment grade.

Ambac also expects to report a loss of \$143 million, pre-tax, relating primarily to its underperforming home equity line of credit and closed-end second lien RMBS securitizations.

As a result of the losses, Ambac expects to report a net loss per share of up to \$32.83 for the fourth quarter of 2007. Ambac expects to report operating losses per share of up to \$5.80 for the fourth quarter primarily as a result of the losses on CDOs and home equity line of credit transactions.

One market source told Prospect News that Ambac's capitalization strategy is "highly dilutive," with respect to shareholders, but added that the system can't tolerate a downgrade of the monolines, such as MBIA and Ambac.

An analyst who covers financials agreed.

This source reported hearing rumors that Berkshire Hathaway going to invest in the Ambac preferred.

Ambac shares fell \$8.17 on Wednesday, down 38.65%, to close at \$12.87.

Meanwhile shares of bond insurer **MBIA Inc.** dropped \$2.65, or 16.51%, to close at \$13.40.

Revolt revives at Mercer

Elsewhere on Wednesday Hong Kong-based Mass Financial Corp., a minority stakeholder in Mercer International (Nasdaq: MERC), re-launched a shareholder revolt which an analyst in the pulp and paper sector described as basically a rejuvenation of a revolt that Mass Financial launched back in mid-December.

The results, in terms of Mercer's share price, were similar in both instances. On Wednesday the common shares closed at \$8.03, up \$0.60 (8.08%), on volume of 444,218 versus average volume of 229,000.

On Dec. 19, trailing the initial Mass Financial-led revolt, the stock rose \$0.65 (9.1%) on the day to close at \$7.77, on volume of 528,400.

In its Wednesday press release, the Mass Financial-led Mercer Shareholders Committee announced that its mandate will be to unlock the value of the Mercer's common shares by requesting drastic corporate changes within Mercer, and to either have the company sold or create a joint venture with a strategic investor to realize the highest value for the shareholders.

Based on published reports, the committee continued, several investment bankers believe that Mercer is worth between \$11.50 and \$13.50 a share.

Mercer's present management and board of directors have little or no investment in the company, and therefore no real incentive to achieve maximum shareholder value, the press release added.

Mercer's mill at Stendal, Germany, has a 29.42% minority shareholder that is a private equity firm which has stated that it just wants to sell its shares. This mill produces approximately 45% of Mercer's entire production, and Mercer's chairman stated that the company does not wish to purchase this shareholding. The committee

said it believes this position should be acquired, and some of its members are willing to discuss financing the project.

The committee is requesting that Mercer hire an independent, qualified investment banking firm to complete this action – not RBC Dominion Securities Inc., which the committee believes is conflicted – and if Mercer chooses not to do so, the committee will.

"With pulp now selling at a 12-year high, it is time for action," the committee asserted.

In a document which Mercer filed on Dec. 18, following the first letter from Mass Financial, the company wrote: "Your letter states Mass owns 700,000 shares of Mercer. We expect this position was acquired sometime after October 2006 from a wholly owned subsidiary of KHD Humboldt Wedag International Ltd. ... These shares were initially issued by Mercer to an MFC affiliate in consideration for purchasing its 7% interest in the Stendal pulp mill in Germany (the "Stendal Minority Acquisition") in late 2006. We expect such MFC affiliate has now somehow subsequently transferred the same to Mass. In any event, the Stendal Minority Acquisition was negotiated and settled directly with you and I am surprised that you now choose to voice concerns regarding Mercer's capital structure, given that you were fully aware of the same at the time that all relevant investment decisions were made and that you are the senior executive, director and chairman of both MFC and Mass."

The analyst from the pulp and paper space who spoke with Prospect News on Wednesday said that Mass Financial holds 2% of Mercer's stock.

The analyst declined to take issue with the shareholder committee's assertion that financial analysts value Mercer stock at between \$11.50 and \$13.50 a share.

"I sort of thought the stock was cheap for a while. But it doesn't necessarily mean that the company isn't doing the right

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things," the analyst said. "The markets are fickle.

"And I think the perception on the Street is that this is a pretty good company.

"Investors I've talked to haven't been concerned about management at all. Management is pretty solid.

"Concerns among investors have to do with Mercer being a one-trick pony, it's a commodity business and it's cyclical.

"So things could get worse.

"The grade of pulp they make has been extremely strong for the past two years. And the thing that has shareholders upset is that the stock has not outperformed given the strength of the grade of commodity they produce.

"But their costs have gone up substantially. One of the reasons the selling price has risen so much is that costs are pushing that price up.

"They are not earning massively bigger margins.

"I don't think management has done a terrible job."

This analyst said that the shareholder committee's initiative could conceivably represent good news for Mercer's bondholders, adding that the bonds, now trading in the 80s, failed to move along with Mercer's shares on Wednesday.

"The bonds have a change of control provision at par," the analyst said, relating that at least one Mercer bondholder made a call on Wednesday to cheer on the revolt.

"Will a change of control happen because of this small shareholder revolt?" the analyst asked, rhetorically.

"I don't think so. But it doesn't hurt that there is someone out there making this noise."

Quebecor falls on bankruptcy fears

Meanwhile Quebecor shares continued their free fall on Wednesday, trailing news that the Canadian commercial printing giant, whose products include Marvel and DC comics, failed to meet a key Tuesday night deadline to come up with \$125 million of new financing.

Quebecor's shares fell \$0.32 on the day to close at \$0.19, down 62.75%, on volume of 9.96 million shares, versus an average volume of 649,000 shares.

A market source, pointing out that the sell-off is a reflection of shareholder fears that its banks might force Quebecor to seek protection from its creditors in bankruptcy court, commented that the company has been hurt by the fall of the U.S. dollar versus the Canadian dollar.

Meanwhile, well after Wednesday's close, several blogs were reporting that Quebecor World accepted C\$400 million of "rescue financing" from Quebecor Inc. and Tricap Partners Ltd. The company subsequently reported that it has negotiated more time to wrap up the financing.

Just before 8 p.m. ET the stock was

up \$0.03, at \$0.22 per share in after hours trading.

BEA up on 'acquisition' news

Shares of **BEA Systems, Inc.** (Nasdaq: BEAS) rose 18.49% Wednesday on news that **Oracle Corp.** (Nasdaq: ORCL) and BEA have entered into a definitive agreement under which Oracle will acquire all outstanding shares of BEA for \$19.375 per share in cash.

The offer is valued at approximately \$8.5 billion, or \$7.2 billion net of BEA's cash on hand of \$1.3 billion.

"We expect this deal to be accretive to Oracle's earnings by at least one to two cents on a non-GAAP basis in its first full year after closing," Oracle president and CFO Safra Catz stated in a Wednesday press release.

The board of directors of BEA has unanimously approved the transaction which is expected to close by mid-2008, subject to BEA stockholder approval, regulatory approvals and customary closing conditions.

BEA shares closed Wednesday at \$18.46, up \$2.88 on the day, on volume of 198.85 million shares, versus average volume of 7.23 million shares.

Meanwhile Oracle stock closed at \$21.92 per share, up \$0.61 (2.85%) on volume of 76,869,356 shares, versus average volume of 38,914,000.

Mercer Shareholders Committee says it's time for action, including a sale of the company

By Lisa Kerner

Charlotte, N.C., Jan. 16 – Shareholders of **Mercer International Inc.** formed the Mercer Shareholders Committee, it was announced on Wednesday.

The goal of the committee is to “unlock the value of ... Mercer’s common shares by requesting drastic corporate changes within Mercer, and to either have the company sold or create a joint venture with a strategic investor to realize the highest value for the shareholders,” according to a committee news release.

Based on published reports, several investment bankers believe Mercer is worth between \$11.50 and \$13.50 a share, the release stated.

The committee suggested that Mercer buy out the 29.42% minority shareholder at its mill in Stendal, Germany, which produces 45% of the company’s entire production. According to the

release, the shareholder wants to sell its shares, but the company is uninterested.

The shareholders committee said Mercer’s present management and board of directors have little or no investment in the company and no incentive to achieve maximum shareholder value.

The committee warned it may hold an auction for Mercer with or without the cooperation of the board of directors and management.

“With pulp now selling at a 12 year high, it is time for action,” the committee said in its release.

The Mercer Shareholders Committee vowed to “operate in an open and transparent manner” while providing updates to all Mercer shareholders and stakeholders.

Mercer is a pulp manufacturing company based in Vancouver, B.C.

IBM, Cognos merger on track to close in first quarter

By Lisa Kerner

Charlotte, N.C., Jan. 16 – The Ontario Superior Court of Justice issued a final order approving **International Business Machines Corp.’s** acquisition of **Cognos Inc.**, the companies announced on Wednesday.

IBM agreed to acquire Cognos in an all-cash transaction valued at \$4.9 billion as part of its Information on Demand strategy.

Cognos shareholders approved the deal at a special meeting on Jan. 14.

The transaction is expected to be completed during the first

quarter, according to a company news release.

In September, Cognos announced it would acquire Applix, Inc. for \$17.87 per share, or about \$339 million. At the time, that transaction was expected to close in the fourth quarter of 2007. Applix is a business analytics software solutions company based in Westborough, Mass.

Cognos is a business intelligence and performance management software solutions company located in Ottawa.

IBM, based in Armonk, N.Y., develops computer systems, software, storage systems and microelectronics.

K Capital seeks changes to ‘ineffective’ Sun-Times board of directors

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legacy from Sun-Times’ past and has overseen massive value destruction. Sun-Times shareholders need a break from the past,” the letter stated.

The investor recommended a smaller board with more shareholder representation and said a focus on value creation is needed to lead the company “during this critical period.”

According to the letter, Hollinger controls the voting stock of Sun-Times and therefore would need to approve a reconstitution of the board.

K Capital urged Hollinger to request that Sun-Times reduce its board to five

member and seek the election of Cyrus Freidheim Jr., Sun-Times chairman and chief executive officer; William Aziz, Hollinger chief financial officer; Graham Savage, Callisto Capital chairman; Gene Fox, Cardinal Capital Management managing director; and Jennifer Wallace, Summit Street Capital portfolio manager.

In its letter to Breeden, K Capital asked that Breeden, as special monitor to Sun-Times, support Hollinger’s request to make changes to the Sun-Times board.

K Capital manages investment funds and accounts that beneficially own about 9.7% of the outstanding stock of Sun-

Times.

It was previously reported that in December, K Capital called for certain “value enhancing actions” by Sun-Times including completion of the share repurchase program authorized in May 2006 and development of a detailed 2008 operating plan.

In addition, the investor wanted the Chicago-based newspaper company to compensate its chairman, CEO and directors of the board entirely in equity compensation, with no cash compensation.

Quebecor World extends financing deadline

New York, Jan. 16 – **Quebecor World Inc.** said it extended the deadline to meet conditions for its C\$400 million rescue financing with Quebecor Inc. and Tricap Partners Ltd.

Quebecor Inc. and Tricap have made progress on meeting the conditions and have “requested additional time to attempt to satisfy them,” Quebecor World said.

The new deadline is 9 a.m. on Jan. 20, pushed back from 9 p.m. on Jan. 16.

Quebecor World previously said it accepted the C\$400 million rescue financing proposal submitted by Quebecor Inc. and Tricap Partners, a private equity fund managed by Brookfield Asset Management Inc.

A special committee of the independent directors of Quebecor World concluded that accepting the proposal is in the best interests of the company and its stakeholders.

Under the financing, Quebecor World will receive an interim financing facility of C\$200 million, which will be made available according to the company’s cash flow needs, subject to receipt or waiver by 9 p.m. on Jan. 16 of the required consents and other agreements of the company’s lenders and the sponsors of its securitization programs, a deadline subsequently extended.

By March 31, the interim facility will be replaced by a recapitalization plan made up of C\$400 million of senior secured notes due 2012 to be issued to Quebecor Inc. and Tricap Partners and the issuance to Quebecor Inc. and Tricap Partners of subordinate voting shares representing 75% of Quebecor World’s equity on a fully diluted basis.

Completion of the plan is subject to conditions, including the approval of the financing plan by holders of certain debt securities issued by Quebecor World, the conversion of all series 5 preferred shares and series 3 preferred shares into subordinate voting shares and receipt of all required regulatory and other approvals and settlement of definitive documentation.

In addition, the rescue proposal specifically contemplates that the consent of Quebecor World’s debt securities maturing in 2008, 2013 and 2027. Quebecor Inc. and Tricap Partners have informed

Quebecor World that they intend to commence discussions with these holders immediately.

Quebecor Inc. is the controlling shareholder of Quebecor World, with 84.5% of the voting interests and 35.5% of the equity interests in the company.

Quebecor World also said it has asked its lenders and sponsors to extend the waivers until Jan. 21 the deadline for receiving \$125 million of new financing.

Quebecor World also previously said it did not make the \$19.5 million coupon payment due Jan. 15 on its \$400 million 9¾% senior notes due 2015.

The Montreal-based company has a 30-day grace period before a default occurs.

Quebecor also said that it did not meet the Jan. 15 deadline to raise \$125 million of new financing as required by the terms of the waivers from its banking syndicate and the sponsors of its securitization program.

The failure does not automatically result in the termination of the banking syndicate’s waiver or an acceleration of the maturity of indebtedness under the company’s credit facilities or a cross-default on other financial instruments, Quebecor World said.

Termination, acceleration or default would require formal notification from a majority of the banking syndicate to Quebecor World.

However the sponsors are entitled to terminate the securitization program.

Quebecor World said it has requested a one week waiver to help a rescue financing currently being put in place but has refused to pay “the significant waiver costs” requested by the banks, saying it believes it must preserve cash.

Instead it has renewed its request for “a suitable waiver.”

Montreal-based Quebecor World provides marketing and advertising solutions to retailers, catalogers, branded-goods companies and other businesses, as well as complete, full-service print solutions for publishers.

Tousa misses Jan. 15 interest payment on 7½% senior subordinated notes

By *Caroline Salls*

Pittsburgh, Jan. 16 – **Tousa, Inc.** missed the semiannual interest payment due Jan. 15 on its \$200 million principal amount of 7½% senior subordinated notes due 2015, according to an 8-K filed with the Securities and Exchange Commission.

The company has 30 days to make the interest payment before a default occurs.

As previously disclosed, the company is considering its restructuring alternatives.

Tousa also missed the interest payment due Jan. 1 on its \$300 million in 9% senior notes due 2010 and \$185 million in 10 3/8% senior subordinated notes due 2012.

Tousa is a Hollywood, Fla.-based homebuilder.

Ambac aims to raise \$1 billion, will lower dividend under capital-enhancement plan

By Lisa Kerner

Charlotte, N.C., Jan. 16 – The board of directors of **Ambac Financial Group, Inc.** approved a capital-enhancement plan to raise more than \$1 billion through the issuance of equity and equity-linked securities.

The plan may also include additional capital from reinsurance or issuance of debt securities, a company news release stated.

As part of the capital initiative, Ambac will reduce the quarterly dividend on its common stock to \$0.07 per share from \$0.21.

Ambac expects to “meet or exceed” Fitch Ratings’ current triple-A capital requirements by raising the capital.

The company’s current capital position meets or exceeds the triple-A capital requirements of Standard & Poor’s and Moody’s Investors Service.

In addition to its plan to raise capital, Ambac announced:

- The naming of presiding director Michael A. Callen as chairman and interim chief executive officer, replacing Robert J.

Genader who is retiring effective Wednesday;

- A \$5.4 billion pre-tax fair value, or “mark-to-market,” loss for the quarter ended Dec. 31;
- An expected net loss per share of up to \$32.83 for the fourth quarter ended Dec. 31; and
- An earlier announcement date for fourth-quarter results, which will be reported on Jan. 22 at 6 a.m. ET rather than Jan. 30 as previously expected.

“We are optimistic about the long-term business opportunities ahead for Ambac, even as we respond to the volatility in the present credit market,” Callen said in the release.

“We expect that our experienced management team, significant size and scale, and expertise in growing market sectors such as global infrastructure finance will help us tap the potential of the market today and into the future.”

Ambac, a New York-based holding company, has subsidiaries that provide financial guarantee products and related services.

Hillenbrand’s spinoff of medical technology business closer to completion with SEC filing

By Lisa Kerner

Charlotte, N.C., Jan. 16 – The separation of **Hillenbrand Industries, Inc.’s** Hill-Rom operating company from its Batesville Casket operating company is now expected to be completed March 31.

Hillenbrand filed the amendment to the Batesville Holdings, Inc. form 10 registration statement with the Securities and Exchange Commission, a company news release stated.

With the separation, Hill-Rom and Batesville Casket can adopt appropriate capital structures to better execute their business plans, Hillenbrand said previously.

After discussions with the SEC, Hillenbrand determined that the statement of financial accounting standards no. 5, accounting for contingencies, is “an acceptable post separation accounting treatment for a judgment sharing agreement” with the separated companies.

The judgment sharing would be in regards to antitrust litigation pending against Hillenbrand, its Batesville Casket subsidiary and three unrelated national funeral home businesses, according to the

release.

Hillenbrand and Batesville Casket don’t believe they have committed any wrongdoing as the lawsuits allege.

“We are pleased to take this next step toward the separation of the two companies and provide further clarity on our separation timetable,” Hillenbrand president Peter H. Soderberg said in the release.

“Our board and our management believe that separation of the two companies is the best way to unlock value and allow each company to focus on accelerating growth in their respective industries.”

In May 2007, Hillenbrand’s board approved a plan to spin off the company’s Hill-Rom medical technology business through a tax-free dividend of its shares to Hillenbrand shareholders.

As previously reported, Batesville Casket would become the sole operating unit of Hillenbrand, remaining publicly traded under the Hillenbrand Industries name.

Hillenbrand is a Batesville, Ind.-based provider of medical technologies and funeral service products.

Tender offer for MGM Mirage increased to 15 million shares at set price of \$80

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **MGM Mirage** and **Dubai World** increased their offer to buy MGM Mirage shares to 15 million from 10 million shares.

In addition, the tender price was increased to \$80.00 per share from the previously announced price range of \$75.00 to \$80.00 per share, according to a company news release.

The new offer price is a 20.4% premium over MGM Mirage's closing stock price of \$66.47 on Jan. 15.

Of the shares tendered and accepted for purchase in the offer, MGM Mirage will purchase up to 8.5 million shares while Dubai World will purchase up to 6.5 million shares.

Tracinda Corp., beneficial owner of 153,837,330 shares of MGM Mirage common stock, said it will not tender any shares.

Dubai World, through its affiliates Infinity World (Cayman) LP and Infinity World Investments LLC, is the beneficial owner of 19,548,838 shares of MGM Mirage common stock.

Infinity World (Cayman) is expected to bid on behalf of Dubai World.

The tender offer allows MGM Mirage stockholders to tender some or all of their shares at the fixed price of \$80.00 per share.

If more than 15 million shares are tendered, MGM Mirage and Infinity World will purchase shares on a pro rata basis, the release stated.

The offer is not contingent on financing or a minimum number of shares being tendered.

It was previously reported that Dubai World will invest some \$5 billion in MGM Mirage under a definitive agreement signed by the companies. The investment, part of a long-term strategic relationship, includes a \$2.7 billion investment in the Las Vegas development project CityCenter and up to \$2.4 billion in purchases of MGM Mirage common stock.

MGM Mirage is a Las Vegas gaming company.

Crescendo Investments continues to invest in Mothers Work

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Mothers Work, Inc.** investors led by Crescendo Investments II, LLC bought an additional 65,400 shares of the company's stock, raising their ownership of the company to 11.4% from 10.3%.

The shares were purchased between Jan. 10 and Jan. 14 priced between \$14.93 and \$15.50 each, according to a schedule 13D filing with the Securities and Exchange Commission.

The investors own 678,382 shares of the Philadelphia maternity wear retailer's outstanding stock.

WCI Communities amends loans to reduce commitment, increase pricing

By Caroline Salls

Pittsburgh, Jan. 16 – **WCI Communities, Inc.**'s senior lenders have agreed to amendments to the company's senior secured revolving credit agreement and term loan agreement that will give the company greater operating and financial flexibility to continue to manage its business during an industry downturn, according to a company news release.

Specifically under the amended loan

agreements, the total commitment available under the revolver and the outstanding amount of the term loan was reduced and a portion of the revolver was converted to non-revolving status.

WCI said it also agreed to increase the pricing on the loans.

In addition, some of the covenants contained in the loan agreement have been modified, suspended or waived.

The amendments run through June 30,

2009, the release said.

"The company remains focused on generating cash flow to reduce debt and strengthen its balance sheet," president and chief executive officer Jerry Starkey said in the release.

"We continue to aggressively reduce overhead and search for avenues to lower our cost of doing business."

WCI is a Bonita Springs, Fla., builder of master-planned lifestyle communities.

Acquisition of BEA to extend Oracle's Fusion middleware software suite; Icahn weighs in on deal

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Oracle Corp.** agreed to acquire all outstanding shares of **BEA Systems, Inc.** for \$19.375 cash per share.

The deal is valued at about \$8.5 billion, or \$7.2 billion net of BEA's cash on hand of \$1.3 billion.

BEA's board has unanimously approved the transaction which is slated to close by mid-2008.

The deal is expected to be accretive to Oracle's earnings by at least 1 to 2 cents on a non-GAAP basis in its first full year after closing.

It was previously reported that BEA refused an earlier Oracle offer of \$17.00 per share, believing it to be too low, and said it was seeking an offer of at least \$21.00 per share.

"The addition of BEA products and technology will significantly enhance and extend Oracle's Fusion middleware software suite," Oracle chief executive officer Larry Ellison said in a company news release.

"This transaction will accelerate the adoption of Java-based middleware technologies and SOA; advance innovation in enterprise applications infrastructure software; extend our strategic relationships with customers and partners; and increase our penetration in key regions like China," Oracle president Charles Phillips added.

Affiliates of Carl C. Icahn, holding some 13% of BEA's common stock, agreed to vote their BEA shares in favor of the

merger.

In November, Icahn entered into a confidentiality agreement with BEA. The activist had urged BEA to avoid a proxy fight with Oracle by conducting an auction process and letting shareholders decide the fate of the company.

Regarding the proposed acquisition of BEA by Oracle, Icahn said in a statement, "This transaction is an excellent example of the great results that can be achieved for all constituencies when the shareholder activist is able to work cooperatively with management."

BEA Systems is based in San Jose, Calif., and makes enterprise application and service infrastructure software.

Oracle is a Redwood City, Calif.-based enterprise software company.

Acquirer:	Oracle Corp.
Target:	BEA Systems, Inc
Announcement date:	Jan. 16
Transaction total:	\$8.5 billion
Price per share:	\$19.375
Expected closing:	Mid-2008
Stock price of target:	Nasdaq: BEAS: \$15.58 on Jan. 15

Shamrock reports 6.63% stake in Panera Bread

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Panera Bread Co.** investors led by Shamrock Activist Value Fund, LP upped their stake in the company to 6.63% from 5.46% with the purchase of an additional 360,000 shares of the company's stock for about \$12.55 million.

The shares were acquired between Dec. 14 and Jan. 9 priced from \$31.53 to \$36.89 each, according to a schedule 13D filing with the Securities and Exchange Commission.

The investors beneficially own 2,046,400 shares of Panera's outstanding stock.

In a prior SEC filing, Shamrock urged Panera to declassify its staggered board, expand the board to include new members with relevant experience and separate the chairman and chief executive officer roles.

Panera, based in Richmond Heights, Mo., franchises bakery-cafes.

Roche extends tender offer for Ventana to March

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Roche** extended its offer to acquire all of the outstanding common shares of **Ventana Medical Systems, Inc.** to 5 p.m. ET on March 14 from 5 p.m. ET on Jan. 17.

About 62,401 shares, or less than 0.2% of Ventana's some 25 million outstanding shares, had been tendered as of the close of business on Jan. 16, according to a Roche news release.

All other terms and conditions of the offer remain unchanged.

Ventana, in response to the fifth extension of the unsolicited tender offer, said its board continues to recommend that stockholders not tender any of their shares to Roche at the "inadequate price."

"Our discussions with Roche under the confidentiality agreement are progressing, and we remain committed to providing superior value to our investors," Ventana president and chief executive officer Christopher Gleeson said in a statement released on Wednesday.

Discussions between Ventana and Roche continue under the confidentiality agreement executed on Nov. 13, which allowed Roche to begin due diligence.

On June 27, 2007 Roche began a \$75-per-share tender offer for Ventana. The offer was originally slated to end on July 26.

Ventana is a medical device company located in Tucson, and Roche is a Basel, Switzerland-based pharmaceutical and diagnostics company.

Lawndale Capital takes issue with 'manipulation' of Sparton pension plan by CEO, board members

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Sparton Corp.** investors led by Lawndale Capital Management, LLC believe the company's current stock price "fails to reflect the value of Sparton's defense and niche EMS businesses, largely because of inadequate corporate governance practices that have effectively entrenched Sparton's underperforming management team."

Lawndale made its claims in a Jan. 11 letter to the company's board of directors included in a schedule 13D filing with the Securities and Exchange Commission.

According to the filing, Lawndale owns 960,460 shares, or 9.8% of the company, making it Sparton's largest independent shareholder.

Lawndale cited what it called the "manipulation" of Sparton's defined benefit pension plan assets through their over-allocation to Sparton stock rather than through proper diversification. The investor blamed chief executive officer and plan trustee David Hockenbrocht, as well as the board of directors, for their poor decision making in this regard.

As a result, plan beneficiaries "have seen the value of their plan swing from a sizeable surplus in 2000 to a potentially significant deficit today," the letter stated.

"We remain deeply disappointed that, despite the fact that we raised these exact issues in communications to the board on May 4, 2007 and again on Oct. 9, 2007, the board has taken no visible

action," the letter said.

The investors believe there may be personal liability to the board for wrongful behavior, including:

- ERISA 404 violation – improper voting of Sparton stock against beneficiaries' best interests;
- ERISA 404 violation – maintaining an undiversified portfolio; and
- ERISA 407 violation – over-allocation to Sparton stock while insiders sold their own shares.

Lawndale said the Sparton board must take remedial action immediately and recommended replacing Hockenbrocht with an independent trustee to oversee the plan's voting and investment decisions.

The investor would also like to see a full independent investigation of violations of ERISA and fiduciary duties of management and board members followed by remedies and prevention of future violations.

In addition, Lawndale urged formation of a special committee of independent directors "to hire reputable advisors to analyze and recommend alternatives, including the sale of the company, to maximize share value for all shareholders, including the plan."

Sparton and its subsidiaries provide electronic manufacturing services for government and commercial customers. The company is based in Jackson, Mich.

Pershing reports economic exposure to 12.63% of Target stock

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Target Corp.** investors led by Pershing Square Capital Management, LP reported it now has economic exposure to 104,916,080 shares, or 12.63%, up from 104,701,613 or 12.6% previously reported.

The investors said they have contractual agreements with 10 broker-dealer counterparties with regard to stock- and cash-settled call options and/or cash-settled total return swaps referring to Target's common stock.

Pershing reported the purchase of 3,865,100 shares of Target stock between Jan. 11 and Jan. 15, priced between \$49.95 and \$50.49 for a total of \$193,579,819.

The investor sold 6,150,633 American-style call options

between Jan. 11 and Jan. 15 for a total trade amount of \$54,324,214. Strike price for the options was \$48.5612 and the expiration date is Oct. 17, 2008.

Pershing bought cash-settled equity swaps giving economic exposure to 2.5 million shares between Jan. 4 and Jan. 11 for a total trade amount of \$125,524,450. The unit prices ranged from \$49.3256 to \$51.2082. The swaps expire on July 31, 2009, according to a schedule 13D filing with the Securities and Exchange Commission. Pershing Square says it has no beneficial ownership in the underlying securities since it does not control voting.

The investors beneficially own 80,511,667 shares or 9.69% of Minneapolis-based retailers' outstanding stock.

Shamrock buys more shares of Websense

By Lisa Kerner

Charlotte, N.C., Jan. 16 – Investors led by Shamrock Activist Value Fund, LP continued to build their stake in **Websense Inc.** with the purchase of an additional 547,500 shares of the company's stock.

With the purchase, the investors increased their stake in the company to 7.30% from 6.09%.

The shares were purchased between Dec. 14 and Jan. 15 for about \$9.2 million, or an average of \$16.80 per share, according to a schedule 13D filing with the Securities and Exchange Commission.

Shamrock beneficially owns 3,311,965 shares of the San Diego web filtering solutions company.

CtW Investment seeks accountability from Merrill Lynch directors for shareholders' mortgage-related risk

By Lisa Kerner

Charlotte, N.C., Jan. 16 – CtW Investment Group wants four **Merrill Lynch & Co., Inc.** directors to explain what they did to protect shareholders from excessive mortgage-related risk over the past two years, according to a statement released on Wednesday.

The four directors, all members of the finance committee, are Alberto Cribiore, John D. Finnegan, Ann N. Reese and Charles O. Rossotti. None of the finance committee members are up for election this year due to Merrill Lynch's classified board.

"Merrill Lynch's appalling failure to manage risk destroyed 43% of the firm's value in one year and contributed to a broader crisis of confidence now afflicting the financial markets," CtW executive director William Patterson said in a news release.

"Former CEO Stanley O'Neal's unceremonious departure does not absolve the board from ultimate responsibility."

This proxy season, CtW said, shareholders will be demanding accountability, beginning with individual directors.

CtW said it will encourage shareholders to withhold votes from Armando Codina, chair of the nominating committee that appointed finance committee members and "insulated them from accountability to shareholders by maintaining a staggered board."

Patterson added that Merrill's board failed to prevent the company from "excessive risk as it plunged headlong into complex mortgage-related debt."

Merrill also failed to monitor O'Neal, who implemented the risky strategies and created the chief risk officer position too late, according to the release.

CtW has already sought similar accountability from five Citigroup Inc. directors.

Special Situations News

Cibelli reports owning more than 2.6 million shares of Dover Motorsports

By Lisa Kerner

Charlotte, N.C., Jan. 16 – Investors led by Cibelli Capital Management, LLC bought 177,958 shares of **Dover Motorsports, Inc.** stock between Nov. 13 and Jan. 15 priced from \$6.29 to \$6.75 each, according to a schedule 13D filing with the Securities and

Exchange Commission.

With the purchase, the investors increase their ownership of the Dover, Del., motorsports marketing company to 2,660,007 shares, or 15.96%, from 2,482,049 shares, or 14.89%.

ValueAct ups stake in Equifax with purchase of 1.9 million shares

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Equifax, Inc.** investors led by ValueAct Capital Master Fund, LP purchased an additional 1.9 million shares of the company's stock, upping their stake in the company to 7.2% from 5.3%.

The shares were acquired between Jan. 8 and Jan. 15 priced from \$32.63 to \$33.83 each, according to a schedule 13D filing

with the Securities and Exchange Commission.

The investors own 9,548,768 shares of the Atlanta-based company.

Equifax is an information technology provider that collects and organizes credit, financial, public record, demographic and marketing information on individuals and businesses.

Blum Capital buys 1.5 million shares of Electronics for Imaging

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Electronics for Imaging, Inc.** investors led by Blum Capital Partners, LP purchased 1.5 million shares of the company's stock between Jan. 10 and Jan. 15.

The shares were priced from \$12.83 to \$13.19 each, according to a schedule 13D filing with the Securities and Exchange Commission.

The investors beneficially own 4,382,111 shares, or 7.7%, of the Foster City, Calif., digital controller manufacturer.

On Dec. 31, the reporting persons distributed 343,241 shares of common stock to limited partners in two of the limited partnerships for which Blum LP serves as the general partner and transferred 1,497 shares of common stock to Blum LP, the filing stated.

Gamco-led investors own 6.38% of Ingles Markets

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Ingles Markets, Inc.** investors led by Gamco Asset Management Inc. and Gabelli Funds, LLC boosted their ownership of the company's stock to 6.38% from 5.36% with the purchase of an additional 112,500 shares between Nov. 28 and Jan. 14.

The shares were priced from \$21.56 to \$26.15 each, according to a schedule 13D filing with the Securities and Exchange Commission.

The investors beneficially own 787,900 shares of the Asheville, N.C.-based supermarket chain's outstanding stock.

Penn National updates progress of merger with Fortress, Centerbridge

By Lisa Kerner

Charlotte, N.C., Jan. 16 – **Penn National Gaming, Inc.** said it plans to close the pending merger transaction with **Fortress Investment Group LLC** and **Centerbridge Partners, LP** late in the second quarter.

The timing of the closing is subject to obtaining regulatory approvals and other customary closing conditions, according to a form 8-K filing with the Securities and Exchange Commission.

Penn National provided an update on the approval process:

- Aug. 15 – all initial regulatory applications and documents filed;
- November – approval granted by the

Ohio Racing Commission;

- December – hearing in front of the Illinois Gaming Board;

- December – Hart-Scott-Rodino waiting period ends without a second request; and

- February – Fortress and Centerbridge to appear before the New Jersey Racing Commission.

In addition, Penn National, Fortress and Centerbridge took action to reduce the amount of “gross-up” payments pertaining to federal excise taxes, including payment to all corporate employees of annual bonuses for 2007 on or before Dec. 31.

As previously reported, Penn National shareholders approved the \$8.9 billion

acquisition of the company at a special meeting in December. With 81.6% of Penn National’s outstanding shares voting, 99.3% of the shares were voted in favor of the transaction.

Under the companies’ agreement, if the merger is completed by June 15, Penn National shareholders will be entitled to receive \$67.00 cash per share.

If the merger is not completed by June 15, the \$67.00-per-share merger consideration will be increased by \$0.0149 per day, a prior news release stated.

Penn National, located in Wyomissing, Pa., owns and operates casino and horse racing facilities.

Teradyne, Nextest merger clears waiting period hurdle

By Lisa Kerner

Charlotte, N.C., Jan. 16 – The Federal Trade Commission granted early termination of the Hart-Scott-Rodino waiting period in the proposed merger of **Teradyne, Inc.** and **Nextest Systems Corp.**

On Dec. 21, Teradyne subsidiary NAC Equipment Corp. began a \$20-per-share tender offer for Nextest under the compa-

nies’ Dec. 11 merger agreement.

The offer is slated to end at midnight ET on Jan. 23.

It was previously reported that Teradyne expected to expand its presence in the fast-growing flash memory test segment with the \$325 million acquisition of Nextest.

Teradyne, based in North Reading,

Mass., supplies automatic test equipment used in the consumer electronics, automotive, computing, telecommunications and aerospace and defense industries.

Nextest designs and manufactures automatic test equipment for flash memory and System-On-Chip semiconductors. The company is located in San Jose, Calif.

SunLink Health to consider Resurgence offer, other alternatives

By Lisa Kerner

Charlotte, N.C., Jan. 16 – The board of directors of **SunLink Health Systems, Inc.** will evaluate strategic alternatives for the company with the assistance of Stephens Inc.

Alternatives to be considered include the proposal by Resurgence Health Group, LLC to acquire SunLink for \$7.50 per share in cash and whether or not SunLink should remain an independent public company.

“Although SunLink has not foreclosed any option, the board will not approve efforts by any potential purchaser who seeks to

acquire SunLink for less than its true value,” a board spokesman said in a company news release.

“Therefore, despite the board’s authorization to evaluate the company’s strategic alternatives, there is no assurance that any transaction will either be approved by the board or result from this process,” the spokesman added.

Resurgence is an Atlanta-based privately held company formed to acquire and operate rural and other small hospitals.

SunLink, also based in Atlanta, provides health-care services through the operation of exurban and rural community hospitals.

Convertibles and Distressed Debt Reviews

Intel down; Pioneer opens flat; Citigroup deal drawing high bids

By Evan Weinberger

New York, Jan. 16 – **Intel Corp.** was hit hard after it failed to meet Wall Street expectations for the fourth quarter of 2007 and gave lower guidance for 2008 than the street had hoped.

Other semiconductor convertibles, including **Advanced Micro Devices Inc.** and **Micron Technology Inc.**, traded higher, however.

Market watchers said they saw a fall in energy convertibles, including **Transocean Inc.**, **Peabody Energy Corp.**, **Nabors Industries Inc.** and **USEC Inc.** Declining oil prices were partly to blame.

Weakness in the energy sector didn't help **Pioneer Natural Resources Co.**, which priced an upsized \$440 million in

2.875% convertible senior notes due Jan. 15, 2038 with a 65% initial conversion premium Wednesday after the market close.

The deal came in at the rich end of talk, which had been for a 2.875% to 3.375% coupon and a 60% to 65% initial conversion premium. The deal was upsized from an originally announced \$400 million.

There is a \$60 million greenshoe on the Securities and Exchange Commission-registered transaction.

Meanwhile, **Citigroup's** coming \$2 billion in perpetual preferred convertible stock was drawing a lot of interest. The preferreds, set to price Thursday after the close, are talked at a 6.5% to 6.75% dividend and set at a 24% initial conversion premium.

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Quebecor paper fluctuates on missed payment; WCI bonds better; Tosa mixed

By Stephanie N. Rotondo

Portland, Ore., Jan. 16 – Wednesday's distressed bond market continued to be heavy overall, traders said, with a few exceptions.

"In general, the market still feels heavy," a trader said. He added that there were "some short-covering rallies," but overall there "was not a lot of buying."

One of those exceptions – technically speaking – was **Quebecor World Inc.** The Canadian company announced late Tuesday that it had failed to make a scheduled interest payment, and its bonds responded by moving lower.

But as the bonds began to trade flat – without accrued interest – the debt rallied a bit, ending the day slightly higher than the previous session.

Continuing the trend of after-market

announcements, **WCI Communities Inc.** released a statement after the close of business, which stated that it had obtained an amendment on its revolving credit facility and term loan. The homebuilder's bonds did not get a chance to react to the news – though they did close higher than the previous trading day. The bonds were expected to "jump" once Thursday's market opens.

Also in the housing sector, another missed coupon was a relative "non-event" for **Tousa Inc.** The company failed to make the Jan. 15 payment on its 7½% notes due 2015. Earlier this month, the company missed the payment on its 9% notes due 2010 and its 10 3/8% notes due 2012, as well. On the news, the company's entire structure – corporate and bank debt – was mixed.

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Urbanfund to raise C\$10 million

By *LLuvia Mares*

New York, Jan. 16 – **Urbanfund Corp.** plans to start working on its growth strategy as soon as it closes a negotiated C\$10 million private placement of common shares.

“After the close we will immediately start looking into additional financing,” said Mitchell Cohen, company president and chief executive officer. “Our growth strategy is to get back to the market in the next couple of months.

“We felt a [private placement] was the best structure available to us at this time and would allow us numerous future opportunities,” he said.

The company will sell the stock at C\$0.30 per share.

The company’s stock (TSX Venture: UFC) closed at C\$0.255 on Wednesday, unchanged from Tuesday’s C\$0.255 close.

Blackmont Capital Inc. will lead a syndicate of agents that also includes M Partners Inc. and Dundee Securities Corp.

Settlement is expected Feb. 6.

Proceeds will be used to acquire North Fort Centre in Belleville, Ont., and Wonderland Plaza in London, Ont., and for working capital and general corporate purposes.

Urbanfund is a Toronto-based real estate development and operating company.

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