

FIN 423
Corporate Finance Policy & Control
Professor Schwert

Option C: Course Paper

A Proxy Contest at National Fuel Gas Company

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Purpose

This paper is intended to analyze and review the recent proxy fight and related activities at National Fuel Gas Company (ticker: NFG). The proxy contest was conducted by New Mountain Vantage Advisers, L.L.C. over the period Oct. 2007 – Jan. 2008.

While this is an academic paper, it is being written in the context of a business analysis report – a report that might be commissioned by a non-executive chairman of the board, independent board members, or large-block stockholders not associated with the proxy fight. The purpose of the report is to determine the impact of the contest on shareholders, if any, and identify any significant aspects of New Mountain’s proposals that could have material impact on the corporation.

This paper has four parts. First is a short introduction to National Fuel Gas Co. and New Mountain Vantage Advisers, L.L.C. Part 2 is a detailed overview and analysis of the new Mountain Proposal for changes at NFG. Part 3 is a chronology of events and actions that took place between the two firms. And finally, part 4 is an event study market analysis of three major announcements related to the proxy contest.

1. Introduction

National Fuel Gas is a vertically diversified energy company doing business in Western New York and Northwestern Pennsylvania. The company consists of five major business segments: Exploration and Production (E&P), Pipeline and Storage, Utility, Energy Marketing, and Timber. The company has been in business since 1902. For most of that time it was exclusively a utility company. Starting in the 1970’s and continuing through the early 1990’s, NFG diversified within the natural gas industry to, “reduce the company’s dependence on weather and local economic conditions.”¹

NFG’s market capitalization is about \$4B. Institutional ownership is about 59%, and insider holdings are about 6.4%.² From an investor standpoint, National Fuel is a typical utilities stock. Volatility is comparatively low with a beta of 0.77. The company has a long history of paying dividends. In a December 28, 2007 letter to shareholders, Chairman and CEO Philip Ackerman touts NFG’s record of, “paying dividends for the last 105 consecutive years and consecutive annual dividend increase for the past 37 years.” Current dividend yield is 2.6%. Utilities are granted an implicit monopoly by the government and are, consequentially, highly regulated. Utilities generally attract a certain type of investor. In a recent lecture, Professor G. William Schwert characterized these types of investors as “widows and orphans”. Of course, this doesn’t mean National Fuel’s investors are literally a collection of widows and orphans. Rather, utility investors tend to be people who prefer low risk (volatility) and enjoy a predictable stream of dividend payments.

¹ “Bernard Kennedy dies; guided expansion of National Fuel” The Buffalo News, March 06, 2007.

² Ticker data in this paragraph are from finance.yahoo.com, ticker symbol: NFG.

New Mountain Vantage Advisors, L.L.C is an institutional asset manager (hedge fund) that manages funds for large investors. New Mountain has several funds under management that collectively hold just over 8 million shares of NFG stock. New Mountain holds this position on behalf of the California Public Employees' Retirement System (CalPERS). New Mountain Vantage Advisors is the largest single shareholder of National Fuel Gas. currently control about 9.7% of NFG stock.³

In 2006, New Mountain began acquiring a position in NFG stock. By the end of the year they became vocal with suggestions for changes in the structure and management of the company. In December, 2006, New Mountain had a meeting with CEO Philip Ackerman and his management team where New Mountain presented their vision of the company. While management was willing to listen to New Mountain, they rejected almost all of New Mountain's suggestions. This was the beginning of a conflict resulting in a proxy fight prior to the 2008 annual meeting in February.

Ultimately, the proxy contest was settled before the shareholders had a chance to vote.

2. Overview and Analysis of New Mountain Vantage Advisor's Proposal

New Mountain has made its proposal well known through a series of press releases and public letters. A concise summary of the proposal with a reasonable level of detail was presented in a letter from New Mountain to the NFG board dated Sept. 11, 2007.⁴ The proposal consists of four main recommendations:

1. Develop and maximize the value of NFG's Appalachian E&P assets.
2. Investigate the use of a Master Limited Partnership to spin off NFG's pipeline business.
3. Sell off NFG's miscellaneous non-core operations and distribute the proceeds as a one-time special dividend or share repurchases.
4. Corporate Governance: Eliminate the 10% poison pill; eliminate staggered board elections; separate the positions of CEO and Chairman.

New Mountain Vantage is a hedge fund and activist institutional investor. Activist investors try to identify undervalued or under performing companies with proven track records, accumulate an equity position, and then pressure management to increase the value of the firm. When the hedge fund is backed by very large investors (such as pension funds, endowments, etc.) there are additional funds available to hire consultants and conduct extensive studies on ways to increase performance and extract value from the target firm. New Mountain presents their general investment strategy in great detail on their website.⁵

³ New Mountain Vantage Advisors letter to NFG shareholders, Jan. 8, 2008.

⁴ The letter was filed with the SEC as an exhibit to a Schedule 13D/A filing. The exhibit can be found at <http://www.secinfo.com/dRaBu.uFk.d.htm>.

⁵ <http://www.newmountaincapital.com/invest.php>

New Mountain is not acting alone. In fact, they are acting on behalf of the California Public Employees' Retirement System (CalPERS). CalPERS is a huge public retirement fund that provides benefits to about 1.5 million public employees, retirees and their families.⁶ CalPERS has a history of employing hedge funds to maximize its return on investment. Gillan and Starks outline some of CalPERS activity in their paper on activist shareholders.⁷

NFG is a diversified energy company with a long history of steady growth and dividends over the years. Why is New Mountain interested in National Fuel Gas? Where is the value that New Mountain hopes to extract? The answers can be found in their proposed changes.

Note: It is interesting to note the only business unit *not* mentioned in the New Mountain proposal is the utility segment. Why is this business unit ignored? It's the nature of the business. The utility business is the true "widows and orphans" segment of National Fuel. It is highly regulated by the state and profits are pretty much fixed. There's little untapped value in utilities business. Consequently, it is of no real interest to New Mountain.

Appalachian E&P Reserves

National Fuel controls almost 1 million acres of land in Western New York and Pennsylvania. This area is rich in natural gas and oil reserves. In the energy business this area is generally known as the Appalachian Basin. A map of National Fuel's Appalachian holdings is presented in Appendix 1. New Mountain has identified this land as NFG's main source of untapped value. New Mountain hired Schlumberger Data & Consulting Services, an oil services consulting firm, to evaluate the potential of NFG's Appalachian Basin holdings. Based on the results of the study New Mountain has made it clear that it believes NFG is way behind its competitors in developing these assets and believes it should be drilling much more aggressively to ramp up production of gas and oil. From a New Mountain letter to the board of directors dated September 11, 2007: "Competitors of NFG who control smaller acreage positions in Appalachia are drilling as many as 600-800 Upper Devonian wells per annum at expected internal rates of return on the order of 20%. Our analysis indicates that a similar drilling program properly executed on NFG's acreage could have a net present value in excess of \$1 billion."

National Fuel's drilling is nowhere near that level. In 2004, NFG drilled just 40 wells in Appalachia. In 2006 and 2007, they drilled 150 and 200 new wells, respectively.⁸

Clearly, New Mountain views this one resource as a major source of under valuation for NFG equity.

⁶ Go to: <http://www.calpers.ca.gov> and click on the "About CalPERS" tab.

⁷ Gillan, Stuart L. and Starks, Laura T., "Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors," *Journal of Financial Economics*, 57 (August 2000) 275-305.

⁸ "National Fuel may have vast gas reserves" The Buffalo News, Feb. 11, 2007.

Master Limited Partnership for Pipeline Operations

A master limited partnership (MLP) is a form of business organization that has applications in the natural resources pipeline and storage industries.⁹ As a partnership, MLPs avoid the “double” taxation of corporate earnings. There are two types of partners in an MLP; general partners and limited partners. The general partners retain management control of the business. Limited partners are allocated shares and receive quarterly payments called quarterly required distributions (QRDs). MLP limited partnership shares are traded publicly providing liquidity for investors. Limited partners also have the option of depreciating a portion of the underlying assets on their own tax returns, further enhancing tax benefits. NFG shareholders are used to receiving dividends and would likely be quite comfortable with the income stream provided by the QRD.

New Mountain has proposed the National Fuel spin off its pipeline operations into master limited partnerships to take advantage of the tax savings. It is not clear from the New Mountain proposal how shares in the MLP would be distributed to existing NFG shareholders, if at all. One possibility is National Fuel would be the general partner and retain management of the pipeline operations. A block of limited partnership shares could be retained by the company and the remainder distributed to existing NFG shareholders - they would be free to do with them what they wish.

The benefit of the MLP to National Fuel and New Mountain is the elimination of corporate tax on the income stream from pipeline and storage operations. Since CalPERS is a public pension fund, it’s possible they would avoid all income taxes related to passive partnership shares.

According to New Mountain MLPs are becoming more popular in the natural gas pipeline and storage industry. New Mountain estimates NFG could gain as much as \$800 million by structuring their pipeline business this way, “By our estimates an MLP of California E&P and the pipelines could add in excess of \$800 million of shareholder value.”¹⁰

Sell off non-core Businesses

As mentioned earlier, NFG is a diversified energy company. More specifically, NFG is a vertically diversified energy company. It has business in exploration and production, pipelines and storage, distribution (public utility), energy marketing and timber. These lines of business cover the full chain of natural gas production and use, from taking it out of the ground to delivering it to the end user.

In the 1960’s and 1970’s diversification was popular in the business community. Many business touted diversification as a way to reduce risk and smooth out earnings. National Fuel began its diversification in the 1970’s to, “reduce the company’s dependence on

⁹ http://en.wikipedia.org/wiki/Master_limited_partnership

¹⁰ Sept. 11, 2007 New Mountain letter to National Fuel board of directors.

weather and local economic conditions.”¹¹ Another generic reason often cited for diversifying is to “leverage synergies” between two businesses. It’s likely that National Fuel had synergies in mind when it diversified into all aspects of gas and oil production.

There is no question that synergies can and do exist in all types of businesses, including gas production. Vertical integration can be very powerful, especially for technical reasons. The place of production, method of transportation of raw materials, storage and distribution of goods can all benefit from vertical integration under the right circumstances. Reduced costs of communication, improved information flow, and the coordination of production can result in lower costs of storage, transportation and inventory.

The risk of opportunism versus highly specific assets can be nearly eliminated with vertical integration. A pipeline running from a production center to a distribution facility is a very specific asset. The owners of the production and distribution facilities may be tempted to extract excessive value from the pipeline company once the pipeline is in place – the pipeline is useless without a producer and consumer. This problem is eliminated if the same firm owns the production facility, the pipeline and the storage facility.

On the other hand, vertical integration is susceptible to its own problems. Business units with guaranteed suppliers and customers can become complacent and inefficient when not driven by the competition of the open market. There may also be minimal efficient scales of production that can’t be met by the demands of the firm.

When considering vertical integration one has to carefully weigh the costs and benefits of ownership versus buying a product or service on the open market. Ownership costs include: transfer pricing, agency costs of management, risk of dynasty building, adverse incentives, inefficiency, and economies of scale, to name a few. These costs have to be weighed and compared to the contracting costs of buying a product or service on the open market. Further, just because you are good at one aspect of a business (distribution of natural gas as a public utility, for instance) that doesn’t necessarily mean you will be successful in a related business (such as exploration and production of natural gas – or timber!).

Any business that is considering diversification (either horizontally or vertically) should be asking itself, “What is the best way to accomplish my goals? Do well written contracts get me what I need? Or, is diversification/integration really the best strategy? Are there true synergies with diversification/integration in this case?” Managers of a diversified firm should be asking these questions from time to time to see if there is value in changing strategies. Given the pressure being exerted by New Mountain, now is a good time for NFG management to ask itself these questions again.

¹¹ “Bernard Kennedy dies; guided expansion of National Fuel” The Buffalo News, March 06, 2007.

New Mountain has proposed the sell off of several non-core and underperforming businesses. This includes the Timber segment, the Energy Marketing segment, the Canadian E&P operations and the Gulf of Mexico E&P operations.

NFG owns about 1 million acres of land. In addition to gas and oil, much of that land is rich in timber – hence National Fuel’s involvement in the timber business. Can NFG run an efficient and profitable timber business? What sort of return could the firm get if it sold off the timber business and sold or leased its timber rights on the open market? What is the opportunity cost of capital (and management time) being used to run the timber business? Timber represented only about 3% of NFG’s earnings in 2007.¹²

National Fuel sold off its Canadian E&P operations in August of 2007. This was one of the holdings targeted by New Mountain. It is unclear if the sale was influenced by New Mountain. NFG continues to hold the “highly speculative” Gulf of Mexico E&P operations.

Corporate Governance

In 1996 the NFG board of directors adopted a “poison pill”. The term poison pill is a colloquial business term for a Shareholder Rights Plan. The plan/pill is a set of rules in the shareholder agreement that come into play if any outside entity tries to take over the company through the purchase of shares. It is a defensive tactic to thwart corporate takeover.

National Fuel’s Shareholder Rights Plan is available in the 2007 annual report. The plan gives shareholders rights to buy additional shares at what amounts to half price if someone tries to take over the firm. NFG’s poison pill is triggered when any one person (or institution) accumulates 10% or more of the outstanding shares of the company. The terms of the plan exclude the 10% owner from the half price offer, thus giving the existing shareholders the power to effectively reduce the voting power of the buyer, as well as providing for a wealth transfer from the buyer to the other shareholders. NFG recently amended its poison pill so that it will not be triggered if the company repurchases its own shares.¹³

New Mountain currently holds about 9.7% of the firm. Clearly, the poison pill is keeping them from acquiring a larger position in the company. Poison pills are quite common, and the conventional view is that they have a negative impact on firm value – they can allow a poor management team to entrench themselves and thwart a forced change in control that may benefit all shareholders if existing management are not maximizing firm value.

¹² National Fuel Gas Company 2007 Annual Report, available at <http://www.nationalfuelgas.com>

¹³ Company share repurchases are another defensive tactic used by embattled companies. Could NFG management have modified the policy in anticipation of needing the defense in a hostile takeover?

However, a 1994 study by Comment and Schwert¹⁴ provides evidence to the contrary. The study finds that firms with poison pills in place are not only more likely to be taken over, but command higher control premiums as well. The pill gives incumbent management bargaining power, which increases takeover premiums and ultimately, shareholder value.

It's pretty clear why New Mountain would like the poison pill to be removed: it would allow them to accumulate a controlling interest more quickly at a lower price. With the pill in place it must go through management and the shareholders before taking control and pay a higher price for that control. From this perspective NFG management should be commended for their adoption of the Shareholder Rights Plan 12 years ago.

Staggered board elections are another defensive tactic used by corporations. By only electing a few members each year, the entire board (and never a majority) cannot be ousted at any one time. NFG currently has 10 board members. Every year, three members (four in the third year) are elected to serve a term of three years. National Fuel's philosophy is that experience and continuity are valuable on the board of directors. New Mountain has proposed putting an end to this policy and allowing the election of the entire board at every annual meeting.

What do shareholders have to gain by eliminating the staggered board? Once again the argument that takeover barriers reduce firm value applies. By having a staggered board the firm is less likely to be taken over and shareholders are less likely to receive a control premium payoff. On the other hand, if the results of the Comment and Schwert study are extrapolated, one could argue that anti-takeover measures give incumbent management bargaining tools that increase control premiums. Hence, eliminating the staggered board would likely benefit New Mountain more than the remaining shareholders.

3. Chronology of Events at NFG

The following is a list of major events surrounding the interactions between National Fuel Gas and New Mountain Vantage. The sequence reveals a back-and-forth interaction that culminates in the proxy contest in late 2007 and January 2008.

2006

New Mountain Vantage Advisors, L.L.C. accumulates a position in NFG, on behalf of CalPERS. New Mountain hires Schlumberger, an oilfield services provider and consulting firm, to evaluate National Fuel's operations and holdings. This information is used to formulate a plan of proposed changes at National Fuel. In short, the plan advocates focusing on core businesses. More specifically, it recommends the timber and energy marketing businesses are sold off in their entirety, the pipeline business be restructured as a master limited partnership, and that National Fuel change their E&P

¹⁴ Comment, Robert and G. William Schwert, "Poison or Placebo? Evidence on the Deterrence and Wealth Effects of Modern Antitakeover Measures," *Journal of Financial Economics*, 39 (September 1995) 3-43.

strategy by aggressively ramping up exploration and drilling in its Appalachian basin holdings.

Fall 2006

New Mountain's public comments and recommends changes at NFG to maximize shareholder value.

November 27, 2006

New Mountain files a Schedule 13D with the SEC disclosing an 8.26% position in the firm. This position makes them the second largest single shareholder (Vanguard Fiduciary Trust Co. holds about 8.78% at this time). In the ensuing months New Mountain will accumulate a 9.7% share in the company and become its largest stockholder.

December 12, 2006

New Mountain travels to Buffalo to meet with CEO Philip Ackerman and his management team. New Mountain presents its plan for change that it thinks will maximize value for NFG shareholders – mainly the expansion of E&P operations into the Appalachian holdings. New Mountain encourages National Fuel to retain Schlumberger as a consultant and releases Schlumberger to work for NFG. The meeting lasts about three hours.¹⁵

February 11, 2007

National Fuel announces it is hiring a consultant to evaluate the potential of its Appalachian holdings (While not named at the time, it is later revealed that the consulting firm is Netherland, Sewell & Associates, a petroleum consulting firm). NFG owns about 1 million acres in the region and it is believed the areas are rich with natural gas and oil. Ackerman is quoted in The Buffalo News, "This recent market activity is driven by the size of our Appalachian acreage and the realization of how valuable it might be." Ackerman also mentions that he is increasing the number of new gas wells in the area from 150 in 2006 to 200 in 2007.

May 04, 2007

David DiDomenico, Managing Director, New Mountain Advisors, sends an email to Ackerman urging him to retain Schlumberger to consult on NFG's flagging drilling operations in the Upper Devonian region.¹⁶

August 10, 2007

National Fuel announces the sale of its Canadian oil and gas drilling operations. NFG expanded into Canada in 2000. The Canadian operations had struggled to be profitable ever since. NFG had been searching for a buyer for about four months. It's not clear if

¹⁵ Details of the 2006 meeting were reiterated by DiDomenico in a letter from DiDomenico to Ackerman filed with the SEC and dated Sept. 14, 2007

¹⁶ The email is referenced in a letter from DiDomenico to Ackerman filed with the SEC on Sept. 14, 2007

National Fuel has acted in response to New Mountain's prodding to sell the Canadian operations, or undertook the sale on its own.¹⁷

September 11-18, 2007

There is an exchange of letters between David DiDomenico and Philip Ackerman¹⁸. All four letters were made public and filed with the SEC. It doesn't appear that any new information is contained in these letters. Rather, it appears the letters are simple posturing and some form of delay tactics – like two boys arguing in the schoolyard! In summary, the exchange unfolds like this:

- Sept. 11: DiDomenico sends a letter to National Fuel board with specific recommendations for changes at the firm. The recommendations are essentially unchanged from previous proposals.
- Sept. 12: Ackerman responds by requesting the results of the Schlumberger analysis from 2006.
- Sept 14: DiDomenico responds to Ackerman indicating that the Schlumberger analysis as well as other supporting data was presented at their meeting in December 2006.
- Sept. 18: Ackerman reiterates his request for the Schlumberger data. An article in The Buffalo News says that Ackerman wants to provide the data to its own consulting firm, Netherland, Sewell & Associates.

October 23, 2007

New Mountain announces that it intends to propose its own slate of three board members in a proxy contest at the February 2008 annual meeting.¹⁹

October 28, 2007

New Mountain registers the domain name buildingnfgvalue.com. Shortly thereafter they publish a website including a detailed report on NFG²⁰. The report includes how NFG is underperforming with respect to comparable companies and gives specific recommendations on what New Mountain would like to see happen at NFG.

November 09, 2007

National Fuel Gas petitions the Pennsylvania Utility Commission to investigate New Mountain Vantage Advisors. NFG claims New Mountain is trying to take over the utility and that has regulatory implications in Pennsylvania. There are state laws that prevent inexperienced firms from running public utilities. Enlisting government regulators and regulations is a common defensive tactic employed by takeover targets.

December 19, 2007

National Fuel Gas asks the New York Public Service Commission to investigate New Mountain Vantage to determine if it is trying to take over the utility. If so, is it

¹⁷ "National Fuel is selling its Canadian operations", The Buffalo News, Aug. 10, 2007.

¹⁸ Letter from DiDomenico to Ackerman filed with the SEC on Sept. 14, 2007.

¹⁹ "Investors seek voice on board at utility", The Buffalo News, Oct. 23, 2007.

²⁰ The website has recently been taken down by New Mountain Advisors.

complying with all applicable rules and regulations? Once again, NFG is using government regulators and regulations as a defensive tactic.

December 25, 2007

The Pennsylvania Public Utility Commission approves National Fuel's request to investigate New Mountain's intentions.

January 08, 2008

New Mountain launches its official proxy contest. It files a Schedule 14A with the SEC and sends blue proxy card to shareholders. The proxy statement attacks management and criticizes them as underperformers. It once again outlines New Mountain's proposals for change at NFG to maximize shareholder value.

January 24, 2008

National Fuel Gas issues a press release and sends a letter to shareholders announcing a settlement to the proxy contest with New Mountain. The statement gives the details of the settlement including the addition of one new board member – a member chosen by New Mountain, Frederic V. Salerno.

February 21, 2008

National Fuel conducts its annual meeting in Houston, Texas. Three members are re-elected to the board. One new member, Frederic V. Salerno, is added.

4. Market Analysis

While the review and subjective analysis in section 2 are important and insightful, one can't help but wonder what the shareholders of National Fuel and the wider market think of the situation. One way to investigate this is to look at stock prices and how they react to various events. Since a stock's price can be affected by market events as well as firm specific events, a linear regression of the returns of the firm will be run against the returns of the market over the same period. The regression will tend to factor out any changes in stock price due to market factors.

There are many significant events in the interaction between these two firms. For the purposes of this analysis, three seemingly significant events have been selected. An event study will be conducted for each of these events to see what affect, if any, they had on firm value. The three events are: filing the Schedule 13D with the SEC (indicating the accumulation of more than 5% position), official filing and mailing of the New Mountain proxy contest, and announcement of the settlement of the proxy contest by National Fuel.

Event 1: Schedule 13D

When an individual investor accumulates more than 5% of the outstanding stock of a publicly held company, the SEC requires the investor to file a Schedule 13D form, or Statement of General Beneficial Ownership. The SEC requires disclosure to provide

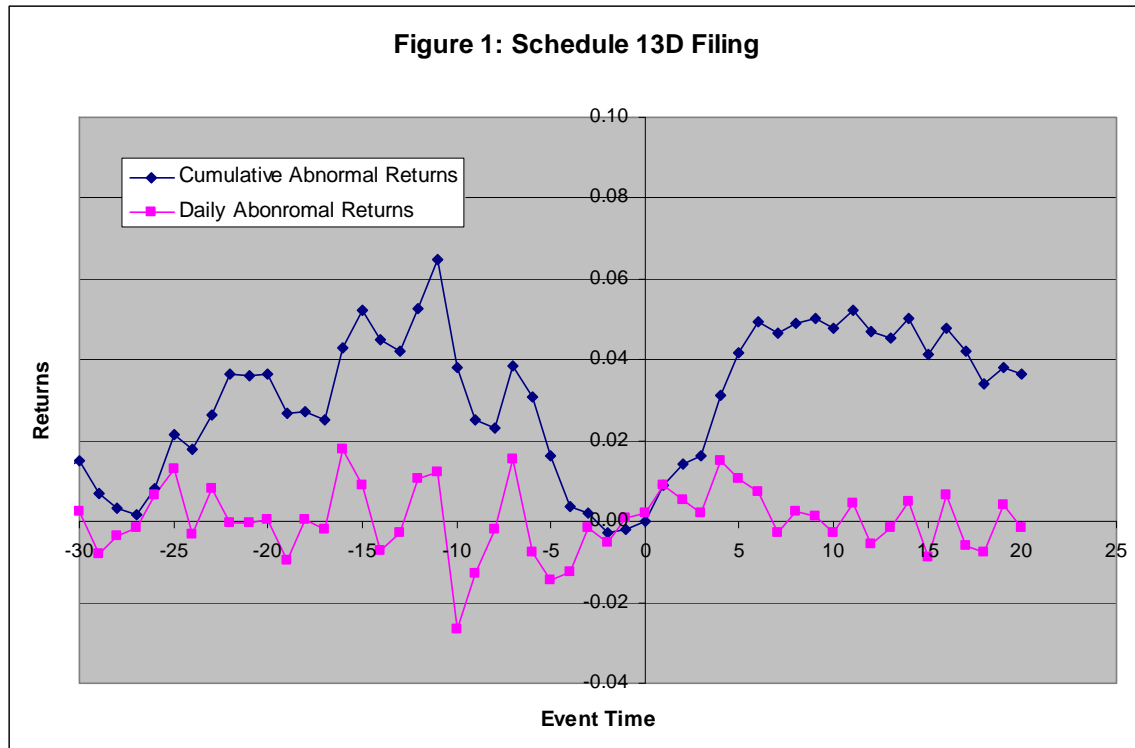
transparency for existing shareholders. Existing shareholders and management are interested in who may be accumulating a substantial and potentially controlling interest in the firm. An investor may buy a large block of stock because he may see a bright future for the firm and want to share in the profits. Alternatively, he may be interested in taking over control of the firm for his own benefit. Either way, the SEC has decided the public has a right to know and the filing of a Schedule 13D is a material event which can signal good news or bad news (or no news?) to the firm, its shareholders, and the public at large. How might this filing have affected NFG's stock price?

An event study was conducted starting 253 days prior to (one calendar year of trading), through 20 days after November 27, 2006 – the date of the Schedule 13D filing. The daily returns of NFG stock were regressed against the returns of the S&P500 over the same period of time. Abnormal returns (AR) and cumulative abnormal returns (CAR) were collected from the regression. If the market views the 13D filing as a significant event, there should be noticeable abnormal returns surrounding the event. If the event signaled good news, positive cumulative abnormal returns should persist beyond the event date. If the event signaled bad news, negative cumulative abnormal returns should persist beyond the event date. Summary output and residual output from the regression are given in Appendix 2.

Figure 1 is a plot of the daily abnormal returns and cumulative abnormal returns surrounding the November 27, 2006 Schedule 13D filing event. AR are near zero and positive for the six days following the announcement. CAR move in a positive direction for six days following the filing and are maintained in positive territory for the remainder of the test period, though the trend is slightly downward.

These results suggest that the filing of the Ownership Statement by New Mountain (or rather, the purchase of a large block of shares by New Mountain) may have had a positive effect on the share price of NFG stock. Why might this be the case? Investors and the market may view the acquisition by New Mountain as good news – it's a signal that perhaps NFG is currently undervalued and New Mountain bought stock because they think the price is going up. The market response is a higher price for NFG.

There is some caution here, however. Efficient market theory suggests that markets absorb new information very quickly. The fact that cumulative abnormal returns continued to increase for six full days following the news is a little puzzling. More often, when a significant material event is made public CAR will jump very quickly to a new level – typically in one day or less. The fact that it took six days for the market to fully absorb the Schedule 13D event suggests that there may be other factors at work here besides the news of a new, large stockholder. Also, there is a significant downward trend in CAR in the 10 – 12 days preceding the filing. The cause of this downward trend is not immediately obvious.



Event 2: Announcement of the Proxy Contest

On January 8, 2008, New Mountain Vantage officially began its proxy contest with National Fuel Gas Co. It launched the contest by filing a Schedule 14A proxy statement with the SEC²¹ and mailing a blue proxy card (with cover letter and proxy statement) to NFG shareholders. In the cover letter New Mountain once again emphasized its position that National Fuel stock is undervalued, reiterated its criticisms of National Fuel management, and outlined New Mountain’s plan for building firm value.

Until this point, the exchanges between New Mountain and National Fuel, both public and private, have been just that – a dialog and negotiation between an activist investor seeking to maximize return on its investment and management trying to run a company hopefully with the goal of maximizing shareholder value. Now that the proxy contest is official, what immediate effect will it have on shareholder value?

Again, efficient market theory states that markets absorb information very quickly. Over the past few months the public has seen the interactions between New Mountain and National Fuel. The market has absorbed the information contained in the New Mountain press releases, SEC filings and proposal the board and shareholders. It has also formulated an opinion, so to speak, of management’s response (or lack of a response) to

²¹ More specifically, the SEC filing was a DEF14A which is described as a, “Definitive proxy statement in connection with contest solicitations.”

the proposals. With this line of reasoning, one might expect little or no information effect due to the actual announcement of a proxy contest. In a sense the market has predicted the event and priced it into the stock. On the other hand, an official proxy filing may signal significant new information. Did the market underestimate the intentions of the activist investor? Did the market underestimate management's opposition to the activist proposals?

At the same time, proxy contests are expensive. They cost money and distract company officials from their everyday duties of running the firm. In the final proxy materials mailed after the settlement (dated January 30, 2008) National Fuel estimates excess expenses related to the solicitation at \$2.7M. This is not a huge amount of money given the size of the firm, but it is ultimately coming out of shareholder pockets, nonetheless.

In the late 1990's Gillan and Starks conducted a study of shareholder activism and proxy contests. They examined two measures of effectiveness of proxy contests: voting outcomes and stock market reaction to the proposals. The paper points out the proxy vote is a valuable tool for activist investors: "the proxy process has provided these shareholders with a formal mechanism through which concerns about corporate governance and corporate performance can be raised."²² Gillan and Starks studied many aspects of proxy fights and their outcomes. Of interest to this paper is the effect on firm value at the announcement of a proxy contest.

Gillan and Starks performed an event study of a large sample of proxy mailing dates and attempt to quantify return behavior surrounding them. Initially, they speculate any returns should be small due to two major factors: information leakage and alternative methods available to shareholders for influencing corporate policy. Information leakage may be obvious in the National Fuel case. For months New Mountain has been pressuring National Fuel to adopt its proposals. New Mountain (and CalPERS) has a history of, and reputation for shareholder activism. This, combined with the fact that the National Fuel annual meeting was on the horizon in late February, makes a proxy contest a highly predictable event.

Ultimately the Gillan and Starks study finds, "a negative but statistically insignificant reaction over the window surrounding the proxy mailing date." Gillan and Starks point out their findings are consistent with other studies of proxy contests. How do these findings compare with the New Mountain proxy filing?

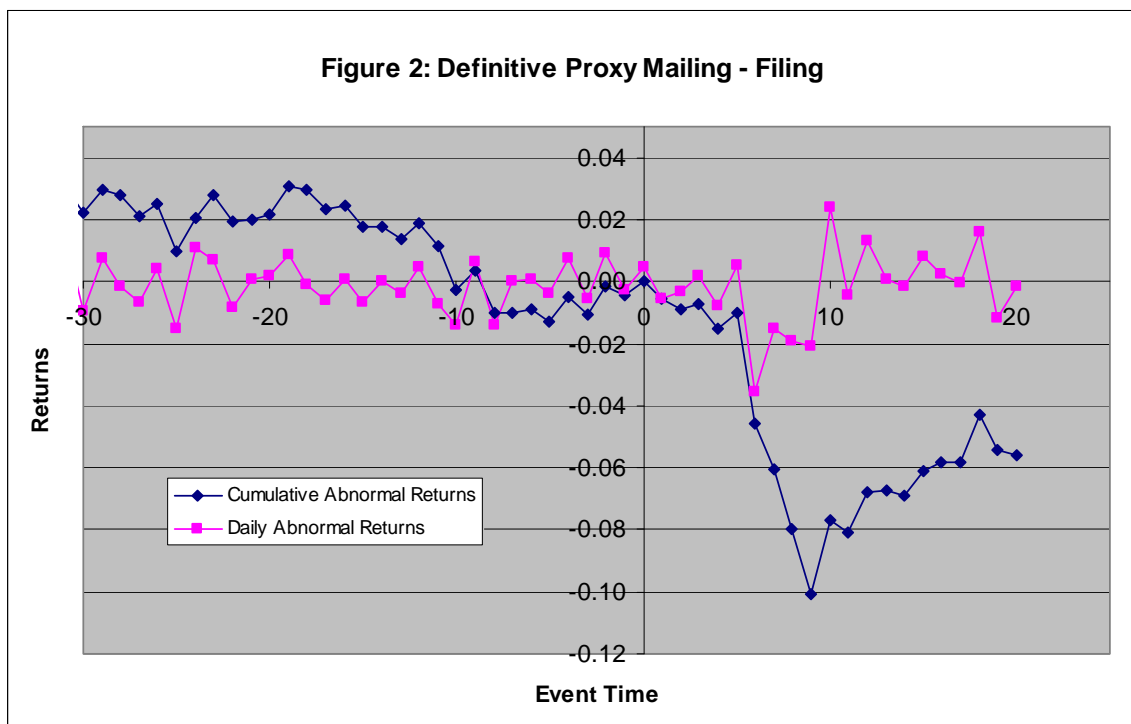
To answer this question, an event study was conducted starting 253 days prior to, through 20 days after January 8, 2008 – the date of the Schedule 14A proxy filing and mailing. The daily returns of NFG stock were regressed against the returns of the S&P500 over the same period of time. Abnormal returns and cumulative abnormal returns were collected from the regression. If the market views the proxy filing/ mailing as a significant event, there should be noticeable abnormal returns surrounding the event. If

²² Gillan, Stuart L. and Starks, Laura T., "Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors," *Journal of Financial Economics*, 57 (August 2000) 275-305.

the event signaled good or bad news, cumulative abnormal returns should persist beyond the event date. Summary output from the regression is given in Appendix 3.

Figure 2 is a plot of the daily abnormal returns and cumulative abnormal returns surrounding the January 8, 2008 proxy filing/ mailing. AR are grouped near zero for the entire period leading up to the event date and five days afterward. Similarly, CAR are slightly above zero right through the event date. It seems obvious from this graph that the proxy filing had no material effect on the value of NFG stock. This data is entirely consistent with the findings of Gillan and Starks.

Of course, one does wonder what happened six trading days after the proxy filing (January 16, 2008). Abnormal returns drop significantly and remain negative for four days. Cumulative returns plummet and also remain negative for some time. A check of news events for NFG during this period at finance.google.com reveals nothing of significance. National Fuel filed several of its own proxy documents with the SEC during this period, but those documents are amendments to previous filings and do not appear to contain any new information that wasn't already widely known. The reason for these negative returns remains a mystery to this author.



Event 3: Settlement of the Proxy Contest

On January 24, 2008, National Fuel Gas issued a press release and sent a corresponding letter to shareholders announcing the settlement of the proxy contest with New Mountain

Vantage ahead of the annual meeting. The opening paragraph of the press release reads, in part, “The Company and [New Mountain] Vantage have determined that the Company’s shareholders, employees, retirees and customers would be best served by resolving this matter and working together in a cooperative and productive manner.”

The release outlines the details of the agreement²³. Major points include:

- National Fuel will increase its board from 10 to 11 members and nominate New Mountain’s candidate Frederic V. Salerno to the position. Mr. Salerno will serve on the compensation, nominating and corporate governance committees. Note the current charter allows for up to 11 members of the board, so adding one person does not require a change to the charter nor a vote of any kind.
- New Mountain will immediately withdraw its proxy statement and its own nominations.
- National Fuel will separate the positions of Chairman of the Board and CEO. Philip Ackerman will remain as Chairman of the Board and David Smith (currently serving as President) will be named CEO.
- New Mountain has agreed to a standstill until September 2009. Until that time, New Mountain will not: increase its ownership position beyond 9.7%; engage in any proxy solicitations or shareholder proposals; attempt to control the board, management or policies; call a meeting of shareholders; obtain additional representation on the board; or effect the removal of any board member.
- National Fuel and New Mountain agree that the company’s Appalachian acreage should be developed with all reasonable speed.
- National Fuel will evaluate the divestiture of its assets in the Gulf of Mexico.
- National Fuel will withdraw its petitions with the Pennsylvania Public Utility Commission and the New York State Public Service Commission to have New Mountain investigated as a takeover threat to a public utility.
- National Fuel agreed to reimburse New Mountain for up to \$1,000,000 in fees and expenses related to its proxy solicitation. It is not clear if this payment includes costs for retaining Schlumberger as a consultant.

The terms of the settlement are not surprising, and it is clear that New Mountain has won the battle, so to speak. National Fuel bought itself some time with the standstill agreement. But New Mountain won several major concessions including a seat on the board – an outcome that was uncertain in advance of the actual shareholder meeting. It also won by getting National Fuel to agree to split the positions of Chairman and CEO, and it won some vague concessions to address two of the main issues from its original proposal: more aggressive E&P in Appalachia and another review of the Gulf of Mexico holdings.

Getting National Fuel to agree to pay New Mountain’s proxy expenses is big windfall for New Mountain – in some sense it almost looks like a payoff. It’s hard to imagine

²³ The press release did not contain all the terms of the settlement. The complete settlement agreement is contained in the proxy materials mailed out on January 30, 2008.

shareholders being too happy with that concession. DeAngelo and DeAngelo wrote a research paper that studied the effects of proxy contests and their long term influence on management. An interesting finding of that study is shareholder wealth falls in proxy contests primarily when corporate resources are used to induce dissidents to abandon their takeover attempts.²⁴

From a market perspective, a settlement prior to the proxy vote at the annual meeting could not be ruled out. But the timing of such an event and terms of the deal would be difficult to predict. For these reasons it is interesting to look at the market's reaction to the announcement of the deal. Did the settlement and the terms of the deal have a positive or negative effect on shareholder value?

Once again, to address this question an event study was conducted starting 253 days prior to, through 20 days after January 24, 2008 – the date of the settlement announcement. The daily returns of NFG stock were regressed against the returns of the S&P500 over the same period of time. Abnormal returns and cumulative abnormal returns were collected from the regression. If the market views the proxy settlement as good news, there should be significant, positive abnormal returns surrounding the event and those returns should persist as cumulative abnormal returns into the future. If the event signaled bad news, the opposite behavior is expected. Summary output from the regression is given in Appendix 4.

Figure 3 is a plot of the daily abnormal returns and cumulative abnormal returns surrounding the January 24, 2008 proxy settlement announcement. Abnormal returns hover around zero starting two days before the announcement and continue into the future with one notable exception. Cumulative abnormal returns do not change significantly on the settlement announcement and hold constant for 10 days afterward. On the surface it appears the settlement announcement had no material effect on shareholder value.

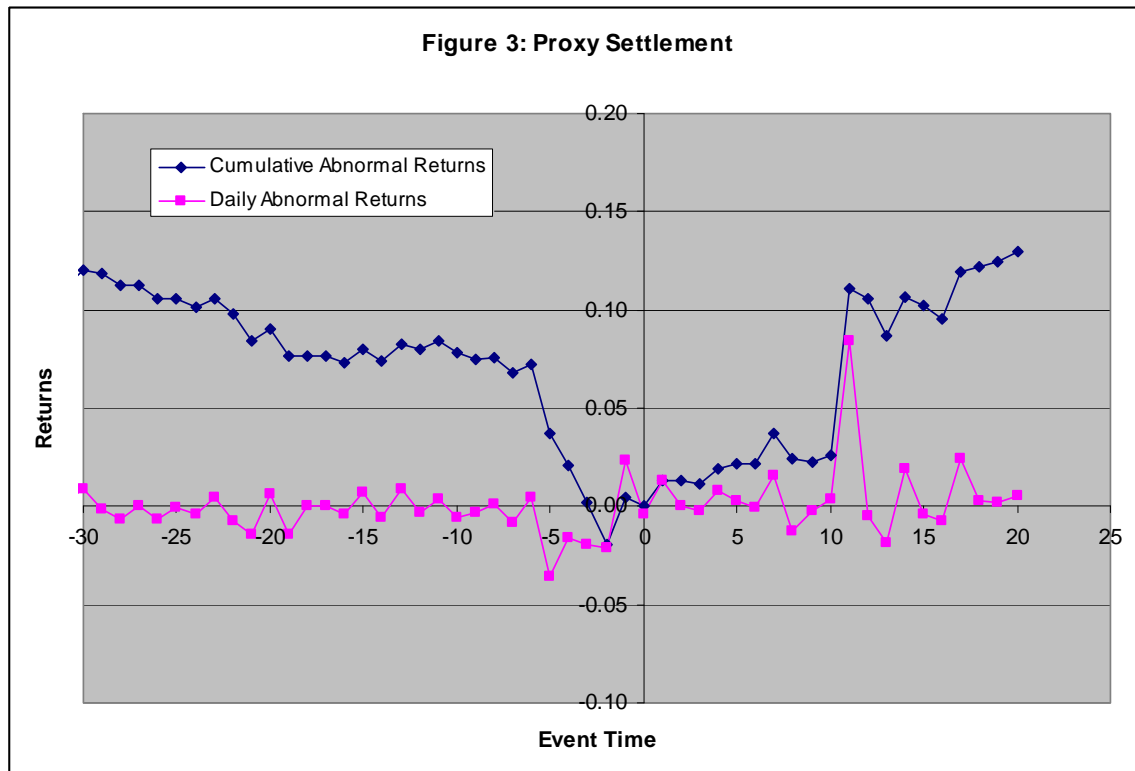
There is some obvious negative activity starting five days prior to the settlement announcement. This dip in abnormal returns is the same one that left unanswered questions in Event 2.

Could these negative returns have been caused by information leakage prior to the settlement announcement?

It's almost certain that National Fuel and New Mountain would have been engaged in intense negotiations in the days and weeks leading up to the agreement. Many people would be involved on both sides of the table – not just firm insiders, but lawyers, accountants, and other advisors. The negative abnormal returns started on January 17 - five trading days before the January 24 announcement. One can imagine that as the settlement came together, terms of the deal leaked out and the news began to propagate. If this hypothesis is correct then the true date of the settlement announcement would be

²⁴ DeAngelo, Harry and Linda DeAngelo, "Proxy Contests and the Governance of Publicly Held Corporations," *Journal of Financial Economics*, 23 (June 1989) 29-59.

on or about January 17 – the day the information was first leaked to the public. Further, the negative returns would indicate the market believes the settlement is bad for NFG shareholders. Abnormal returns were decidedly negative and negative cumulative returns persisted well beyond the “announcement” date. The large positive returns on February 7 (10 days after the deal announcement) are also curious and unexplained by this announcement. Of course, it must be stressed that the idea of leaked information is just speculation.



Summary and Conclusions:

On the surface, a mid-cap regional energy and utility firm such as National Fuel gas, seems like an unlikely candidate for a takeover attempt. Activist investor hedge funds like New Mountain Vantage are interested in squeezing extra value from firms that are undervalued or under performing in comparison to its peers. A quick look inside this sleepy Western New York based firm reveals it is sitting on a very valuable portfolio of oil and gas reserves. New mountain has decided to try to extract value from those assets by forcing management to take action through a proxy contest. By placing members on the board of directors New Mountain will be able to monitor activities from inside the firm and insure that its investment has the best chances for outsized returns.

On the other hand, management at National Fuel has been enjoying good returns in the market and paying a constant stream of dividends on a regular basis. They have little

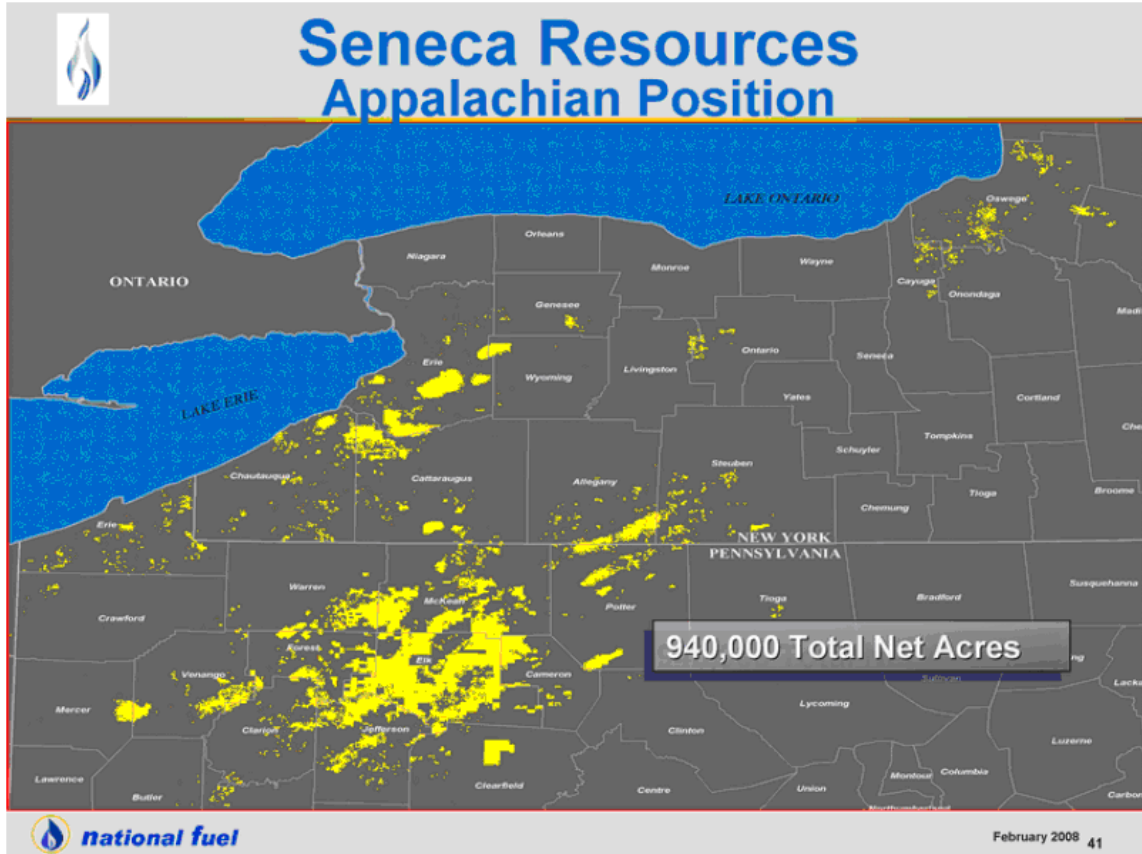
interest in taking direction from activist shareholders, and they take the threat of takeover seriously. The board of directors has installed anti-takeover provisions in the form of staggered elections and a poison pill. When confronted by the activist investor they actively fought back by enlisting government agencies to help with the fight. These are the actions of a responsible board and management team that is interested in maximizing shareholder value. While a settlement may appear to be self-serving in that it protects existing board members, it may also have protected the shareholders from significant disruptions in the existing business strategy

News about a company can move its stock price. An event study that looked at the market's reaction to New Mountain taking a large position in NFG seems to have had a positive effect on the stock price – presumably the market views hedge fund interest as value increasing. A second study of the announcement of a proxy contest indicated no change in value to the firm – the market likely anticipated this move by the activist investor. The lack of abnormal returns is consistent with academic research in proxy contests and corporate governance. A final study of the settlement announcement proved inconclusive. There was no abnormal stock price movement on the announcement date, but significant negative movement just prior to the announcement raises questions about potential information leakage and a negative response to the settlement deal.

Overall it seems a certain amount of activity on the part of activist investors is a good thing. The fear of takeover motivates management to work hard and maximize shareholder value. Without the threat of takeover managers could become complacent and self-serving.

The proxy fight at National Fuel was settled prior to a shareholder vote by mutual agreement of company management and the activist shareholder. While this proxy contest is settled, the fight for corporate control may not be over. National Fuel has until September, 2009 to satisfy the investors at New Mountain Vantage. At that time the standstill agreement comes to an end and New Mountain will once again have the option of nominating another slate of candidates to the board of directors through a proxy vote.

Appendix 1: National Fuel Gas Co. Appalachian Mineral Rights – from February 28, 2008 8-K filing with the SEC. Note: NFG have additional rights in the Gulf of Mexico and California: about 1 million acres in total.



Appendix 2:

Summary Output for Event 1: Schedule 13D filing:

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.432330667
R Square	0.186909806
Adjusted R Square	0.183920503
Standard Error	0.009860256
Observations	274

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.006079091	0.006079091	62.52623321	6.61705E-14
Residual	272	0.026445106	9.72247E-05		
Total	273	0.032524197			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.000602911	0.000597298	1.009397504	0.313681123	-0.000573004	0.001779	-0.00057	0.001779
X Variable 1	0.760481129	0.096173918	7.90735311	6.61705E-14	0.571141249	0.949821	0.571141	0.949821

Selected Residual Output for Event 1: Schedule 13D filing:

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted Y</i>	<i>Residuals</i>	<i>Event Time</i>	<i>CAR</i>	<i>Adj. CAR</i>
233	-0.005824	0.000358	-20	-0.000519	0.036467
234	0.000929	-0.009722	-19	-0.010241	0.026745
235	0.000608	0.000501	-18	-0.009740	0.027245
236	-0.004988	-0.001935	-17	-0.011676	0.025310
237	0.000342	0.017784	-16	0.006109	0.043094
238	-0.001088	0.009031	-15	0.015140	0.052125
239	0.009232	-0.007330	-14	0.007810	0.044796
240	0.002289	-0.002832	-13	0.004978	0.041964
241	0.002187	0.010568	-12	0.015546	0.052531
242	-0.003453	0.012295	-11	0.027841	0.064826
243	0.002021	-0.026722	-10	0.001119	0.038104
244	0.002541	-0.012890	-9	-0.011771	0.025214
245	0.005437	-0.002135	-8	-0.013906	0.023080
246	0.002431	0.015396	-7	0.001490	0.038476
247	0.002340	-0.007729	-6	-0.006239	0.030747
248	0.001385	-0.014390	-5	-0.020629	0.016357
249	0.000223	-0.012575	-4	-0.033204	0.003781
250	0.001857	-0.001579	-3	-0.034784	0.002202
251	0.002381	-0.005160	-2	-0.039943	-0.002958
252	-0.002177	0.001063	-1	-0.038881	-0.001895
253	-0.009705	0.001895	0	-0.036986	0.000000
254	0.003222	0.009148	1	-0.027838	0.009148
255	0.007601	0.005174	2	-0.022664	0.014321
256	0.001228	0.002063	3	-0.020602	0.016384
257	-0.001525	0.014917	4	-0.005685	0.031301
258	0.007360	0.010439	5	0.004755	0.041740
259	0.003647	0.007482	6	0.012237	0.049223
260	-0.000397	-0.002748	7	0.009489	0.046475
261	-0.002417	0.002680	8	0.012169	0.049154
262	0.001981	0.001173	9	0.013342	0.050327
263	0.002329	-0.002591	10	0.010751	0.047736
264	-0.000194	0.004649	11	0.015399	0.052385
265	0.001492	-0.005405	12	0.009994	0.046979
266	0.007211	-0.001449	13	0.008545	0.045531
267	0.001456	0.004794	14	0.013338	0.050324
268	-0.001854	-0.009016	15	0.004323	0.041308
269	0.002244	0.006652	16	0.010974	0.047960
270	-0.000475	-0.006009	17	0.004966	0.041951
271	-0.002191	-0.007728	18	-0.002762	0.034223
272	-0.003440	0.003967	19	0.001205	0.038190
273	0.003913	-0.001541	20	-0.000336	0.036649
274	0.005938	-0.000680	21	-0.001017	0.035969

Appendix 3:

Summary Output for Event 2: Announcement of the Proxy Contest:

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.644660605
R Square	0.415587296
Adjusted R Square	0.41343872
Standard Error	0.009821153
Observations	274

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.01865677	0.018657	193.4245	1.4E-33
Residual	272	0.026235771	9.65E-05		
Total	273	0.044892541			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.000767109	0.000593365	1.292811	0.197173	-0.0004	0.001935	-0.0004	0.001935
X Variable 1	0.768985261	0.055291994	13.90771	1.4E-33	0.660131	0.87784	0.660131	0.87784

Selected Residual Output for Event 2: Announcement of the Proxy Contest:

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted Y</i>	<i>Residuals</i>	<i>Event Time</i>	<i>CAR</i>	<i>Adj. CAR</i>
233	-0.000600	0.001834	-20	0.074356	0.021888
234	0.006542	0.008865	-19	0.083220	0.030753
235	-0.018666	-0.000958	-18	0.082262	0.029795
236	0.005420	-0.006245	-17	0.076017	0.023550
237	0.001709	0.000770	-16	0.076787	0.024320
238	-0.009804	-0.006472	-15	0.070316	0.017848
239	-0.010784	-0.000106	-14	0.070209	0.017742
240	0.005596	-0.003902	-13	0.066307	0.013840
241	-0.000279	0.004930	-12	0.071236	0.018769
242	0.004535	-0.007481	-11	0.063756	0.011288
243	0.013586	-0.014008	-10	0.049748	-0.002720
244	0.006978	0.006321	-9	0.056069	0.003602
245	0.001389	-0.013889	-8	0.042180	-0.010287
246	-0.010216	0.000300	-7	0.042480	-0.009987
247	0.001924	0.000847	-6	0.043327	-0.009141
248	-0.004502	-0.003573	-5	0.039754	-0.012714
249	-0.010335	0.007765	-4	0.047518	-0.004949
250	0.000767	-0.005707	-3	0.041811	-0.010656
251	-0.018113	0.009047	-2	0.050859	-0.001609
252	0.003246	-0.002810	-1	0.048049	-0.004419
253	-0.013345	0.004419	0	0.052467	0.000000
254	0.011244	-0.005532	1	0.046935	-0.005532
255	0.006879	-0.003384	2	0.043551	-0.008916
256	-0.009688	0.001634	3	0.045185	-0.007283
257	0.009126	-0.007810	4	0.037375	-0.015092
258	-0.018400	0.005031	5	0.042406	-0.010061
259	-0.003548	-0.035545	6	0.006861	-0.045606
260	-0.021605	-0.015150	7	-0.008289	-0.060756
261	-0.003882	-0.018916	8	-0.027205	-0.079672
262	-0.007757	-0.020976	9	-0.048181	-0.100648
263	0.017256	0.023705	10	-0.024476	-0.076943
264	0.008505	-0.004133	11	-0.028609	-0.081076
265	-0.011438	0.013373	12	-0.015236	-0.067703
266	0.014262	0.000462	13	-0.014774	-0.067241
267	0.005504	-0.001698	14	-0.016472	-0.068939
268	-0.002896	0.008110	15	-0.008362	-0.060830
269	0.013665	0.002601	16	-0.005761	-0.058228
270	0.010178	-0.000203	17	-0.005964	-0.058431
271	-0.007279	0.015777	18	0.009813	-0.042655
272	-0.023837	-0.011690	19	-0.001878	-0.054345
273	-0.005095	-0.001752	20	-0.003630	-0.056097
274	0.006831	0.003630	21	0.000000	-0.052467

Appendix 4:

Summary Output for Event 3: Settlement of the Proxy Contest:

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.594928
R Square	0.353939
Adjusted R Square	0.351564
Standard Error	0.011213
Observations	274

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.018735	0.018735	149.0129	1.27E-27
Residual	272	0.034197	0.000126		
Total	273	0.052932			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.00101	0.000677	1.491369	0.137023	-0.00032	0.002344	-0.00032	0.002344
X Variable 1	0.760635	0.062311	12.20709	1.27E-27	0.637962	0.883308	0.637962	0.883308

Selected Residual Output for Event 3: Settlement of the Proxy Contest:

RESIDUAL
OUTPUT

<i>Observation</i>	<i>Predicted Y</i>	<i>Residuals</i>	<i>Event Time</i>	<i>CAR</i>	<i>Adj. CAR</i>
233	0.007154	0.006146	-20	-0.040050	0.090370
234	0.001625	-0.014125	-19	-0.054175	0.076245
235	-0.009853	-0.000062	-18	-0.054237	0.076183
236	0.002154	0.000616	-17	-0.053621	0.076799
237	-0.004201	-0.003874	-16	-0.057495	0.072925
238	-0.009972	0.007401	-15	-0.050094	0.080326
239	0.001010	-0.005950	-14	-0.056044	0.074376
240	-0.017664	0.008599	-13	-0.047445	0.082975
241	0.003462	-0.003026	-12	-0.050471	0.079949
242	-0.012949	0.004022	-11	-0.046449	0.083971
243	0.011373	-0.005661	-10	-0.052110	0.078310
244	0.007056	-0.003561	-9	-0.055671	0.074749
245	-0.009331	0.001277	-8	-0.054394	0.076026
246	0.009279	-0.007962	-7	-0.062356	0.068064
247	-0.017949	0.004580	-6	-0.057776	0.072644
248	-0.003258	-0.035835	-5	-0.093612	0.036809
249	-0.021119	-0.015636	-4	-0.109247	0.021173
250	-0.003588	-0.019210	-3	-0.128458	0.001963
251	-0.007422	-0.021311	-2	-0.149769	-0.019349
252	0.017320	0.023641	-1	-0.126128	0.004292
253	0.008664	-0.004292	0	-0.130420	0.000000
254	-0.011063	0.012997	1	-0.117423	0.012997
255	0.014358	0.000365	2	-0.117057	0.013363
256	0.005696	-0.001890	3	-0.118947	0.011473
257	-0.002613	0.007827	4	-0.111120	0.019300
258	0.013768	0.002498	5	-0.108622	0.021798
259	0.010319	-0.000344	6	-0.108966	0.021454
260	-0.006948	0.015446	7	-0.093520	0.036900
261	-0.023327	-0.012201	8	-0.105721	0.024699
262	-0.004789	-0.002059	9	-0.107780	0.022640
263	0.007008	0.003453	10	-0.104327	0.026093
264	-0.002187	0.084540	11	-0.019787	0.110633
265	0.005490	-0.005055	12	-0.024842	0.105578
266	0.006537	-0.018706	13	-0.043548	0.086873
267	0.011358	0.019438	14	-0.024109	0.106311
268	-0.009199	-0.003606	15	-0.027715	0.102705
269	0.001647	-0.007268	16	-0.034983	0.095437
270	0.000329	0.024237	17	-0.010746	0.119674
271	0.007355	0.002618	18	-0.008128	0.122292
272	-0.008777	0.002054	19	-0.006074	0.124346
273	0.007005	0.005263	20	-0.000811	0.129609
274	0.011517	0.000811	21	0.000000	0.130420

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General information on vertical mergers and integration came from chapter 32 "Mergers" of Brealey, Myers, Allen, Principles of Corporate Finance, 8th edition, 2006. pp. 871-897.

News References

Because National Fuel is a regional firm, The Buffalo News proved to be the most consistent source for news reports of company activities. When multiple sources reported on an event a preference was given to The Buffalo News in order to maintain consistency. David Robinson is the Business Reporter for The Buffalo News and covers National Fuel Gas Co. almost exclusively. His news stories were instrumental in creating the chronology of events in section 3.

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"National Fuel is selling its Canadian operations; \$234 million sale price was called 'attractive'", The Buffalo News, August 10, 2007, byline: David Robinson.

"Shareholder seeks sale of some National Fuel operations; National Fuel's Appalachian oil and gas fields could be worth more than \$1 billion", The Buffalo News, September 19, 2007, byline: David Robinson.

"Hedge fund is gadfly to National Fuel", The Buffalo News, September 23, 2007, byline: David Robinson.

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