

KCS ENERGY INC
Form 425
May 11, 2006

Filed by Petrohawk Energy Corporation

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Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: KCS Energy, Inc.

(Commission File No.: 001-13781)

This filing relates to the proposed merger between Petrohawk Energy Corporation (Petrohawk) and KCS Energy, Inc. (KCS) pursuant to the terms of an Agreement and Plan of Merger, dated as of April 20, 2006, by and among Petrohawk, KCS, and Hawk Nest Corporation (the Merger Agreement). Petrohawk has filed the Merger Agreement with the U.S. Securities and Exchange Commission (the SEC) as Exhibit 2.1 to the Current Report on Form 8-K filed by Petrohawk on April 21, 2006.

PETROHAWK ENERGY CORPORATION ANNOUNCES STRONG START TO 2006

Production Up, Lifting Costs Down

KCS Energy Merger Announced, Successful Drilling Continues

HOUSTON, May 10, 2006 Petrohawk Energy Corporation (Petrohawk or the Company) (NASDAQ: HAWK) today reported financial and operating results for the first quarter of 2006.

Highlights include:

66 wells drilled with a 95% success rate

Record net production of 12.2 BCFE, up 154% year over year

Revenue increased 219% year over year to \$103 million

33% reduction in per unit G&A expenses and 6% improvement in total lifting costs over prior quarter

Operating cash flow (a non-GAAP financial measure) of \$63.6 million, up 246% year over year

\$262.5 million invested in oil and gas properties

\$52.5 million of oil and gas properties divested

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Petrohawk had a great first quarter with increased production and lower costs, even though costs for the industry have increased in general, stated Floyd C. Wilson, Chairman, President and Chief Executive Officer. Our drilling results were excellent, and we completed two strategic transactions during the period.

Additionally, we look forward to completing a third strategic and transforming transaction our exciting merger with KCS Energy. We believe the combination of our two fine staffs, the continuation and extension of our two very successful drilling programs and the integration of our highly complimentary oil and gas assets will set the stage for dynamic growth at Petrohawk for this year and beyond.

On April 21, Petrohawk announced its proposed merger with KCS Energy, Inc. (NYSE: KCS). The merger will create an enterprise valued at approximately \$3.7 billion including proved reserves of approximately one trillion cubic feet of natural gas equivalents (Tcfe) with significant exploration and development potential. The transaction is expected to close during the third quarter of this year and is subject to stockholder and regulatory approval and other customary terms and conditions.

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Financial and Operational Highlights

- * The Company generated revenues for the quarter of \$103 million, representing a 219% increase year over year. Cash flows from operations before changes in working capital (cash flow from operations, a non-GAAP measure) were \$63.6 million, or \$0.76 per share. Year over year, cash flows from operations increased 246%. Net income for the quarter reached \$32.9 million, or \$0.39 per fully diluted common share, before excluding selected items (see the Selected Item Review and Reconciliation table for additional information), compared to a loss of \$0.36 per fully diluted share for the first quarter of 2005.
- * The average oil and natural gas production rate for the quarter increased 16% over the fourth quarter of 2005 and 154% over the first quarter of 2005 to 136 million cubic feet equivalent per day (Mmcfe/d). Total production for the quarter was 8,658 Mmcf of natural gas and 596 Mbbls of oil, or 12,234 Mmcfe.
- * The Company made improvements in its overall cost structure during first quarter, including a reduction in general and administrative expenses by 33% over the prior quarter, from \$8.0 million to \$6.0 million. Total operating expense, including lease operating, production and severance taxes, gathering and transportation expense, showed a 6% improvement over the prior quarter on a per unit basis, from \$1.95 to \$1.83 per Mcfe. Depletion, depreciation and amortization, a non-cash expense, increased 30% over the prior quarter, from \$28.9 million to \$37.5 million, mainly due to the Company's acquisition activities.
- * During the quarter, Petrohawk completed two strategic transactions. On January 27, the Company closed its acquisition of approximately 106 Bcfe of proved natural gas reserves located in North Louisiana's Elm Grove and Caspiana fields. On March 21, Petrohawk completed its divestment of approximately 25 Bcfe of proved reserves located in the Gulf of Mexico.
- * Petrohawk's average prices from the sale of natural gas and oil were \$7.75 per Mcf and \$59.90 per Bbl respectively during the quarter, excluding the impact of hedges. Hedges reduced average sales prices by \$0.25 per Mcf of natural gas and \$6.68 per Bbl of oil. The Company does not elect hedge accounting.

Continued Drilling Success

As previously reported, the Company participated in the drilling of 66 gross wells during the quarter. Sixty-three of these wells were completed as producers, and three were dry holes for a success rate of 95%. Fourteen of the wells were drilled at Elm Grove/Caspiana field in North Louisiana. Six of the wells were drilled on non-proved locations, and the remaining eight wells were classified as proved undeveloped.

Petrohawk currently has six operated and six non-operated rigs drilling. Of these, two operated rigs are currently drilling in Elm Grove field, and a third operated rig is scheduled to begin drilling operations next week. Of the \$51.3 million of capital expenditures reported during the first quarter, \$36.9 million was dedicated directly to drilling activities.

Hedging Program

Since the end of the quarter, the Company has added 1,000 barrels of oil per day to its hedge position for calendar 2007 in the form of costless collars with a floor of \$65.00 and a ceiling of \$85.00, and an additional 10,000 Mmbtu of natural gas per day for calendar 2007, also in the form of \$8.00 floors with a deferred premium of \$0.79 cents per Mmbtu.

To date, the Company has open positions on the following production volumes:

| | April - December 2006 | | | 2007 | | | 2008 | | |
|----------------|-----------------------|---------|---------|-------------------|---------|----------|-------------------|---------|---------|
| | GAS | | | GAS | | | GAS | | |
| | Volume (MMbtu) | Floor | Ceiling | Volume (MMbtu) | Floor | Ceiling | Volume (MMbtu) | Floor | Ceiling |
| Collars | 11,275,000 | \$ 5.78 | \$ 8.87 | 6,530,000 | \$ 6.79 | \$ 11.72 | 3,600,000 | \$ 5.05 | \$ 6.53 |
| Swaps | | | | 1,200,000 | \$ 6.06 | | | | |
| Puts | 4,050,000 | \$ 8.00 | | 7,250,000 | \$ 8.00 | | | | |

| | OIL | | | OIL | | | OIL | | |
|----------------|------------------|----------|----------|------------------|----------|----------|------------------|----------|----------|
| | Volume (Bbls) | Floor | Ceiling | Volume (Bbls) | Floor | Ceiling | Volume (Bbls) | Floor | Ceiling |
| Collars | 1,007,250 | \$ 38.08 | \$ 50.17 | 605,000 | \$ 53.22 | \$ 68.72 | 60,000 | \$ 34.00 | \$ 45.30 |
| Swaps | | | | | | | 144,000 | \$ 38.10 | |

Petrohawk will hold a conference call May 10, 2006 at 10:00 a.m. EDT (9:00 a.m. CDT) to discuss today's announcement. To access the call, dial 800-644-8607 five to ten minutes before the call begins. Please reference Petrohawk Energy Conference ID 8796879. International callers may also participate by dialing 706-679-8184. A replay of the call will be available approximately two hours after the live broadcast ends and will be accessible until May 24, 2006. To access the replay, please dial 800-642-1687 and reference conference ID 8796879. International callers may listen to a playback by dialing 706-645-9291.

Petrohawk Energy Corporation is an independent energy company engaged in the acquisition, production, exploration and development of oil and gas, with properties concentrated in the South Texas / Gulf Coast, East Texas / North Louisiana, Permian, Mid-Continent and Arkoma regions.

For more information contact Shane M. Bayless, EVP Chief Financial Officer and Treasurer at (832) 204-2727 or sbayless@petrohawk.com; or contact Joan Dunlap, Assistant Treasurer at (832) 204-2737 or jdunlap@petrohawk.com. For additional information about Petrohawk, please visit our website at www.petrohawk.com.

Additional Information for Investors

This press release contains forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995, based on Petrohawk's current expectations and include statements regarding planned capital expenditures (including the amount and nature thereof), timing for completion of the proposed merger, acquisitions and divestitures, estimates of future production, statements regarding business plans and timing for drilling and exploration expenditures, the number of wells we anticipate drilling in 2006, the number and nature of potential drilling locations, future results of operations, quality and nature of the combined asset base, the assumptions upon which estimates are based and other expectations, beliefs, plans, objectives, assumptions, strategies or statements about future events or performance (often, but not always, using words such as expects, anticipates, plans, estimates, potential, possible, probable, or intends, or stating that certain actions or results may, will, should, or could be taken, occur or be achieved). Statements concerning oil and gas reserves also may be deemed to be forward looking statements in that they reflect estimates based on certain assumptions that the resources involved can be economically exploited. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those, reflected in the statements. These risks include, but are not limited to: the possibility that the companies may be unable to obtain stockholder or other approvals required for the merger; the possibility that problems may arise in the integration of the businesses of the two companies; the possibility that the merger may involve unexpected costs; the possibility the combined company may be unable to achieve cost-cutting objectives; the risks of the oil and gas industry (for example, operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; health, safety and environmental risks and risks related to weather such as hurricanes and other natural disasters); uncertainties as to the availability and cost of financing; fluctuations in oil and gas prices; inability to realize expected value from acquisitions, inability of our management team to execute its plans to meet its goals, shortages of drilling equipment, oil field personnel and services, unavailability of gathering systems, pipelines and processing facilities and the possibility that government policies may change or governmental approvals may be delayed or withheld. Additional information on these and other factors which could affect either companies' operations or financial results are included in the companies' other reports on file with the United States Securities and Exchange Commission. Forward-looking statements are based on the estimates and opinions of management at the time the statements are made. Neither Petrohawk does not assume any obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

Additional Information About the Transaction and Where to Find It:

Petrohawk and KCS will file materials relating to the transaction with the SEC, including one or more registration statement(s) that contain a prospectus and a joint proxy statement. Investors and security holders of Petrohawk and KCS are urged to read these documents (if and when they become available) and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information about Petrohawk, KCS and the transaction. Investors and security

holders may obtain these documents free of charge at the SEC's website at www.sec.gov. In addition, the documents filed with the SEC by Petrohawk may be obtained free of charge from Petrohawk's website at www.petrohawk.com. The documents filed with the SEC by KCS may be obtained free of charge from KCS's website at www.kcsenergy.com. Investors and security holders are urged to read the joint proxy statement/prospectus and the other relevant materials when they become available before making any voting or investment decision with respect to the proposed acquisition.

Petrohawk, KCS and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of Petrohawk and KCS in favor of the acquisition. Information about the executive officers and directors of Petrohawk and their direct or indirect interests, by security holdings or otherwise, in the acquisition will be set forth in the proxy statement-prospectus relating to the acquisition when it becomes available. Information about the executive officers and directors of KCS and Petrohawk and their direct or indirect interests, by security holdings or otherwise, in the acquisition will be set forth in the proxy statement-prospectus relating to the acquisition when it becomes available.

Petrohawk Energy Corporation

Consolidated Statements of Operations (Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------|
| | 2006 | 2005 |
| Operating revenues: | | |
| Oil and gas sales | \$ 103,006 | \$ 32,326 |
| Operating expenses: | | |
| Production expenses: | | |
| Lease operating | 11,549 | 4,524 |
| Workover and other | 719 | 421 |
| Taxes other than income | 8,298 | 2,326 |
| Gathering, transportation and other | 1,872 | 333 |
| General and administrative: | | |
| General and administrative | 6,044 | 3,300 |
| Stock-based compensation | 644 | 1,579 |
| Depletion, depreciation and amortization | 37,450 | 10,814 |
| Total operating expenses | 66,576 | 23,297 |
| Income from operations | 36,430 | 9,029 |
| Other income (expenses): | | |
| Net gain (loss) on derivative contracts | 24,803 | (28,652) |
| Interest expense and other | (9,072) | (3,349) |
| Total other income (expenses) | 15,731 | (32,001) |
| Income (loss) before income taxes | 52,161 | (22,972) |
| Income tax (provision) benefit | (19,222) | 8,720 |
| Net income (loss) | 32,939 | (14,252) |
| Preferred dividends | (108) | (109) |
| Net income (loss) available (applicable) to common shareholders | \$ 32,831 | \$ (14,361) |
| Earnings (loss) per share of common stock: | | |
| Basic | \$ 0.40 | \$ (0.36) |
| Diluted | \$ 0.39 | \$ (0.36) |
| Weighted average shares outstanding: | | |
| Basic | 81,961 | 39,980 |
| Diluted | 84,219 | 39,980 |

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands)

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| | March 31, 2006 | December 31, 2005 |
|---|---------------------|----------------------|
| Assets | | |
| Current assets | \$ 103,472 | \$ 105,981 |
| Oil and gas properties, net | 1,408,535 | 1,137,487 |
| Other assets | 176,066 | 166,706 |
| Total assets | \$ 1,688,073 | \$ 1,410,174 |
| Liabilities and stockholders' equity | | |
| Current liabilities | \$ 134,447 | \$ 143,886 |
| Long-term debt | 544,712 | 495,801 |
| Other noncurrent liabilities | 316,056 | 244,029 |
| Stockholders' equity | 692,858 | 526,458 |
| Total liabilities and stockholders' equity | \$ 1,688,073 | \$ 1,410,174 |

Petrohawk Energy Corporation

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------|
| | 2006 | 2005 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 32,939 | \$ (14,252) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depletion, depreciation and amortization | 37,450 | 10,814 |
| Deferred income tax provision (benefit) | 19,222 | (8,720) |
| Stock-based compensation | 644 | 1,579 |
| Net unrealized (gain) loss on derivative contracts | (30,955) | 27,459 |
| Net realized loss on derivative contracts acquired | 4,496 | 1,255 |
| Other | (179) | 270 |
| Cash flow from operations before changes in working capital | 63,617 | 18,405 |
| Changes in working capital | (9,696) | 2,152 |
| Net cash provided by operating activities | 53,921 | 20,557 |
| Cash flows from investing activities: | | |
| Oil and gas expenditures | (51,257) | (17,697) |
| Acquisition of Winwell Resources, Inc., net of cash acquired of \$14,965 | (172,275) | |
| Acquisition of Proton Oil & Gas Corp., net of cash acquired of \$870 | | (52,625) |
| Acquisition of oil and gas properties | (86,236) | |
| Proceeds received from sale of oil and gas properties | 47,573 | 78,469 |
| Gas gathering system and equipment expenditures | (303) | (459) |
| Return of oil and gas property acquisition deposit | 22,500 | |
| Net cash (used in) provided by investing activities | (239,998) | 7,688 |
| Cash flows from financing activities: | | |
| Proceeds from exercise of options | 524 | 818 |
| Proceeds from issuance of common stock | 188,500 | |
| Acquisition of common stock | (46,200) | |
| Proceeds from borrowings | 285,000 | 63,000 |
| Repayment of borrowings | (235,000) | (90,000) |
| Net realized loss on derivative contracts acquired | (4,496) | (1,255) |
| Offering costs | (10,307) | |
| Dividends paid on 8% Cumulative Preferred Stock | (111) | (109) |
| Other | (1,102) | |
| Net cash provided by (used in) financing activities | 176,808 | (27,546) |
| Net (decrease) increase in cash | (9,269) | 699 |
| Cash: | | |
| Beginning of period | 12,911 | 5,660 |
| End of period | \$ 3,642 | \$ 6,359 |

Petrohawk Energy Corporation

Selected Operating Data (Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended | |
|---|--------------------|----------|
| | March 31, 2006 | 2005 |
| Production: | | |
| Natural gas - Mmcf | 8,658 | 3,438 |
| Crude oil - Mbbl | 596 | 231 |
| Natural gas equivalent - Mmcfe | 12,234 | 4,822 |
| Average daily production - Mmcfe | 135.9 | 53.6 |
| Average price per unit: | | |
| Realized oil price - as reported | \$ 59.90 | \$ 46.62 |
| Realized impact of derivatives | (6.68) | (3.91) |
| Net realized oil price | 53.22 | 42.71 |
| Realized gas price - as reported | 7.75 | 6.24 |
| Realized impact of derivatives | (0.25) | (0.09) |
| Net realized gas price | 7.50 | 6.15 |
| Cash flow from operations ⁽¹⁾ | 63,617 | 18,405 |
| Cash flow from operations - per share (diluted) | 0.76 | 0.46 |
| Average cost per Mcfe: | | |
| Production expenses: | | |
| Lease operating | 0.94 | 0.94 |
| Workover and other | 0.06 | 0.09 |
| Taxes other than income | 0.68 | 0.48 |
| Gathering, transportation and other | 0.15 | 0.07 |
| General and administrative expense: | | |
| General and administrative | 0.49 | 0.68 |
| Stock-based compensation | 0.05 | 0.33 |
| Depletion expense | 3.00 | 2.18 |

⁽¹⁾ Repr COMMON STOCK 345425102 26 1250 SH OTHER 1250 0 0 FRONTLINE LTD COMMON STOCK G3682E127 29 900 SH OTHER 900 0 0 GALLAHER GROUP PLC SPONSORED A COMMON STOCK 363595109 71 792 SH DEFINED 792 0 0 GALLAHER GROUP PLC SPONSORED A COMMON STOCK 363595109 72 800 SH OTHER 800 0 0 GLAXO SMITHKLINE SPONSORED ADR COMMON STOCK 37733W105 3 52 SH DEFINED 52 0 0 GLAXO SMITHKLINE SPONSORED ADR COMMON STOCK 37733W105 1389 26330 SH OTHER 26330 0 0 GLOBALSANTEFE CORP COMMON STOCK G3930E101 971 16511 SH DEFINED 15461 0 1050 GLOBALSANTEFE CORP COMMON STOCK G3930E101 188 3197 SH OTHER 3197 0 0 GOLDCORP INC COMMON STOCK 380956409 3 100 SH DEFINED 100 0 0 HARVEST ENERGY-U COMMON STOCK 41752X101 11 500 SH OTHER 500 0 0 HELEN OF TROY LIMITED NEW COMMON STOCK G4388N106 8 339 SH DEFINED 339 0 0 HONDA MOTOR LTD ADR COMMON STOCK 438128308 34 850 SH DEFINED 850 0 0 HONDA MOTOR LTD ADR COMMON STOCK 438128308 26 650 SH OTHER 650 0 0 HSBC HOLDINGS PLC SPONS ADR COMMON STOCK 404280406 90 986 SH DEFINED 986 0 0 HSBC HOLDINGS PLC SPONS ADR COMMON STOCK 404280406 148 1613 SH OTHER 1613 0 0 HUANENG PWR INTL INC SPONS ADR COMMON STOCK 443304100 11 300 SH OTHER 300 0 0 IMPERIAL TOBACCO GROUP PLC SPS COMMON STOCK 453142101 23 285 SH DEFINED 0 0 285 INFOSYS TECHNOLOGIES SPONS ADR COMMON STOCK 456788108 33 600 SH OTHER 600 0 0 INGERSOLL-RAND CO CL A COMMON STOCK G4776G101 5224 133516 SH DEFINED 122076 0 11440 INGERSOLL-RAND CO CL A COMMON STOCK G4776G101 1369 34980 SH OTHER 34980 0 0 ISHARES MSCI CANADA INDEX FUND COMMON STOCK 464286509 10 400 SH DEFINED 400 0 0 ISHARES MSCI MALAYSIA COMMON STOCK 464286830 12 1300 SH DEFINED 1300 0 0 ISHARES MSCI SOUTH KOREA COMMON STOCK 464286772 9 180 SH DEFINED 180 0 0 KONINKLIJKE PHILIPS ELECTRS NV COMMON STOCK 500472303 38 1000 SH DEFINED 1000 0 0 LANOPTICS LTD COMMON STOCK M6706C103 28 2000 SH DEFINED 2000 0 0

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MANULIFE FINANCIAL CORP COMMON STOCK 56501R106 11 336 SH OTHER 336 0 0 MITTAL STEEL C-A COMMON STOCK 60684P101 5 121 SH DEFINED 121 0 0 NABORS INDUSTRIES LTD COMMON STOCK G6359F103 30 1000 SH DEFINED 1000 0 0 NATIONAL WESTMINSTER BK PLC AD COMMON STOCK 638539700 12 500 SH DEFINED 500 0 0 NOBLE CORPORATION COMMON STOCK G65422100 327 4300 SH DEFINED 4300 0 0 NOBLE CORPORATION COMMON STOCK G65422100 15 200 SH OTHER 200 0 0 NOKIA CORP SPNSD ADR COMMON STOCK 654902204 67 3300 SH DEFINED 3300 0 0 NOKIA CORP SPNSD ADR COMMON STOCK 654902204 7 350 SH OTHER 350 0 0 NORTEL NETWORKS CORP COMMON STOCK 656568508 17 628 SH DEFINED 628 0 0 NORTEL NETWORKS CORP COMMON STOCK 656568508 2 60 SH OTHER 60 0 0 NOVARTIS AG SPONSORED ADR COMMON STOCK 66987V109 44 766 SH DEFINED 400 0 366 NOVARTIS AG SPONSORED ADR COMMON STOCK 66987V109 17 300 SH OTHER 300 0 0 PCCW LTD SPONS ADR COMMON STOCK 70454G207 0 3 SH DEFINED 3 0 0 PENGROWTH ENERGY TRUST COMMON STOCK 706902509 3 150 SH OTHER 150 0 0 PENN WEST ENERGY COMMON STOCK 707885109 74 2406 SH OTHER 2406 0 0 PROVIDENT ENERGY TRUST-UTS COMMON STOCK 74386K104 22 2000 SH OTHER 2000 0 0 REPSOL YPF SA SPONSORED ADR COMMON STOCK 76026T205 14 400 SH DEFINED 400 0 0 REPSOL YPF SA SPONSORED ADR COMMON STOCK 76026T205 7 200 SH OTHER 200 0 0 RESEARCH IN MOTION LIMITED COMMON STOCK 760975102 84 658 SH DEFINED 0 0 658 ROYAL DUTCH-ADR A COMMON STOCK 780259206 665 9392 SH DEFINED 9392 0 0 ROYAL DUTCH-ADR A COMMON STOCK 780259206 280 3952 SH OTHER 3952 0 0 SCHLUMBERGER LTD COMMON STOCK 806857108 827 13101 SH OTHER 13101 0 0 SCOTTISH POWER PLC ADR COMMON STOCK 81013T804 26 446 SH OTHER 446 0 0 SHIP FINANCE INTERNATIONAL LTD COMMON STOCK G81075106 1 22 SH OTHER 22 0 0 SMITH & NEPHEW PLC-ADR COMMON STOCK 83175M205 17 326 SH DEFINED 0 0 326 SUN LIFE FINANCIAL INC COMMON STOCK 866796105 117 2771 SH DEFINED 2771 0 0 SUNCOR ENERGY INC COMMON STOCK 867229106 92 1170 SH DEFINED 120 0 1050 SUNTECH POWE-ADR COMMON STOCK 86800C104 15 450 SH OTHER 450 0 0 TAIWAN SEMICONDUCTOR SPONS ADR COMMON STOCK 874039100 13 1225 SH DEFINED 1225 0 0 TECK COMINCO LIMITED-CL B COMMON STOCK 878742204 22 293 SH DEFINED 0 0 293 TELEFONOS DE MEXICO S A ADR COMMON STOCK 879403780 34 1200 SH OTHER 1200 0 0 TEVA PHARMACEUTICAL INDS LTD A COMMON STOCK 881624209 9 275 SH OTHER 275 0 0 TOTAL S.A. SPON ADR COMMON STOCK 89151E109 25 350 SH DEFINED 350 0 0 TOTAL S.A. SPON ADR COMMON STOCK 89151E109 7 100 SH OTHER 100 0 0 TOYOTA MTR CORP SPONS ADR COMMON STOCK 892331307 13 100 SH DEFINED 100 0 0 TRANSOCEAN INC COMMON STOCK G90078109 30 370 SH DEFINED 370 0 0 TRANSOCEAN INC COMMON STOCK G90078109 28 348 SH OTHER 348 0 0 UNILEVER N V NY SHARES COMMON STOCK 904784709 156 5725 SH DEFINED 5725 0 0 UNILEVER N V NY SHARES COMMON STOCK 904784709 209 7675 SH OTHER 7675 0 0 UNITED UTILITIES PLC-SP ADR COMMON STOCK 91311Q105 31 1000 SH OTHER 1000 0 0 VERIGY LTD COMMON STOCK Y93691106 3 167 SH DEFINED 167 0 0 VERIGY LTD COMMON STOCK Y93691106 0 27 SH OTHER 27 0 0 VIMPELCOM-SP ADR COMMON STOCK 68370R109 79 1000 SH OTHER 1000 0 0 VODAFONE GROUP ADR COMMON STOCK 92857W209 1676 60331 SH DEFINED 59002 0 1329 VODAFONE GROUP ADR COMMON STOCK 92857W209 620 22315 SH OTHER 22315 0 0 W HOLDING COMPANY INC COMMON STOCK 929251106 21 3581 SH DEFINED 3581 0 0 WEATHERFORD INTL LTD COMMON STOCK G95089101 4 90 SH DEFINED 90 0 0 WILLIS GROUP HOLDINGS LTD COMMON STOCK G96655108 2343 59005 SH DEFINED 51645 0 7360 WILLIS GROUP HOLDINGS LTD COMMON STOCK G96655108 357 8997 SH OTHER 8997 0 0 XL CAP LTD COMMON STOCK G98255105 1614 22414 SH DEFINED 20137 0 2277 XL CAP LTD COMMON STOCK G98255105 446 6191 SH OTHER 6191 0 0 XYRATEX LTD COMMON STOCK G98268108 22 1000 SH OTHER 1000 0 0 YAMANA GOLD INC COMMON STOCK 98462Y100 3 200 SH DEFINED 200 0 0 MIRANT CORP-WARRANTS 1 COMMON STOCK 60467R118 0 20 SH OTHER 20 0 0 ARCHSTONE-SMITH TRUST COMMON STOCK 039583109 6 100 SH DEFINED N.A. N.A. N.A. BRE PROPERTIES CL A COMMON STOCK 05564E106 10 150 SH DEFINED N.A. N.A. N.A. CAMDEN PPTY TR COMMON STOCK 133131102 30 400 SH OTHER N.A. N.A. N.A. CBL & ASSOC PPTYS INC COMMON STOCK 124830100 308 7100 SH DEFINED N.A. N.A. N.A. CBL & ASSOC PPTYS INC COMMON STOCK 124830100 167 3850 SH OTHER N.A. N.A. N.A. COLONIAL PPTYS TR COMMON STOCK 195872106 30 645 SH OTHER N.A. N.A. N.A. DCT INDUSTRIAL TRUST INC COMMON STOCK 233153105 28 2380 SH DEFINED N.A. N.A. N.A. DUKE REALTY CORP COMMON STOCK 264411505 11 276 SH DEFINED N.A. N.A. N.A. DUKE REALTY CORP COMMON STOCK 264411505 46 1122 SH OTHER N.A. N.A. N.A. EQUITY INNS INC COMMON STOCK 294703103 88 5500 SH OTHER N.A. N.A. N.A. FEDERAL REALTY INVESTMENT TRUS COMMON STOCK 313747206 17 200 SH DEFINED N.A. N.A. N.A. FIRST INDUST REALTY TR INC COMMON STOCK 32054K103 42 900 SH OTHER N.A. N.A. N.A. HEALTH CARE PPTY INVS INC COMMON STOCK 421915109 15 400 SH DEFINED N.A. N.A. N.A. HEALTH CARE REIT INC COMMON STOCK 42217K106 13 300 SH DEFINED N.A. N.A. N.A. HEALTH CARE REIT INC COMMON STOCK 42217K106 27 635 SH OTHER N.A. N.A. N.A. HEALTHCARE RLTY TR INC COMMON STOCK 421946104 45 1150 SH DEFINED N.A. N.A. N.A. HEALTHCARE RLTY TR INC COMMON STOCK 421946104 20 500 SH OTHER N.A. N.A. N.A. HOST HOTELS & RESORTS, INC COMMON STOCK 44107P104 108 4383 SH DEFINED N.A. N.A. N.A. HOST HOTELS & RESORTS, INC COMMON STOCK 44107P104 3 112 SH OTHER N.A. N.A. N.A. INLAND REAL ESTATE CORP COMMON STOCK 457461200 26 1407 SH DEFINED N.A. N.A. N.A. ISTAR FINANCIAL INC COMMON STOCK 45031U101 58 1220 SH OTHER N.A. N.A. N.A. LEXINGTON CORPORATE PPTYS TR COMMON STOCK 529043101 29 1300 SH DEFINED N.A. N.A. N.A. LEXINGTON CORPORATE PPTYS TR COMMON STOCK 529043101 7 300 SH OTHER N.A. N.A. N.A. MACK CALI RLTY CORP COMMON STOCK 554489104 20 400 SH OTHER N.A. N.A. N.A. MID-AMER APT CMNTYS INC COMMON STOCK 59522J103 113 1968 SH DEFINED N.A. N.A. N.A. MID-AMER APT CMNTYS INC COMMON STOCK 59522J103 143 2500 SH OTHER N.A. N.A. N.A. NEW PLAN EXCEL RLTY TR INC COMMON STOCK 648053106 55 2000 SH OTHER N.A. N.A. N.A. OPTEUM INC COMMON STOCK 68384A100 2 250 SH OTHER N.A. N.A. N.A. PARKWAY PROPERTIES INC COMMON STOCK 70159Q104 8 157 SH DEFINED N.A. N.A. N.A. PUBLIC STORAGE INC COMMON STOCK 74460D109 50 512 SH DEFINED N.A. N.A. N.A. REALTY INCOME CORP COMMON STOCK 756109104 73 2621 SH DEFINED N.A. N.A. N.A. SENIOR HOUSING PROPERTIES TRUS COMMON STOCK 81721M109 39 1600 SH DEFINED N.A. N.A. N.A. UNITED DOMINION REALTY TRUST 1 COMMON STOCK 910197102 32 1000 SH DEFINED N.A. N.A. N.A. VORNADO REALTY

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TRUST COMMON STOCK 929042109 24 200 SH DEFINED N.A. N.A. N.A. WASHINGTON REAL ESTATE INVT TR COMMON STOCK 939653101 20 500 SH DEFINED N.A. N.A. N.A. CAPITAL CROSSING CAP 8.500% PF PREFERRED STOCK 14007R401 68 2600 SH OTHER N.A. N.A. N.A. ROYAL BK SCOT GROUP PFD SER G PREFERRED STOCK 780097887 15 600 SH DEFINED N.A. N.A. N.A. ABBEY NATL PLC 7.375% PFD PREFERRED STOCK 002920809 13 500 SH DEFINED N.A. N.A. N.A. ROYAL BANK SCOTLAND 8.100% PFD PREFERRED STOCK 780097705 10 400 SH DEFINED N.A. N.A. N.A. ROYAL BK SCOTLAND 7.250% PFD S PREFERRED STOCK 780097879 5 200 SH DEFINED N.A. N.A. N.A. AMAZON COM INC 4.750% 2 OTHER 023135AF3 6 6000 PRN DEFINED N.A. N.A. N.A. ADVENT CLAYMORE CVT SEC & INC OTHER 00764C109 1 42 SH OTHER N.A. N.A. N.A. BLACKROCK ENHAN EQ YLD & PREM OTHER 09256E101 10 500 SH OTHER N.A. N.A. N.A. COHEN & STEERS ADV INC REAL OTHER 19247W102 37 1313 SH DEFINED N.A. N.A. N.A. COHEN & STEERS SELECT UTIL FUN OTHER 19248A109 29 1175 SH DEFINED N.A. N.A. N.A. ENERPLUS RESOURCES FUND OTHER 29274D604 9 200 SH DEFINED N.A. N.A. N.A. ENERPLUS RESOURCES FUND OTHER 29274D604 4 100 SH OTHER N.A. N.A. N.A. GABELLI DIVIDEND & INCOME TR OTHER 36242H104 43 2000 SH DEFINED N.A. N.A. N.A. INDIA FUND INC OTHER 454089103 14 300 SH DEFINED N.A. N.A. N.A. ING CLARION GL REAL ESTATE INC OTHER 44982G104 12 500 SH OTHER N.A. N.A. N.A. ISHARES DJ SELECT DIVIDEND IND OTHER 464287168 1731 24475 SH DEFINED N.A. N.A. N.A. ISHARES DJ SELECT DIVIDEND IND OTHER 464287168 18 250 SH OTHER N.A. N.A. N.A. ISHARES GSCI CMDTY INDX TRST OTHER 46428R107 4 100 SH DEFINED N.A. N.A. N.A. ISHARES S&P SMALLCAP 600/VAL OTHER 464287879 15 200 SH DEFINED N.A. N.A. N.A. ISHARES TR S&P SMALLCAP/600 GR OTHER 464287887 26 200 SH DEFINED N.A. N.A. N.A. LIBERTY ALL STAR EQUITY FD OTHER 530158104 14 1739 SH DEFINED N.A. N.A. N.A. LIBERTY ALL STAR EQUITY FD OTHER 530158104 12 1400 SH OTHER N.A. N.A. N.A. MACQUARIE/FT GL INT/UT DV IN OTHER 55607W100 30 1175 SH DEFINED N.A. N.A. N.A. MORGAN STANLEY DEAN WITTER EME OTHER 61744H105 2 200 SH DEFINED N.A. N.A. N.A. MORGAN STANLEY INDIA INVESTMEN OTHER 61745C105 13 250 SH DEFINED N.A. N.A. N.A. NUVEEN TAX-ADV TOT RET STRAT OTHER 67090H102 54 2000 SH DEFINED N.A. N.A. N.A. OIL SERVICE HOLDERS TRUST OTHER 678002106 28 200 SH DEFINED N.A. N.A. N.A. PETROLEUM & RES CORP OTHER 716549100 96 2878 SH DEFINED N.A. N.A. N.A. PIMCO FLOATING RATE STRATEGY F OTHER 72201J104 53 2818 SH DEFINED N.A. N.A. N.A. TEMPLETON DRAGON FD INC OTHER 88018T101 60 2300 SH DEFINED N.A. N.A. N.A. TEMPLETON EMERGING MKTS FD INC OTHER 880191101 22 1200 SH OTHER N.A. N.A. N.A. TORTOISE ENERGY CAPITAL CORP OTHER 89147U100 14 500 SH OTHER N.A. N.A. N.A. VANGUARD HEALTH CARE ETF OTHER 92204A504 43 750 SH DEFINED N.A. N.A. N.A. VANGUARD TELECOMMUNICATIONS OTHER 92204A884 49 664 SH DEFINED N.A. N.A. N.A. WISDOMTREE INTL DVD TOP 100 OTHER 97717W786 16 250 SH DEFINED N.A. N.A. N.A. NUVEEN VA PREM INCOME MUN FD OTHER 67064R102 8 504 SH DEFINED N.A. N.A. N.A. VAN KAMPEN ADV MUNI INCOME II OTHER 92112K107 237 17430 SH DEFINED N.A. N.A. N.A. WISDOMTREE HIGH YIELD EQUITY F OTHER 97717W208 12 200 SH DEFINED N.A. N.A. N.A. WISDOMTREE HIGH YIELD EQUITY F OTHER 97717W208 6 100 SH OTHER N.A. N.A. N.A. ABERDEEN ASIA PAC PRIME INC OTHER 003009107 2 300 SH OTHER N.A. N.A. N.A. ACM INCOME FUND, INC OTHER 000912105 13 1600 SH DEFINED N.A. N.A. N.A. ACM INCOME FUND, INC OTHER 000912105 21 2624 SH OTHER N.A. N.A. N.A. BLACKROCK INCOME OPPORTUNITY T OTHER 092475102 5 500 SH DEFINED N.A. N.A. N.A. BLACKROCK INSD MUN INCOME TR OTHER 092479104 59 3988 SH DEFINED N.A. N.A. N.A. BLACKROCK INSD MUN 2008 TERM T OTHER 09247K109 241 15500 SH DEFINED N.A. N.A. N.A. BLACKROCK INVT QUALITY MUN TR OTHER 09247D105 62 3231 SH DEFINED N.A. N.A. N.A. BLACKROCK PREFERRED AND CORP I OTHER 09255J101 50 2250 SH OTHER N.A. N.A. N.A. CEF ISHARES S&P 500 GROWTH IND OTHER 464287309 639 9850 SH DEFINED N.A. N.A. N.A. DNP SELECT INCOME FUND INC OTHER 23325P104 95 8800 SH OTHER N.A. N.A. N.A. DREYFUS STRATEGIC MUN BD FD IN OTHER 26202F107 25 2592 SH OTHER N.A. N.A. N.A. HANCOCK JOHN INVS TR SH BEN IN OTHER 410142103 57 3000 SH DEFINED N.A. N.A. N.A. ING PRIME RATE TRUST OTHER 44977W106 55 7552 SH DEFINED N.A. N.A. N.A. ISHARES LEHMAN AGGREGATE BOND OTHER 464287226 155 1550 SH DEFINED N.A. N.A. N.A. ISHARES LEHMAN 1-3 YR TRS BD OTHER 464287457 153 1910 SH DEFINED N.A. N.A. N.A. ISHARES LEHMAN 1-3 YR TRS BD OTHER 464287457 40 500 SH OTHER N.A. N.A. N.A. JOHN HANCOCK PFD INCOME III OTHER 41021P103 134 6000 SH OTHER N.A. N.A. N.A. MFS MUN INCOME TR OTHER 552738106 36 4300 SH DEFINED N.A. N.A. N.A. MORGAN STANLEY INSURED MUNI IN OTHER 61745P791 25 1700 SH DEFINED N.A. N.A. N.A. MORGAN STANLEY INSURED MUNI IN OTHER 61745P791 88 6100 SH OTHER N.A. N.A. N.A. MORGAN STANLEY MUNI PREM INCOM OTHER 61745P429 254 26330 SH DEFINED N.A. N.A. N.A. MORGAN STANLEY QUALITY MUNI IN OTHER 61745P668 8 600 SH DEFINED N.A. N.A. N.A. NEUBERGER BERMAN INTER MUNI BD OTHER 64124P101 7 475 SH DEFINED N.A. N.A. N.A. NEUBERGER BERMAN RLTY INCOME F OTHER 64126G109 25 1050 SH DEFINED N.A. N.A. N.A. NICHOLAS APPLGATE CONVERTIBLE OTHER 65370F101 9 545 SH DEFINED N.A. N.A. N.A. NUVEEN EQUITY PREMIUM INCOME F OTHER 6706ER101 58 3000 SH DEFINED N.A. N.A. N.A. NUVEEN FLOATING RATE INCOME FD OTHER 67072T108 54 3965 SH DEFINED N.A. N.A. N.A. NUVEEN INSD QUALITY MUN FD INC OTHER 67062N103 17 1185 SH DEFINED N.A. N.A. N.A. NUVEEN INSD QUALITY MUN FD INC OTHER 67062N103 86 5978 SH OTHER N.A. N.A. N.A. NUVEEN INVT QUALITY MUN FD INC OTHER 67062E103 136 8763 SH OTHER N.A. N.A. N.A. NUVEEN MUN ADVANTAGE FD INC OTHER 67062H106 20 1230 SH DEFINED N.A. N.A. N.A. NUVEEN MUN MKT OPPORTUNITY FD OTHER 67062W103 16 1040 SH DEFINED N.A. N.A. N.A. NUVEEN MUN MKT OPPORTUNITY FD OTHER 67062W103 291 19000 SH OTHER N.A. N.A. N.A. NUVEEN PREM INCOME MUN FD 4 IN OTHER 6706K4105 9 674 SH OTHER N.A. N.A. N.A. NUVEEN QUALITY INCOME MUN FD I OTHER 670977107 130 8696 SH OTHER N.A. N.A. N.A. NUVEEN SELECT QUALITY MUNI FD OTHER 670973106 141 8686 SH OTHER N.A. N.A. N.A. NUVEEN SENIOR INCOME FUND OTHER 67067Y104 55 6451 SH DEFINED N.A. N.A. N.A. NUVEEN VA DIVID ADVANTAGE MUN OTHER 67069M108 70 4000 SH OTHER N.A. N.A. N.A. NUVEEN VA DIVID ADVANTAGE MUN OTHER 67071C106 68 4000 SH OTHER N.A. N.A. N.A. PIMCO MUNICIPAL INCOME FUND OTHER 72200R107 9 487 SH DEFINED N.A. N.A. N.A. PUTNAM HIGH YIELD MUN TR OTHER 746781103 30 4075 SH DEFINED N.A. N.A. N.A. PUTNAM MUNI OPPORTUNITIES TR OTHER 746922103 29 2400 SH DEFINED N.A. N.A. N.A. RMK HIGH INCOME FD INC OTHER 74963B105 105 6667 SH DEFINED N.A. N.A. N.A. RMK STRATEGIC INCOME

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FD INC OTHER 74963H102 251 16353 SH DEFINED N.A. N.A. N.A. TEMPLETON EMERGING MKTS INCOME OTHER 880192109 8
600 SH DEFINED N.A. N.A. N.A. TEMPLETON GLOBAL INCOME FD INC OTHER 880198106 95 10000 SH OTHER N.A. N.A. N.A.
NUVEEN MUN VALUE FD INC OTHER 670928100 63 6000 SH OTHER N.A. N.A. N.A. NUVEEN PERFORM PLUS MUN MIT MO
OTHER 67062P108 8 536 SH OTHER N.A. N.A. N.A. SELIGMAN SELECT MUNICIPAL FUND OTHER 816344105 16 1614 SH
DEFINED N.A. N.A. N.A. EQUITY INV UIT SER 1 MONTHLY OTHER 294700703 6 50 SH OTHER N.A. N.A. N.A. MAGELLAN
MIDSTREAM PARTNERS OTHER 559080106 54 1400 SH DEFINED N.A. N.A. N.A. SUBURBAN PROPANE PARTNERS LP OTHER
864482104 11 300 SH DEFINED N.A. N.A. N.A. SUBURBAN PROPANE PARTNERS LP OTHER 864482104 4 110 SH OTHER N.A. N.A.
N.A. TEPPCO PARTNERS LP OTHER 872384102 1 20 SH DEFINED N.A. N.A. N.A. TEPPCO PARTNERS LP OTHER 872384102 30
750 SH OTHER N.A. N.A. N.A.