

TransAlta set for Hydro showdown

Investors may have enough shares to block

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The TransAlta Corp. bid for Canadian Hydro Developers Inc. could turn into a showdown between three significant investors who appear to be just a sliver short of having enough shares to block the transaction and the suitor's powerful leverage with respect to the target's stock price.

Statistics compiled through regulatory documents and Bloomberg data show the three largest shareholders control 31.4% of Canadian Hydro Developers Inc. For Trans-Alta's hostile bid, launched Monday, to succeed it needs Canadian Hydro investors holding roughly 66.7% to agree to the deal, which would give shareholders \$4.55 per share in cash.

Mackenzie Financial Corp. owns roughly 12.7% of Canadian Hydro, the country's largest renewable energy outfit, according to an early warning report filed with the System for Electronic Document Analysis and Retrieval on July 10.

Howson Tattersall Investment Counsel owns 9.58% of the target company, according to Bloomberg data. That investment house is related to Mackenzie and a representative for that organization was unable to clarify whether Mackenzie's 12.7% includes Howson Tattersall's stake. (Bloomberg lists the pair separately, noting Mackenzie holds 12.67%).

Boston-based Wellington Management holds 9.16% of Canadian Hydro, Bloomberg says. Reuters' data on Canadian Hydro's shareholders differs.

Mackenzie and Howson Tattersall declined to comment. Wellington did not return a call seeking comment.

"One of these blocks like Mackenzie could have a significant influence on the deal," said **Darryl McCoubrey**, an analyst at **Veritas Investment Research**. But despite a possible coalition, TransAlta holds significant sway.

"People like money," he said, noting traders pushed Canadian Hydro near \$5 on the Toronto Stock Exchange yesterday. "If this deal goes away, it could go back to the \$3-to-\$4 range.

"I don't think the institutional guys have real strong leverage on TransAlta right now," Mr. McCoubrey said. "If you're Mackenzie Financial, you've just made a significant chunk of change over the past two days" owing solely to TransAlta's move.

Today, TransAlta expects to release its circular outlining details of how its bid unfolded. It has said it repeatedly approached Canadian Hydro in an attempt to negotiate a friendly deal, but was rebuffed.

Canadian Hydro's board has formed a special committee, but it has yet to make a recommendation to shareholders on whether they should support the deal.

The board, however, previously rejected an offer from TransAlta that reflected the same percentage premium it offered shareholders on Monday, according to Steve Snyder, who leads Calgary-based TransAlta. The price it presented to the board was similar to the one shareholders are reviewing, he said.

TRANSALTA CORP.

Ticker TA/TSX

Close \$21, up 20¢

Volume 568,469

Avg. 6-month vol. 940,271

Rank in FP500 120

CANADIAN HYDRO DEVEL. INC.

Ticker KHD/TSX

Close \$4.88, down 2¢

Volume 8,096,605

Avg. 6-month vol. 552,767