Capitol Federal Financial Inc
Form S-8
June 14, 2011

As filed with the Securities and Exchange Commission on June 14, 2011
Registration No. 333-__________

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CAPITOL FEDERAL FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Maryland	27-2631712
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
700 Kansas Avenue, Topeka, Kansas	66603
(Address of principal executive offices)	(Zip Code)

Capitol Federal Financial 2000 Recognition and Retention Plan
(Full title of the plan)

Martin L. Meyrowitz, P.C.
Craig M. Scheer, P.C.
Silver, Freedman & Taff, L.L.P.
(a limited liability partnership including professional corporations)
3299 K Street, N.W., Suite 100
Washington, D.C. 20007
(Name and address of agent for service)

(202) 295-4500
(Telephone number, including area code, of agent for service)

CALCULATION OF REGISTRATION FEE

Title of Securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value $.01 per share	372,349 shares(1)	$11.66(2)	$4,341,589(2)	$505(2)

(1) Pursuant to Rule 416 under the Securities Act of 1933, this Registration Statement includes an indeterminate number of additional shares as may be issuable as a result of a stock split, stock dividend or similar adjustment of the outstanding shares of the common stock of Capitol Federal Financial, Inc.

(2) Calculated in accordance with Rule 457 under the Securities Act of 1933, based on the average of the high and low sale prices per share of the common stock on the NASDAQ Stock Market on June 10, 2011 of $11.66.

PART I
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The document(s) containing the information specified in Part I of Form S-8 will be sent or given to participants in the Capitol Federal Financial 2000 Recognition and Retention Plan, as required by Rule 428(b)(1) promulgated by the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”).

Such document(s) are not being filed with the Commission, but constitute (along with the documents incorporated by reference into the Registration Statement pursuant to Item 3 of Part II hereof) a prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 3. Incorporation of Certain Documents by Reference.

The following documents previously or concurrently filed by Capitol Federal Financial, Inc. (the "Company") with the Commission (File No. 001-34814) are hereby incorporated by reference into this Registration Statement and the prospectus to which this Registration Statement relates (the "Prospectus"):

(a) the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010;

(b) the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2010 and March 31, 2011;

(c) the Company's Current Reports on Form 8-K filed on December 23, 2010, January 20, 2011 and February 23, 2011; and

(d) the description of the common stock, par value $.01 per share, of the Company contained in the Company's Registration Statement on Form 8-A filed on July 9, 2010, and all amendments or reports filed for the purpose of updating such description.

All documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (excluding any document or portion thereof that has been furnished to and deemed not to be filed with the Commission), after the filing of this Registration Statement, and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed incorporated by reference into this Registration Statement and the Prospectus and to be a part hereof and thereof from the date of the filing of such documents. Any statement contained in the documents incorporated, or deemed to be incorporated, by reference herein or therein shall be deemed to be modified or superseded for purposes of this Registration Statement and the Prospectus to the extent that a statement contained herein or therein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein or therein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement and the Prospectus.

The Company shall furnish without charge to each person to whom the Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the documents incorporated by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference to the information that is incorporated). Requests should be directed to: James D. Wempe, Vice President, Capitol Federal Financial, Inc., 700 Kansas Avenue, Topeka, Kansas 66603, telephone number (785) 270-6055.

All information appearing in this Registration Statement and the Prospectus is qualified in its entirety by the detailed information, including financial statements, appearing in the documents incorporated herein or therein by reference.

Item 4. Description of Securities.

Not Applicable.

Item 5. Interests of Named Experts and Counsel.

Not Applicable.

Item 6. Indemnification of Directors and Officers.

Section 2-405.2 of the Maryland General Corporation Law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation or its stockholders for monetary damages except: (1) to the extent it is proven that the director or officer actually received an improper benefit or profit, for the amount of the improper benefit or profit; or (2) to the extent a final judgment or adjudication against the director or officer is based on a determination that the director's or officer's act or failure to act was the result of active and deliberate dishonesty and was material to the cause of action against the director or officer. The Company's charter contains such a provision, thereby limiting the liability of its directors and officers to the maximum extent permitted by Maryland law.

Section 2-418 of the Maryland General Corporation Law permits a Maryland corporation to indemnify a director or officer who is made a party to any proceeding by reason of service in that capacity against judgments, penalties, fines, settlements and reasonable expenses actually incurred unless it is established that: (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; (2) the director or officer actually received an improper personal benefit; or (3) in the case of a criminal proceeding, the director or officer had reason to believe that his conduct was unlawful. The Maryland General Corporation Law provides that where a director or officer is a defendant in a proceeding by or in the right of the corporation, the director or officer may not be indemnified if he or she is found liable to the corporation. The Maryland General Corporation Law also provides that a director or officer may not be indemnified in respect of any proceeding alleging improper personal benefit in which he or she was found liable on the grounds that personal benefit was improperly received. A director or officer found liable in a proceeding by or in the right of the corporation or in a proceeding alleging improper personal benefit may petition a court to nevertheless order indemnification of expenses if the court determines that the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances.

Section 2-418 of the Maryland General Corporation Law provides that unless limited by the charter of a Maryland corporation, a director or an officer who is successful on the merits or otherwise in defense of any proceeding must be indemnified against reasonable expenses. Section 2-418 also provides that a Maryland corporation may advance reasonable expenses to a director or an officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by the director or officer or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

The Company's charter provides for indemnification of directors and officers to the maximum extent permitted by the Maryland General Corporation Law.

Under a directors' and officers' liability insurance policy, directors and officers of the Company are insured against certain liabilities.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits.

See Exhibit Index.

Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Topeka, State of Kansas, on the 14th day of June, 2011.

CAPITOL FEDERAL FINANCIAL, INC.

By: /s/ John B. Dicus
John B. Dicus
Chairman, President and Chief Executive Officer
(Duly Authorized Representative)

POWER OF ATTORNEY

We, the undersigned officers and directors of Capitol Federal Financial, Inc., hereby severally and individually constitute and appoint John B. Dicus and Kent G. Townsend, and each of them, the true and lawful attorneys and agents of each of us to execute in the name, place and stead of each of us (individually and in any capacity stated below) any and all amendments (including post-effective amendments) to this registration statement and all instruments necessary or advisable in connection therewith and to file the same with the Securities and Exchange Commission, each of said attorneys and agents to have the power to act with or without the others and to have full power and authority to do and perform in the name and on behalf of each of the undersigned every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any of the undersigned might or could do in person, and we hereby ratify and confirm our signatures as they may be signed by our said attorneys and agents or each of them to any and all such amendments and instruments

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ John B. Dicus
John B. Dicus, Chairman, President,
Chief Executive Officer and Director
(Principal Executive Officer)
Date: June 14, 2011

/s/ Kent G. Townsend
Kent G. Townsend, Executive Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)
Date: June 14, 2011

/s/ Tara D. Van Houweling
Tara D. Van Houweling, First Vice President
and Reporting Director
(Principal Accounting Officer)
Date: June 14, 2011

/s/ B. B. Andersen
B. B. Andersen, Director
Date: June 14, 2011

/s/ Morris J. Huey II
Morris J. Huey II, Director
Date: June 14, 2011

/s/ Jeffrey M. Johnson
Jeffrey M. Johnson, Director
Date: June 14, 2011

/s/ Michael T. McCoy
Michael T. McCoy, M.D., Director
Date: June 14, 2011

/s/ Jeffrey R. Thompson
Jeffrey R. Thompson, Director
Date: June 14, 2011

/s/ Marlyn S. Ward
Marilyn S. Ward, Director
Date: June 14, 2011

INDEX TO EXHIBITS

Exhibit Number	Document
3.1	Charter of the Registrant (included as Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on May 6, 2010 and incorporated herein by reference).
3.2	Bylaws of the Registrant, as amended (included as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 filed on May 6, 2010 and incorporated herein by reference).
5	Opinion of Silver, Freedman & Taff, L.L.P.
23.1	Consent of Silver, Freedman & Taff, L.L.P. (contained in Exhibit 5)
23.2	Consent of Deloitte & Touche, LLP
24	Power of Attorney (contained on signature page)

E: 8pt"> Your next question comes from the line of Jay Cohen, representing Bank of America Merrill Lynch. Please proceed.

Jay Cohen - BofA Merrill Lynch - Analyst

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Thank you. A couple questions. The first is, I know you're not giving guidance, but it sounds like you were buying a Company at about a 9.4 times earnings. Your stock is about 6.6 times earnings. So from an EPS standpoint, it's hard to see this deal not being dilutive to EPS. Is that fair?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

It all depends, Jay, on what earnings you're looking at when you calculate a price earnings multiple. We've obviously read the Transatlantic proxy, and the earnings projections that they've put forward. We're also aware of the Street. Out of the gate, we look at this as additive to our book value, and more additive to tangible book. When we close on the transaction, which we expect to close on in the fourth quarter, we'll be right up against the January 1 insurance renewal. And we'll be in a position to determine how much we want to write, and what the combined earnings power of the Company looks like. So I think is a good opportunity, Jay, to decide how it is we're going to approach our risk appetite, and how much business we take on post closing.

Jay Cohen - BofA Merrill Lynch - Analyst

Got it. And then about the reserves, I guess, you have seen so many companies over the years, with all the inside information, get the reserves wrong. And here, you're using public information, obviously far less granular. I guess a couple questions there. One, how do you get comfortable with that? And then secondly, how much of a difference is there? In other words, if you were able to look at the inside detailed information, how much more informed could you be?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Well, Jay, this is Ed. There's no doubt that with greater information and access to the independent actuarial reviews of the Company, we would have much greater granularity. What we see -- if you think about it, is that most of the variability and trends in the reserves have come from older time periods, the soft market years, some asbestos and environmental drag. We're well into the payout on those years. Those years are -- have been developing, and they've had their slippage. But if you look over the last few years, that slippage has slowed quite dramatically. We do have a good deal of insight into the Company and it's reserving thoughts and practices.

I would be remiss in suggesting that I or anyone else, could tell you that by putting up $0.5 billion, there's no potential for any slippage from there. But when you look at where the vast majority of the reserves slippage has come from, and the accident years involved, we're well out on the curve on them. And so, we think that $500 million obviously is above the level that Transatlantic is comfortable with, and has accounting and actuarial sign off on. And so, we think it moves more towards the type of -- point in the range that Validus tends to reserve at, and is prudent. Again, never say never, but we do think that to the extent that there is additional slippage in the future, we certainly have put the vast, vast majority behind us, both in terms of what Transatlantic has done over the years, and now with this additional $0.5 billion.

Jay Cohen - BofA Merrill Lynch - Analyst

Got it. Thanks for the answers.

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Thank you, Jay.

Operator

Your next question comes from the line of Josh Shanker representing Deutsche Bank. Please proceed.

Josh Shanker - Deutsche Bank - Analyst

Yes, thank you. It just following up on Jay's question there, if the reserve strengthened do you think Transatlantic is in the reserve right now?

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Ed Noonan - Validus Holdings Ltd - Chairman and CEO

That the -- that's actually kind of one of those in the eye of the beholder questions. Thinking about Transatlantic, it is a big organization with $8 billion, $9 billion of reserves. There are reasonable ranges around a point estimate for those reserves. I wouldn't start by saying that Transatlantic is under reserved, over reserved, or anything else. They're obviously at a point that they're comfortable with, and that their outside auditors and actuaries are comfortable with. In our case, we -- having done our analysis, just tend to be more comfortable, a bit higher in the range.

Josh Shanker - Deutsche Bank - Analyst

Okay. And to what sense is this acquisition leveraging your hope that the casualty market might turn near-term?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

I'm sorry, could you repeat that?

Josh Shanker - Deutsche Bank - Analyst

To what extent is this transaction, based on your desire that the casualty markets might turn in the next year or two?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Yes. As I mentioned earlier, I'm not smart enough to predict casualty market turns, even after 32 years at it. But we do know that the underlying dynamics are now starting to flash yellow, at the very least. You've got four underwriting results on an accident year basis. You've got this massive amounts of reserve release that the industry has seen over the last five years is now dwindling pretty rapidly.

There's virtually no investment income to be had, so there's no point in writing business at a loss in the hopes that you're going to make it up in the float. And so we think that the dynamics are coming together for the market to stabilize, and starts to turn upward. I can't predict whether that's next year or the year after, I can't predict whether it's V-shaped or U-shaped, but we do know and from looking at past experience, it's easy to start to see that the market is running out of legs in terms of its ability to compete.

Josh Shanker - Deutsche Bank - Analyst

Okay. And finally, are there any tax efficiencies that can be used by restructuring Transatlantic into Validus on a current business?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Josh, I think it's pretty well known that Transatlantic has been seeking a transaction that moves them offshore. We haven't had these chance to sit down with Transatlantic and figure out how to optimize the tax structure of the post combination Company. So as noted, this transaction for us stands on its own, without considering any tax aspects to it. We'll see what the future brings, once we are the owner of Transatlantic, and we're operating as a combined Company.

Josh Shanker - Deutsche Bank - Analyst

Okay. Well, thanks for the answers. Good luck.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Thank you, Josh.

Operator

The next question comes from the line of [Brian Novak] representing Pilot. Please proceed.

Brian Novak - Pilot Advisors - Analyst

Yes. The first question is the $8.00, you would write a check out of your own money to pay for the cash part of it? Whatever it was?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

In our preferred direction, which would be a consensual transaction with Transatlantic, Transatlantic itself would declare a pre-closing dividend of $8.00, and they would do the financing for that. That facilitates a tax-free transaction for the stock component. You'll see in our release, that we would expect that pre-closing special dividend would be financed entirely by new indebtedness incurred entirely by Transatlantic. And the good people at JPMorgan Securities have provided us with a highly confident letter, to the extent in connection with the arrangement that the full amount of financing for Transatlantic could be obtained.

Brian Novak - Pilot Advisors - Analyst

Understood. I was confused a little bit. Did -- have you had discussions previous previously with Transatlantic management, and now they won't talk you? What's the situation in your dialogue with Transatlantic, if there has been? Because you sort of went back and forth in your discussion about that.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Yes. We have at various times had conversations with Transatlantic. It's a Company we have a very high regard for. We know management, and I think Jeff and I both would describe Bob Warlick as a personal friend, as well as somebody we admire professionally. And so we've had kind of -- initial discussions on a number of occasions. Most recently, we actually had sent Bob a letter suggesting that we really should sit down now and see what it would take to combine the two companies. Our sense is that from reading their proxy, as it turns out, we think we're probably Company A, and that the timelines fit. And that they were already in -- I think some exclusive type of discussions with Allied World. But we have had discussions on and off over time, based on our respect for the company, and our belief that there's a great fit.

Brian Novak - Pilot Advisors - Analyst

Could you just refresh my memory, because I forgot what the breakup fee is with Allied World, for them quick?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

It's a $115 million.

Brian Novak - Pilot Advisors - Analyst

115?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

115. And just to reiterate, we've factored that into our analysis of the effect on our book value and our tangible book value per share.

Brian Novak - Pilot Advisors - Analyst

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And in relation to the last two questions of the last two guys, you really haven't baked in switching around the investment portfolio and not paying taxes on it, as a result of making this a Bermuda company?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Well, let's be clear. Post merger, the combined Company would have a parent company, which is a Bermuda company. That's our parent holding Company, Validus Holdings Limited. But that doesn't magically move everything out of the US. Transatlantic domestic US entities would continue to be domestic US entities, and their assets would continue to be in the US.

Brian Novak - Pilot Advisors - Analyst

(inaudible) Superior Proposal, to do that, considerable time?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Well, I mean again, from our standpoint, the transaction makes compelling sense to us, in the absence of any particular tax considerations. No doubt, there are some, but that's not the key motivator for us at all. We think the chance to create one of the largest reinsurers in the world with such a diverse stream of profits is really the compelling aspect of it.

Brian Novak - Pilot Advisors - Analyst
One last question. After so many years, after year of having reserve deficiencies, as Transatlantic had a reserve redundancy, how confident are you, that you know what you are doing, when you talk about -- when you are talking about this $500 million reserve increase?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO
Well again, I mean, we certainly would be more confident if we had access to zip Transatlantic's books and records and ensures that is et cetera, but again, we have for a short tail company, we have some very deeply experienced casualty actuaries on staff, all of whom with decades of experience in the reinsurance business. We know a lot about the industry, we know a lot about the development trends in the industry, we know about Transatlantic as a company that we've looked at and thought about over time. So I'd love to be able to say that gee, we've got this perfect.

But again, what I would say is that, we think the adverse development they've seen has come from primarily 2001 and prior. So we're well out into the development tail on that. We have noted it slowing over the last few years. That's not a momentary blip. And so we think that given how far out on the curve they are, that with the addition of $0.5 billion of reserves, it may not be an absolute firewall. But we think it certainly has to eliminate the vast majority of the drag that the Company would otherwise see, if you follow the trends in their published data.

Brian Novak - Pilot Advisors - Analyst
Thank you very much.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO
Thank you for your interest.

Operator

Your next question comes from the line of Adam Starr, representing Gulfside Asset Management. Please proceed.

Adam Starr - Gulfside Asset Management - Analyst

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Hello. Do you see any rating agency or regulatory issues with the combination of dividend and the reserve increase at Transatlantic prior to closing? Or at the same time as closing?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

That's a two-dimensional question. Dividend reserve increase, regulatory rating agency, let me start with the dividend. The dividend would be financed with the debt commitments. And so that would leave the total capital of the company of undisturbed. And in particular, that flow of money in and out would be at Transatlantic company holding level, leaving the surplus of Transatlantic undisturbed.

Adam Starr - Gulfside Asset Management - Analyst

So it would be upstream of the regulated entity?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

There would not be any upstreaming planned from a regulated entity, so that we believe that should give the regulators comfort around Transatlantic. With the rating agency, Validus in total, has a much lower level of debt financial leverage and total financial leverage than Transatlantic does, or a combined Transatlantic Allied World. And so, the debt incurred to move the special dividend through would put us basically at the level of the Transatlantic, as at it's starting point. So we're not increasing the financial level of the company, so that should be a pleasing fact to a rating agency, although I'm not speaking for the rating agencies.

As for the reserve increase, reserves play out over time, as Ed has mentioned, the tail can play out over several years. Nothing about the reserve increase is going to change the outcomes. What it will do, is offer the Company's earnings and shareholders equity against unexpected movements in reserve. And we believe him a based on what we've seen and read, that that should be a positive aspect, for both the rating agencies and the regulators, although again we're not empowered to speak on their behalf.

Adam Starr - Gulfside Asset Management - Analyst

So you don't see that a depleting the surplus temporarily to a point of concern, that the rating agency -- that the reserve increase?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

I would certainly not view this as depleting the surplus of the organization at all, no.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

I mean, I'd go so far to say that you end up with a better reserve company with extraordinary levels of capitalization, at least from our way of thinking, that's a win for everybody involved, including outside constituents like regulators and rating agencies.

Adam Starr - Gulfside Asset Management - Analyst

Obviously there's a tax advantage too, versus paid out from surplus later. Thank you very much. Appreciate your answers.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO
Thank you for your question.

Operator

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Your next question comes from the line of Dean Adams, representing KBW. Please proceed.

Dean Evans - Keefe, Bruyette & Woods - Analyst

Yes. Thanks for taking my question. I was first wondered, you mentioned a couple times earlier on in the call that you expect the deal to be accretive to book value and more additive to tangible book value. Can you quantify those numbers all for us? Sort of what you're seeing as you run the numbers internally?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Sure. This is all triggered to backwards looking March 31, 2011, and so I intended to use in my remarks modest accretion, as applied to the reported diluted book value per common share. That would be measured in pennies, nickels, or dimes, not particularly large. The swing factor, we know what the breakup fee is. We know what the plan reserve increase is. We've put in a provision for transaction expenses.

We're not going to control all of the transaction expenses, because some lie on the Transatlantic side of this. But that's where we're looking for this as of March 31, and if we don't go down the route of a consensual transaction, we'll be filing exchange offer document that will contain full pro formas that would give you more detail on that. On tangible book, if you start with a modest accretion, on reported dilutive book value per share, we're not creating any additional goodwill or intangibles. TransAtlantic itself doesn't carry any goodwill or intangibles, so you're spreading our modest amount of intangible assets over a share-based, which is nearly double. And so that's what causes the effect of the increase in tangible book value's per share.

Dean Evans - Keefe, Bruyette & Woods - Analyst

Do you have any -- is there any negative goodwill creation to offset any of the goodwill, I guess? Or does that not matter, because of the way transaction is structured with the surviving Validus entity being a larger shareholder?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Again, with the IPC transaction, even though we incurred a bargain purchase gain or negative goodwill of almost $300 million, you don't get to go and net that off and reduce your existing goodwill back down to zero. All of the intangibles needs to stand on their own, by acquired entity. In this case, I hope I said earlier, that in contrast to IPC, we don't see a bargain purchase emerging. When you go through and you take the starting point of Transatlantic's GAAP equity, you reduce it for the breakup fee, which is $115 million. You reduce it for the after-tax fact of the $500 million reserve increase, you reduce it for reasonable expenses that will be incurred. You get down pretty quickly to something that looks like a book for book exchange, so that would create only a modest amount of bargain purchase price or negative goodwill.

Dean Evans - Keefe, Bruyette & Woods - Analyst

Okay. That makes sense. Kind of thinking -- I guess my second question is kind of a two-parter. Obviously with the timing of this, you weren't able to structure a kind of a friendly bid with the Board before someone else made an offer. But looking forward, how would you expect to be able to kind of retain the management and the underwriting talent at Transatlantic? And do you have any kind of initial thoughts on what may be a pro forma Board would be? Would TRH Board members to get a board seat at the combined entity following the deal? I'm trying to think of sort of the structure, of how you're thinking about what would be the pro forma entity here?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Dean, this is Ed. And before I answer your question, I'm willing to go publicly with one forward-looking statements, and that is that we will win the wild card this year. We're going to have a big second half. As far as the questions around the Board and that, there's just a lot that we don't know. We don't know the what the tone and the tenor of the deal will be, so there's a bunch of unanswerable there. When it comes to management and employees though, we have a very high regard for Transatlantic and its management, and we think they have excellent underwriters.

We don't see any reason why Transatlantic employees wouldn't look at this and say, we're joining a group that's committed to the reinsurance business, that brings a very big earnings stream with it in the reinsurance business, that really rounds out the product offering of the Company in the catastrophe space in particular, that creates a leading role global reinsurer. I think that's tends to excite most people. There is certainly ample room for management.

We're not bringing a bunch of casualty executives to New York to supplant people. And so my expectation is, that not unlike the Talbot situation, where we acquired the company, said we bought a great company with a great management team, we wanted to keep them and build the business. And four years later, we've kept them and built that business. So that's pretty much what I would expect to see. You can't account for any individual's particular view of it, but there's nothing menacing or troubling that we can see to a Transatlantic employee. And we see the opportunity for them to build a much bigger franchise, and really achieve what Transatlantic is capable of.

Dean Evans - Keefe, Bruyette & Woods - Analyst
Okay. Thank you.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO
Thank you, Dean.

Operator
Your next question comes from the line of Ian Gutterman, representing Adage Capital Management. Please proceed.

Ian Gutterman - Adage Capital Management - Analyst

Hi. Thanks, just one follow up on that last one first. Is if you did have to go to the exchange offer route and this was a hostile deal, doesn't that necessarily imply that Transatlantic employees and management don't want to be part of your organization, therefore this would be a lot harder to do hostile than IPC, where you weren't planning on keeping employees, or in this case you actually need them very much?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Ian, thanks for the question. Whether or not we are able to enter into a consensual agreement with Transatlantic really is out of the hands of the rank and file Transatlantic employee or their management. This is all down to their Board, and I think you know, you can look at a lot of situations in the past and see where our Board maybe has been a disconnect from the wishes or desires of the employee base. We would hope that the Transatlantic employees would be rooting for a Validus offer. We're going to put them in a position with a stronger balance sheet, and move forward with a real commitment to the reinsurance business. We hope the Board see that as well, but the two really are disconnected.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Yes, Ian, I mean, I look at the alternatives and maybe in simplest terms on the land, you've got the combination where two companies merge, so that they can continue to grow the US direct specialty casualty insurance business. And Transatlantic provides them the scale to do that. In our case, this is about building the reinsurance business. And if you are a professional in the reinsurance business, where there's virtually no overlap, certainly in employees and to the greatest extent in business, I would think that the employees would be looking at this and say, hey, that's a far more interesting future for us, than really just being kind of the reinsurance arm of what somebody hopes to make a big US direct casualty insurance company.

Beyond that, any, if you think about it, and I've lived through this, the Transatlantic employees are faced with this going forward, they're going to be hearing from the customers daily about how they're competing with them. How the Allied World business is competing with them in the specialty casualty space, how they're losing business to Allied World, and how Transatlantic is therefore stealing their business, I've gone through that in the past. I mean, it's not a happy situation. You find -- spend a considerable amount of time dealing with your best customers in negative terms.

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We bring none of that. We bring a commitment to building the reinsurance business. And to me, I think that should be in and of itself a pretty compelling circumstance to the Transatlantic employees. Their differences between reinsurers and insurers, both culturally and professionally. And I would think that the Transatlantic people would enjoy being part of a group that says, we're one of the world biggest reinsurers. Our goal isn't to, now become something completely different.

Ian Gutterman - Adage Capital Management - Analyst

Those are good points. Good points. If I can move on to take another crack at the reserve charge issue. It seems to me, when I look at it, I'm wondering if this is less about your view of Transatlantic's reserves, and more that when I do the math, you sort of needed this to get below 50% to make this tax-free, So I mean, is this really more about banker math to make this tax-free, then it is about you having a strong view on the reserves, and $500 million is kind of a rounding error in a reasonable reserve range?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Ian, the tax analysis is based on market value of the two entities on diluted basis. The two companies kind of unaffected, were each around $3 billion of market value, and we're offering a premium to Transatlantic, which we've discussed at length here. The key structuring attribute to deliver a tax-free transaction for a Transatlantic stockholder is the dividend, because that dividend nullifies the premium that we are paying, and permits the Validus shareholders to be more than 50% of the post combination value of the business. Whatever reserve action we take, really has no place in that tax analysis.

Ian Gutterman - Adage Capital Management - Analyst

Okay. So then if it's just based on market value, was the risk that your stock goes down, their stock goes up, and it changes the percentage?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

We're operating on a fixed exchange ratio, so that wouldn't have any risk associated with it, Ian.

Ian Gutterman - Adage Capital Management - Analyst

Well, okay, so what about -- when you say fully committed, there is -- that sort of reminds me of last time, where I have to worry about you guys raising the bid down the road. What's the risk of that? Are you willing to drive line in the sand, that you won't dilute book value to get this done?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

We don't want to worry you, Ian, unnecessarily. I hope our actions in the past have demonstrated our firm belief in doing things that are in our stockholders best interest, so you have to judge it by our record.

Ian Gutterman - Adage Capital Management - Analyst

Last time, Jeff, you raised the offer twice, so I mean that's why I'm asking the question. I mean, is this your best and a final offer or not?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Ian, if I might remind you on the transaction, we made $300 million today we closed it. I don't think that there was something reckless in the way that we were bidding for IPC. I think that worked out okay.

Ian Gutterman - Adage Capital Management - Analyst

No, that's alright -- I'm just trying to understand where you guys really line. So it sounds like dilution to book value, where the line is?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Ian, unless you are empowered to negotiate on a behalf of Transatlantic, I probably am inclined not to go down this line with you.

Ian Gutterman - Adage Capital Management - Analyst

Okay. Fair enough. Thank you very much.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Thanks, Ian.

Operator

Your next question comes from the line of Drew Figdor representing Tiedemann. Please proceed.

Drew Figdor - Tiedemann Investment Group - Analyst

Yes. I wanted to understand the rating agencies. Is the rating agency a condition to your financing, if it isn't maintained at a certain level? And secondly, I heard you say the financing was a highly confident letter. That seems a little light, so just want to confirm, what is the financing for the deal? And then I had one other question.

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Welcome back, Drew. First, let's start with the highly confident. You have to understand that it is Transatlantic that has to enter into the arrangement for the debt financing, for the tax purposes. Validus can't surety or provide that financing to Transatlantic. And so since we can't cause or compel Transatlantic before we announced this offer, to go off and get debt financing, really we think we've done 100% of the work that you can do to make this as certain as possible on the Transatlantic dividend.

If we go down the non-consensual route and go into the exchange offer, then yes, there will be the need for the financing there, but you can look at our financials. We've got a large credit facility and ample capital. And I don't think there's any question about our ability to finance the $500 million of cash consideration, and we do have JPMorgan onboard with us. You'll hear more about that, if we wind up going down that route. As it relates to the rating agencies, there is no conditionality associated with the ratings. As an aside, we've spoken to all our rating agency partners before we went live with this transaction. We're not going to put words in their mouths, or characterize their reaction, but we have communicated with them on this eventuality.

Drew Figdor - Tiedemann Investment Group - Analyst

Okay. And then the other question is, have you modeled in any revenue dis-synergy assumptions, peopledis-synergy assumptions, people talking about overlap, and how you may lose business?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

As I said, in our modeling, we've looked at a range of outcomes. The first thing that we do in our planning process, is we don't make assumptions beyond kind of the very near term, and so in our go forward look, projecting reinsurance renewal prices at January 1, is obviously the next critical date for us. We've got rate assumptions built-in. We're not overly concerned in the catastrophe business. When you look at the line sizes that

Transatlantic typically puts out, and look at the line sizes that Validus typically puts out, those would be welcomed by clients from the company with $8.4 billion of capitalization. So I'm not terribly concerned about that.

Our issue is, we plan on the basis that we use our capacity in the marketplace when prices are attractive. We don't use it when prices are attractive. And so the safety valve on that, is always how we manage our capital in the periods of time where we don't think it's appropriate to put out our capital to work in the business. So we have looked at a range of scenarios around it. We tend not to give ourselves any credit for the type of synergies people were talking about, or any revenue synergies that might take place, though clearly, you could imagine lots of scenarios like that.

We do tend to take a jaundiced view of any rosy projections. And so we're not of a mind at this point that there are any meaningful revenue kind of dis-synergies involved in the deal. And if I had to bet, I think that we're likely to find that there are significant revenue synergies involved, taking our business and trading the bigger and better rated platform will free up a lot of additional business to us. And if rates are attractive, that will create lots and lots of upside to us.

Drew Figdor - Tiedemann Investment Group - Analyst

Okay. And my last question is the $500 million reserves. If you get in there and do due diligence, and determined that $500 million is overestimated, will you share any of that with the shareholders?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Well, it's their money, Drew, so I think we have an obligation to in one way shape or form.

Drew Figdor - Tiedemann Investment Group - Analyst

Okay. And as far as shareholders? Have you gotten support from any of the large shareholders on either side?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

And we know what we've read a newspaper, and seen on the wire. We know that a number of Transatlantic shareholders are concerned about the Allied combination, but we have no commitments or other ability to have them deliver the deal to us. We'll rely on the Transatlantic Board in the first instance to do the right thing. And if they don't, then we'll engage with the Transatlantic shareholders.

Drew Figdor - Tiedemann Investment Group - Analyst

Okay. Terrific.

Operator

The next question comes from the line of Dan Ferrell representing Sterne Agee. Please proceed to

Dan Farrell - Sterne, Agee & Leach, Inc. - Analyst

Hi, good morning.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Hi, Dan.

Dan Farrell - Sterne, Agee & Leach, Inc. - Analyst

I was wondering if you could talk a little bit more about your comfort that you're getting, in terms of dealing with integration in the transaction. I think we looked at your last deal with IPC, the one advantage was that there wasn't a lot of integration to deal with. Within this transaction, there will be a lot of people to move over, a lot of things with those lines. So when you were thinking about this, -- and can you walk us through how you thought about how that integration works place, and how you manage the risks associated with that?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Sure, Dan. First, obviously, it's a big integration project, but on another level, it's not overwhelming. Transatlantic is a very well-run, stand-alone company with very strong enterprise risk management culture. When we acquired Talbot, we took on -- I think today we've got 300 employees in the Talbot. And that over time has proven to be a sizable integration activity for us. But again, Talbot is a very well-run, strongly capitalized company with a very strong enterprise risk management. So at the highest level, we start at the ERM process, and making sure that we've got a seamless integrated ERM infrastructure in place across the group.

We're not moving people from New York to Bermuda, or Bermuda to New York, et cetera. And so on a significant level, the integration is more about data, financial reporting, strategizing, and risk management. None of which we take lightly, nor for granted, but it's not as though we are taking two companies in the same space, and kind of smashing them together, and trying to figure out who's that's where and who gets to be manager of this, and who goes home. This is a situation where we are acquiring what we think is an excellent stand-alone business, and bringing it into the group. And so the integration is really more at that level.

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Dan, if I could just elaborate, intuitively, you think about Transatlantic and its history of being owned by AIG or controlled by it. That really meshes with other AIG entities. Transatlantic had no presence in Bermuda. IPC was the outline there, and they had no presence at Lloyd's, for the two places where we have outstanding franchise positions, Transatlantic has been precluded from establishing a beachhead there. So in terms of the overlap, it doesn't really exist.

Dan Farrell - Sterne, Agee & Leach, Inc. - Analyst

Okay. And then just in any of your preliminary discussions with in the ratings agencies, was that -- was your discussion with them around what might happen specifically with the Validus rating? Or did it encompass the whole thing, the Transatlantic rating as well? And would there be any sort of risk to that A plus, that they have?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Dan, you can assume that we talked to the rating agencies as comprehensively as possible. But you have to realize that we expect that they treat our conversations with them confidentially. And we owe them the same courtesy of taking their feedback, and not broadly disseminating it. So the rating agencies will shortly be commenting, to the extent that they care to comment on the transaction. And I'd prefer you just read it there, rather than us putting ourselves forward as a spokespeople for the agencies.

Dan Farrell - Sterne, Agee & Leach, Inc. - Analyst

Fair enough. Okay. Thank you very much.

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

Thanks, Dan.

Operator

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Your next question comes with line of Jeff Cho representing MFS Investment Management. Please proceed.

Jeffrey Cho - MFS Investment Management. - Analyst

Hi, good morning, Ed, Jeff.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Good morning.

Jeffrey Cho - MFS Investment Management. - Analyst

I guess, given that we're in the middle of wind season, how should I from a Transatlantic shareholder perspective, how should I think about the PML risk profile of Validus versus Allied World? And if we, God forbid, a one in a 100 year event, would I expect Validus' PMLs (inaudible) higher than Allied World -- if we keep valuation constant, does that means Validus offer could be lower?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

I'll let Jeff do kind of the more advanced math on that, Jeff, but I mentioned it during our comments that Validus goes into the North Atlantic wind season with more protection than we've ever had previously, both in absolute dollars, in terms of where it attaches, and proportionally to our overall PMLs. We also have brought down our one in 100 year PMLs over the last year, so on the basis that we didn't see rates -- until the June and July renewals moving in a direction that we felt should suggest that we should be putting out our full capacity. And we're not putting out our full capacity today. So we actually feel as though we're well, well within our PML constraints on a one in 100 year basis.

If you look at our performance relative to peers in recent events, you'll see that we've significantly outperformed market share, and different measures that people use. I can't speak to Allied World's PMLs. I haven't looked them, and wouldn't be qualified to do so. But the other side of that coin that I would point out, is that we go into wind season at extremely well protected. I don't root for storms. I tend to be pro-human, and storms tends to disrupt a lot of lives. But in the event that there is activity in the North Atlantic this year, it won't take much to really tip the market, given all the losses happened over the last 15 months. And there would be very, very few companies positioned the way we are, to take advantage of the ensuing rate increases that could easily rival what we saw post-Katrina or post Andrew. And so, by protecting the portfolio well, by constructing it well, we feel very good about our positioning, by managing our PMLs very carefully and by limiting the maximum amount of risk we take on in any one zone, we feel very comfortable about our portfolio. And we see it as having potential significant upside to us, in the event that we have an active season.

Jeffrey Cho - MFS Investment Management. - Analyst

Got it. Jeff, I know you've look at their PMLs. Any comments, thoughts?

Jeff Consolino - Validus Holdings Ltd - EVP and CFO

I really can't think of anything I would add to what Ed said. So I don't have any further elaboration to offer.

Jeffrey Cho - MFS Investment Management. - Analyst

Okay. Thanks, guys.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Thank you.

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Operator

Your next question comes from the line of Judy Delgado representing Alpine Associates. Please proceed.

Judy Delgado - Alpine Associates - Analyst

Yes, good morning. I understand the companies have had talks with the rating agencies, but I'm curious if you reached out to any of your own shareholders to gauge their support.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Hi. This is Ed Noonan. Yes, we certainly -- our Board of Directors is comprised of a significant percentage of our shareholding base. We've had extensive discussions with them, and obviously, they are terribly supportive of the deal. It would not have been appropriate of us to go outside of that loop, and share confidential information with one shareholder at the expense of another. But certainly our Board represents a very meaningful percentage of our ownership, and they've been extremely supportive.

Judy Delgado - Alpine Associates - Analyst

Could you confirm how much they actually hold?

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Roughly 30% today.

Judy Delgado - Alpine Associates - Analyst

Okay. Thank you.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

You're welcome.

Operator

Ladies and gentlemen, this concludes our question and answer session. I would now like to turn the call back to Ed Noonan for closing remarks.

Ed Noonan - Validus Holdings Ltd - Chairman and CEO

Thanks, operator. So thank you all for taking the time to join us. As I said at the outset, this is very exciting, and we think compelling transaction for us and for Transatlantic and for it's shareholders. We have a very high degree of confidence that when the Transatlantic Board looks at our offer, that they will in fact see their fiduciary duty as requiring them to come and sit down, and talk with us and negotiate a final agreement. We think that's in the best interest of Transatlantic's shareholders. We think that's in the best interest of building the Transatlantic business and franchise. And so we're looking forward to it. .And hopefully, we'll have the chance to keep you posted in the near term. Thank you.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

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