Go-Shop Provisions and Possibilities

Transaction Case Study

2004 – 2011

“A Viable Mechanism for Sellers and Buyers”

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Executive Summary

In the context of public company M&A, considerable time and effort has been dedicated to determining the effectiveness of a "go-shop" provision from the perspective of the publicly traded selling entity. A go-shop clause allows the seller an opportunity to solicit an alternative proposal for a defined period of time after the seller has negotiated and announced a pending transaction with a single bidder. Academics have successfully highlighted the ability of the go-shop to yield a superior proposal and thus fulfill a board's fiduciary duty. On the other hand, skeptics are quick to draw attention to perceived leverage that incumbent bidders reap from the mechanisms (i.e. break-up fees and topping rights) and the relatively short length of the time associated with go-shops, ultimately pointing to the lack of new entrants into the transaction as support to the thesis that go-shops may not constitute an adequate auction process. We feel more attention should be devoted to the outcome of the select buyers that take advantage of go-shop opportunities, as they illustrate that these investment opportunities may actually turn out to be the proverbial "diamonds in the rough."

Signal Hill performed an analysis of 2,213 public company sell-side transactions dating back to 2004 (407 of which were identified as LBOs) with targets domiciled in the United States. From this sample set, Signal Hill was able to identify and confirm 132 completed transactions that contained go-shop provisions and sought to determine the characteristics and the likelihood of third parties successfully submitting superior bids / proposals. While a significant number of public company sell-side transactions contain go-shop provisions (18% of the identified LBO's and 6% of the total sample set of public company sell-side transactions), these transactions typically yield a superior proposal 11% of the time. However, transactions that do receive a third-party indication of interest as a result of the go-shop process produce a prevailing third-party bidder in an overwhelming 80% of the transactions studied. We believe this anomaly represents an opportunity for third party bidders to seriously consider launching an alternative bid when presented with a go-shop transaction opportunity as the average number of parties competing is considered relatively low. Our analysis showed that only 12% of parties contacted during the go-shop process typically elect to sign a confidentiality agreement.

There is a substantial difference between the perception and reality of an outside bidder's ability to prevail through a go-shop mechanism. Parties contacted during the go-shop process may be reluctant to participate as many feel the odds are not in their favor. Prospective buyers often perceive a "mountain" of issues that will ultimately prevent a successful outcome, creating a reticence to take the first step toward participating in the transaction by signing a confidentiality agreement. The issues that bidders typically cite as problematic include: a steep diligence curve with a limited timeframe, a definitive agreement that is fully negotiated, an incumbent bidder that has committed financing and the looming threat of public company litigation.

The reality of the go-shop provision is that prospective acquiring parties may overcome what is actually a much lower threshold of obstacles and capitalize on the go-shop opportunity by reviewing the sellers' diligence data materials and submitting a bid that has a chance to ultimately prevail. Robert Friedman, former Chief Legal Officer of the Blackstone Group, noted (in November 2007):

> *We looked at every go-shop target…every single one in the last two and a half years. We had plenty of time to counter-bid, and in each case…we found the signed deal to be off-the-charts too high and walked away. But if we wanted to counter-bid we had plenty of time to do it…Go-Shops are meaningful…Both the strategic universe and the private equity universe would be reticent to come in during a classic no-shop process [after a signed deal is announced]. We just wouldn't do it. But when you put a 'For Sale' sign on the door, and say come get me, then people drop everything and look because they are being invited in.*

The reality of go-shop opportunities for buyers is summarized below:

1. There is limited competition
   - Per our study, only 12% of parties contacted during the go-shop marketing process typically sign a confidentiality agreement
2. A public company target is typically a "cleansed target"
   - Diligence has been completed / vetted, deal points are defined and credit markets show support for financing
3. Other considerations may favor a third-party bidder relative to an incumbent
   - Social issues
   - HSR risk
4. There is a high probability of success
   - 80% of third-party bidders prevail
5. Reasonable premium typically prevails
   - The median premium to Total Enterprise Value ("TEV") paid by the successful bidder relative to the incumbent's initial bid or pending transaction was 18.5%, while the median premium relative to the incumbent's final bid was 6.2% (the mean premium to TEV paid by the successful bidder relative to the initial bid and final bid was 25.9% and 8.1%, respectively)

Our study encompassed a review of 132 completed transactions from 2004 – 2011 that included go-shop provisions. Of these transactions, we identified those transactions that resulted in an “Alternative Outcome”, which we define as a transaction that produces a superior bid with respect to price by either the incumbent or a new third-party. In an attempt to emphasize various trends, we also reviewed certain characteristics of each transaction, including:

1. Nature of incumbent bidders (Strategic vs. Financial)
2. Length of go-shop period
   - A majority of the transactions analyzed (62%) had solicitation periods between 30 and 45 days
3. Number of parties contacted
   - The number of parties contacted range from 5 to 146, with a mean of 49
4. Number of parties that sign confidentiality agreements
   - On average, 12% of parties contacted signed a confidentiality agreement
5. Characteristics of parties making alternative proposals or bids (Strategic vs. Financial)
   - Approximately 67% of third-party bidders that prevailed in an Alternative Outcome were strategic in nature
6. Break-up fees
   - Fees averaged 3.0% of TEV and often illustrated a bifurcated structure to allow a discounted break-up fee during the go-shop window
7. Transaction related litigation
   - With the exception of one year (2008), the majority of the transactions encompassed in our 8 year study involved litigation
8. Typical transaction size
   - The majority of go-shop opportunities (~56%) occurred in transactions less than $1BN of TEV (43% of all transactions with go-shops took place in deals less than $500MM of TEV)
9. Valuation premiums on Equity Value and TEV
   - The median premium to TEV and Equity Value paid by the successful bidder relative to the existing or incumbent bidder’s ***initial bid*** was 18.5% and 16.2%, respectively
   - The median premium to TEV and Equity Value paid by the successful bidder relative to the existing or incumbent bidder’s ***final bid*** was 6.2% and 6.9%, respectively
   - Prior to announcing the go-shop, incumbent bidders in this sample set of 132 transactions produced a meaningful 1-day and 30-day average premium (34% and 41%, respectively) relative to the target’s underlying stock price

OVERVIEW OF GO-SHOP MECHANISMS

History

In the wake of the private equity community's meteoric rise in takeover activity throughout the early 2000's, the Delaware courts began focusing attention on the decision making processes of corporate management and boards with respect to favoring financial sponsor acquirers. In order to better satisfy a public board's fiduciary obligations to shareholders, dealmakers began implementing go-shop provisions as a deal mechanism that allowed a target company to actively solicit alternative bidders for a limited period *after* entering into a definitive agreement with an acquirer.

Exhibit 1. Go-shop Activity

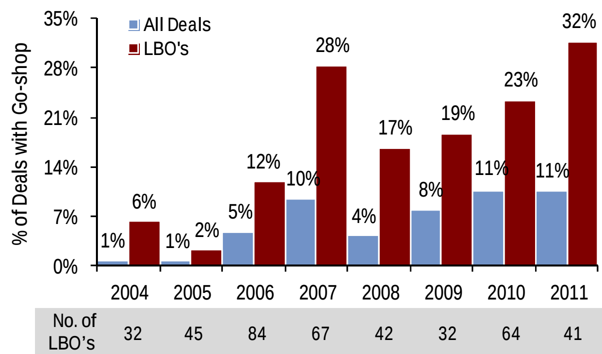
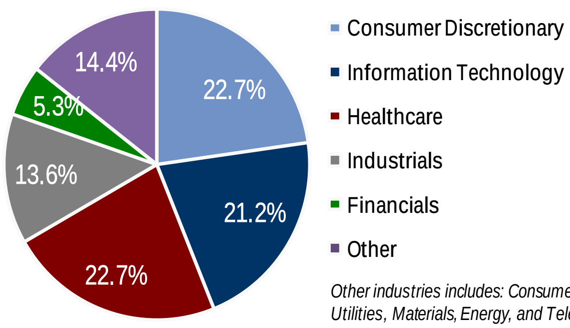


Exhibit 1 illustrates the frequency of go-shop mechanisms in both public company sell-side transactions and Leveraged Buyout's ("LBO's"). Signal Hill defines the LBO structure as a transaction in which a sponsor / management / individual acquires a mature, publicly-traded business by combining equity with debt, raised by leveraging the business. This group also includes take privates, which include financial buyers and/or management and/or individuals acquiring a 100% stake or remaining stake that it does not already own in a publicly-traded company. Thereafter, the acquired company ceases to trade its securities in the public market. Our sample-set of go-shops accounts for closed transactions with disclosed transaction values in which the target company is domiciled in the U.S., and excludes Real Estate Investment Trust ("REIT") transactions.

Go-shop provisions began regularly appearing in 2004 and have now become fairly common in transactions that involve public targets. Since 2004, we confirmed the use of the provision in 132 completed transactions, representing at least 6% of the public company sell-side transactions within our sample set and representing at least 18% of LBO's within our sample set. Not surprisingly, go-shops spiked in 2007, coinciding with the peak of the LBO market. In 2008, deal activity slowed (and thus go-shops slowed as well) as the M&A market declined considerably due to the looming credit crisis. Despite the continued slide in deal activity in 2009 (176 public company sell-side transactions), dealmakers witnessed an uptick in go-shop activity that year as a percentage of all transactions, reaching 8%. Many believe that as public company valuations subsequently declined with the broader market, corporate leaders were arguably under more scrutiny to maximize value for shareholders. It is also interesting to note (and detailed later in this study) that 2009 represented the year with the most Alternative Outcomes in transactions containing go-shops (27% of all Alternative Outcomes - See pg 8 for additional details on Alternative Outcomes).

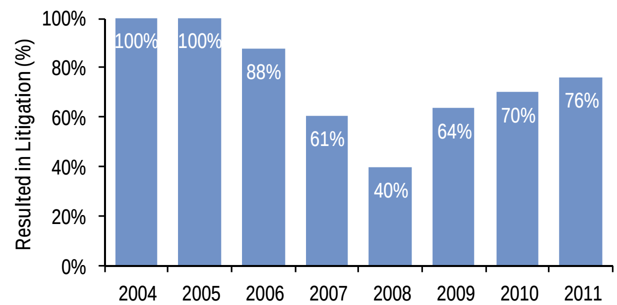
Transactions with go-shops are widely diversified across various industries (see Exhibit 2) and appear to reflect the general trends in the U.S. M&A environment. Furthermore, as illustrated in Exhibit 3, go-shop transactions are highly susceptible to litigation risk. In order to document the frequency of filed class action lawsuits, Signal Hill reviewed proxies issued by target companies, as well as, associated press releases and SEC filings. With the exception of 2008, a majority of (in certain periods, all) go-shop related transactions during the 2004 – 2011 time period involved litigation.

Exhibit 2. Industries



Other industries includes: Consumer Staples, Utilities, Materials, Energy, and Telecom

Exhibit 3. Litigation Risk – Filed Class Action



	2004	2005	2006	2007	2008	2009	2010	2011
No. of Go-shops	2	2	17	33 (1)	10	14	31	21

(1) *Excludes two transactions that did not disclose litigation detail*

Fiduciary Responsibility

The go-shop process undoubtedly creates an opportunity for the ever elusive “proprietary deal” to slip from an incumbent bidder’s grip; however, the evolution of transaction case law makes virtually all public company sell-side transactions subject to review, thus eliminating any likelihood of a “proprietary trade” (i.e. locking up a target without an associated auction, before or after such agreement is expected). In order to better grasp the standards that are intended to be met as a result of a go-shop, it is imperative to understand the precedent case law that identifies the fiduciary responsibility that a target board owes to its shareholders.

The Delaware Supreme Court noted in *Unocal Corp. v Mesa Petroleum Co.* that when a corporation receives an unsolicited tender offer or takeover bid, the board of the corporation can act as the “defender…and the protector of the corporations shareholders.” However, it is the Court’s ruling in *Revlon, Inc. v MacAndrews & Forbes Holdings, Inc.* that relates to defining the duties of a board when a corporation is conducting a sale process. *Revlon* duties apply when: 1) the corporation initiates the process of selling itself, 2) the corporation engages in a transaction that causes a change in corporate control, or 3) the breakup of the corporation is inevitable. In *Revlon*, Delaware’s Supreme Court held that when one of the aforementioned situations becomes “inevitable,” the corporation’s responsibilities switch from “defenders of the corporate bastion to auctioneers charged with getting the best price for stockholders in the sale of the company.”

While there have been several other decisions by the Delaware Supreme Court that relate to the validation of fulfilling *Revlon* duties, there is no single requirement that must be met to maximize value for shareholders.

Mechanism Characteristics

The following are examples of various characteristics associated with go-shop provisions.

Solicitation Period

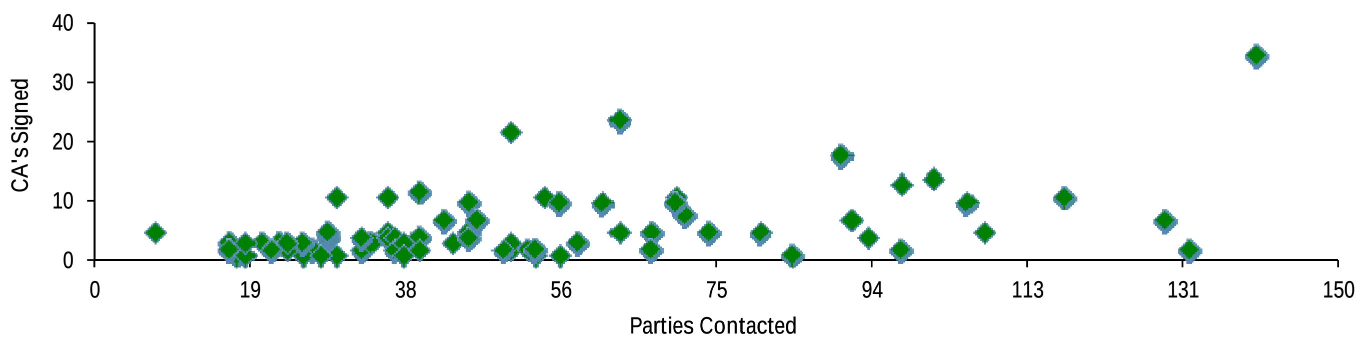
Merger agreements that include a go-shop provision have a defined solicitation period during which the target can approach potential third parties. A third-party must simply submit an indication of interest before the close of the solicitation window. After submitting a bid, the bidder may be granted the opportunity to continue negotiating with the seller. Based on our study, we found solicitation periods ranged from 14 to 60 days, with a majority of the transactions (62%) between 30 and 45 days.

Parties Contacted

According to our study, there have been 132 completed transactions with go-shops since 2004, 15 of which resulted in superior bids. The number of parties contacted during the go-shop solicitation ranged from 5 to 146, with a mean of 49. Of those parties contacted, between 0 and 35 signed a confidentiality agreement (mean of 6 parties). Therefore, on average, approximately 12% of parties contacted signed a confidentiality agreement and presumably reviewed the diligence data materials being offered.

Exhibit 4 illustrates a scatter plot for the number of parties contacted and the corresponding number of signed confidentiality agreements from the study.

Exhibit 4. Parties Contacted

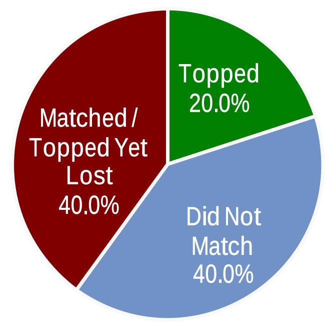


Break-Up Fees

Break-up fees are an additional measure used by acquirers to mitigate the likelihood of a failed acquisition or Alternative Outcome. This fee requires the target to reimburse the initial acquirer a percentage of the TEV if a transaction fails to close. This enables the incumbent bidder to recoup expenses incurred throughout the process. The break-up fees in the transactions analyzed by Signal Hill ranged between 0.2% and 11.8% of TEV, with the mean being 3.0%. The unique aspect of the break-up fee for go-shops is that the majority of the transactions implement a bifurcated break-up fee structure. A discounted fee is typically applied if the transaction is abandoned for an alternative deal during the go-shop (implying a higher fee after the go-shop). Fees average 2.0% during the go-shop window, and 3.0% thereafter.

Topping Rights

Exhibit 5. Topping Rights



An acquirer can negotiate a provision known as Topping Rights that provides the incumbent bidder the opportunity to match or top any subsequent proposal made as a result of the go-shop. The sample set of transactions analyzed by Signal Hill illustrated 15 instances in which a third-party submitted a superior proposal. Surprisingly, the incumbent elected not to match or top the third-party's proposal in 6 transactions (40% of the transactions). The incumbent matched or topped yet lost 6 times (40%) and successfully topped the third-party proposal in 3 transactions (20%). Exhibit 6 below illustrates the topping rights behavior of incumbents in transactions in which a third-party prevails.

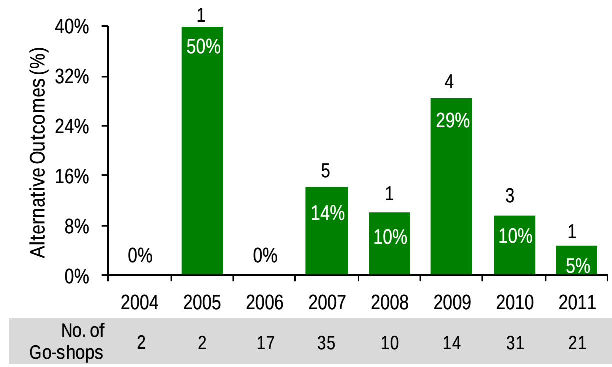
Exhibit 6. Third Party Prevailing in Go-shop

Date Announced	Target Company	Incumbent	Third Party	Prevailing Bidder	Incumbent Matching Bid
10/01/10	Dynamex Inc.	Greenbriar Equity Group	TransForce Inc. (TSX:TFI)	(Strategic)	Matched / Topped Yet Lost
02/26/10	CKE Restaurants, Inc.	Thomas H. Lee Partners	Apollo Management	(Financial)	Matched / Topped Yet Lost
11/13/09	Silicon Storage Technology, Inc.	Prophet Equity	Microchip Technology Inc. (NasdaqGS:MCHP)	(Strategic)	Matched / Topped Yet Lost
11/02/09	Diedrich Coffee Inc.	Peet's Coffee & Tea Inc. (NasdaqGS:PEET)	Green Mountain Coffee Roasters (NasdaqGS:GMCR)	(Strategic)	Matched / Topped Yet Lost
09/09/09	AMICAS, Inc.	Thoma Bravo	Merge Healthcare Inc. (NASDAQ: MRGE)	(Strategic)	None
04/23/09	SumTotal Systems, Inc.	Accel-KKR	Vista Equity Partners	(Financial)	Matched / Topped Yet Lost
06/15/08	Greenfield Online, Inc.	Quadrangle Group	Microsoft Corporation (NasdaqGS: MSFT)	(Strategic)	None
06/01/07	Everlast Worldwide, Inc.	Seneca Capital Advisors; Ore Hill Partners; Gracie Capital	Sports Direct International Plc (LSE:SPD)	(Strategic)	Matched / Topped Yet Lost
03/02/07	Aeroflex Holding Corp.	General Atlantic LLC; Francisco Partners Management	Veritas Capital led Investor Group	(Financial)	None
02/20/07	Catalina Marketing Corp.	ValueAct Capital	Hellman & Friedman	(Financial)	None
02/04/07	Triad Healthcare Corporation	Goldman Sachs Group; CCMP Capital Advisors	Community Health Systems, Inc. (NYSE: CYH)	(Strategic)	None
05/19/05	Maytag Corporation	Ripplewood Holdings, LLC	Whirlpool Corp. (NYSE:WHR)	(Strategic)	None

The Reality of Alternative Outcomes

Signal Hill's primary objective in analyzing transactions with go-shops centered upon identifying transactions that experienced the participation of a third-party bidder and analyzed the probability of a third-party bidder's success relative to the incumbent bidder. Approximately 11% of the 132 transactions analyzed (15 transactions – see Exhibit 7) demonstrated a third-party participant or Alternative Outcome.

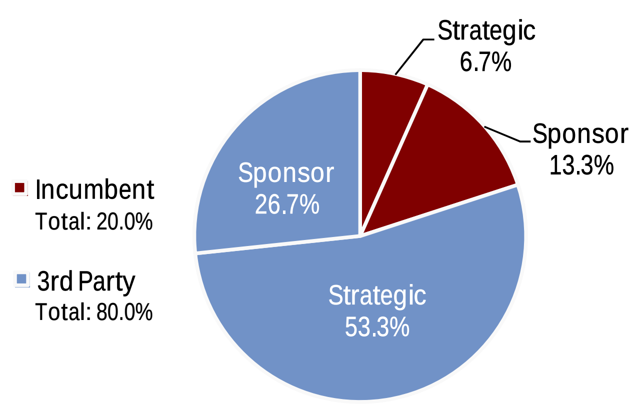
Exhibit 7. Alternative Outcomes – Frequency



We define an Alternative Outcome as a transaction that produces a superior bid with respect to price by either the incumbent or a new third-party. Of the 15 transactions, a third-party bidder prevailed in 12, which equates to 80% of the transactions that produced an Alternative Outcome. From those 12 transactions, the bidder was strategic in 8 instances (illustrated in Exhibit 8). This leads us to believe that strategic bidders are willing to incur the additional transaction costs associated with break-up fees and risk associated with topping rights for the right industry consolidation opportunity. It also creates an argument that public boards are pursuing the best interests of shareholders, as the target's management team may have less certainty or continuity post close when a transaction yields to a strategic buyer.

Another interesting observation is that a third-party financial sponsor prevailed in 4 transactions (33% of third-party prevailing transactions), which could support the argument that the board is not completely tied to the incumbent financial sponsor. This is yet another example of the board placing shareholder interests above that of their own.

Exhibit 8. Alternative Outcomes – Buyer Type



GO-SHOP ACTIVITY BY TRANSACTION SIZE

In an effort to identify the deal size segment of the market with the most go-shop opportunities, Signal Hill sensitized transactions into the following five categories:

1. $0 - $500MM (43% of all transactions reviewed)
2. $500MM - $1.0BN (13% of all transactions reviewed)
3. $1.0BN - $3.0BN (25% of all transactions reviewed)
4. $3.0BN - $5.0BN (6% of all transactions reviewed)
5. $5.0BN+ (13% of all transactions reviewed)

Signal Hill also utilized this stratification to identify trends in transactions with Alternative Outcomes. The charts below highlight the frequency within each transaction value of the incumbent bidders topping rights behavior, the classification of the prevailing bidder (third party or incumbent) and the identification of the successful bidder (Strategic vs. Financial).

Exhibit 9. All Transactions with Go-Shops

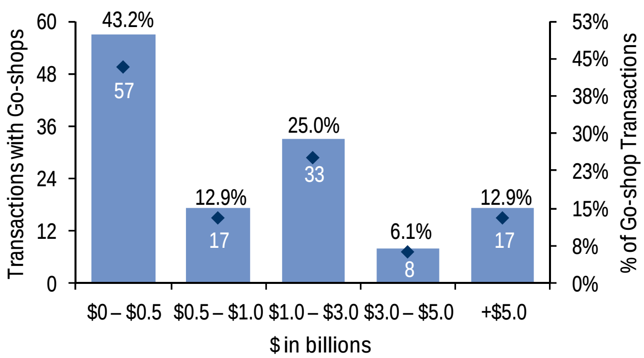


Exhibit 10. Incumbent Topping Rights

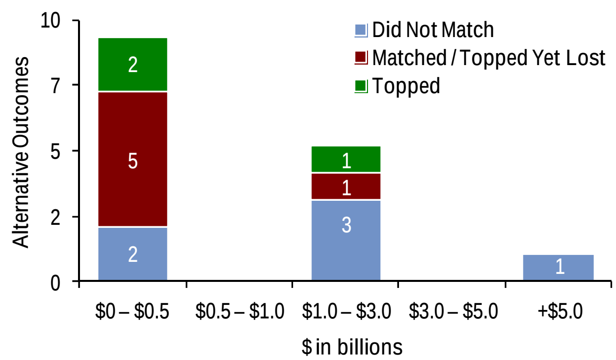


Exhibit 11. Prevailing Bidder

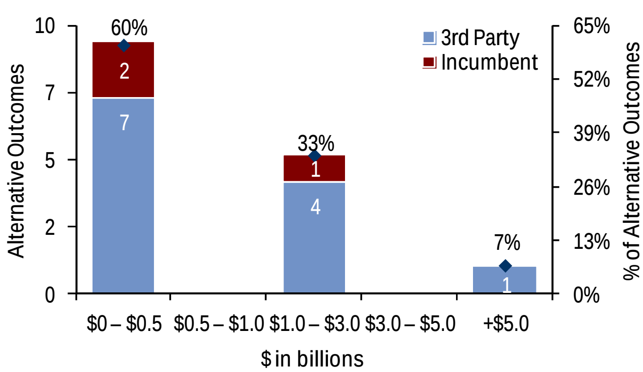
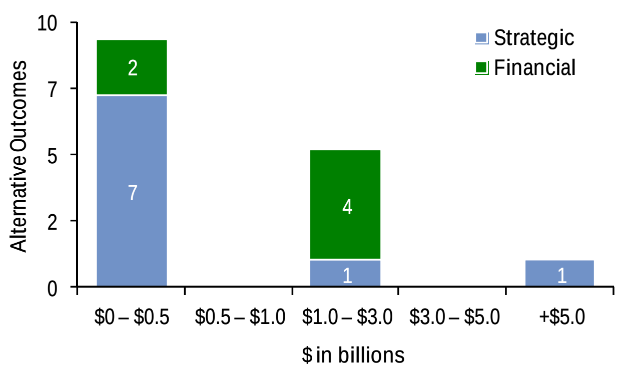


Exhibit 12. Financial vs. Strategic



PREMIUMS PAID ANALYSIS

Another element of our review of go-shop transactions was an analysis of the premiums paid by prevailing third party entrants relative to the bid of the incumbent party. The incumbent bidders in our study produced an average 1-day and 30-day premium of 34% and 41%, respectively. The median premium to the initial Equity Value in transactions with Alternative Outcomes, as illustrated in Exhibit 13, was 16.2% while the median premium to initial TEV was 18.5%. The highest premium paid to an incumbent's initial Equity Value or TEV was 50% (Maytag Corp. acquisition by Whirlpool) and 100% (Silicon Storage Technology acquisition by Microchip Technology), respectively. Conversely, the lowest premium paid to an incumbent's initial Equity Value was 2.8% for the acquisition of Catalina Marketing Corp. by Hellman & Friedman. In summary, Third Parties were able to prevail versus incumbents by producing a median premium to the purchase price of 6.2%, relative to the incumbent's final offer.

As discussed earlier, 40% of the incumbent's elected to exercise topping rights associated with the go-shop provision and amend the initial proposal yet failed to prevail in the transaction. The Third Parties that prevailed paid a modest 6.9% premium to the incumbent's final Equity Value offered. The range of premiums paid by Third Parties relative to an incumbent's final bid was 0% - 35% with all transactions producing a premium to Equity Value of less than 15% in all but one deal (Maytag – 35.2%).

Exhibit 13 below provides specific detail to the premiums paid analysis.

Exhibit 13. Premiums Paid Analysis by Successful Third Party Bidders

Date Announced	Target Company	Incumbent	Third Party	Premium to Initial Equity Value (%)	Premium to Initial TEV (%)	Premium to Final Equity Value (%)	Premium to Final TEV (%)
10/01/10	Dynamex Inc.	Greenbriar Equity Group	TransForce Inc. (TSX:TFI)	18.1%	20.4%	4.3%	4.8%
02/26/10	CKE Restaurants, Inc.	Thomas H. Lee Partners	Apollo Management	13.9%	9.3%	0.0%	0.0%
11/13/09	Silicon Storage Technology, Inc.	Prophet Equity	Microchip Technology Inc. (NasdaqGS:MCHP)	45.4%	100.0%	5.8%	6.8%
11/02/09	Diedrich Coffee Inc.	Peet's Coffee & Tea Inc. (NasdaqGS:PEET)	Green Mountain Coffee Roasters (NasdaqGS:GMCR)	35.6%	35.5%	9.1%	9.1%
09/09/09	AMICAS, Inc.	Thoma Bravo	Merge Healthcare Inc. (NASDAQ: MRGE)	14.3%	13.3%	14.3%	13.3%
04/23/09	SumTotal Systems, Inc.	Accel-KKR	Vista Equity Partners	29.2%	45.8%	1.3%	1.8%
06/15/08	Greenfield Online, Inc.	Quadrangle Group	Microsoft Corporation (NasdaqGS: MSFT)	14.0%	16.5%	14.0%	16.5%
06/01/07	Everlast Worldwide, Inc.	Seneca Capital Advisors; Ore Hill Partners; Gracie Capital	Sports Direct International Plc (LSE:SPD)	29.8%	23.8%	6.0%	5.0%
03/02/07	Aeroflex Holding Corp.	General Atlantic LLC; Francisco Partners Management	Veritas Capital led Investor Group	9.3%	8.5%	9.3%	8.5%
02/20/07	Catalina Marketing Corp.	ValueAct Capital	Hellman & Friedman	2.8%	3.1%	2.8%	3.1%
02/04/07	Triad Healthcare Corporation	Goldman Sachs Group; CCMP Capital Advisors	Community Health Systems, Inc. (NYSE: CYH)	7.8%	5.6%	7.8%	5.6%
05/19/05	Maytag Corporation	Ripplewood Holdings, LLC	Whirlpool Corp. (NYSE:WHR)	49.7%	29.5%	35.2%	22.1%

	Initial Equity Value (%)	Initial TEV (%)	Final Equity Value (%)	Final TEV (%)
Min	2.8%	3.1%	0.0%	0.0%
Mean	22.5%	25.9%	9.2%	8.1%
Median	16.2%	18.5%	6.9%	6.2%
Max	49.7%	100.0%	35.2%	22.1%

CONCLUSION

There is no denying that pursuing a transaction as a third-party bidder via a go-shop will have its challenges. As readers of this article likely know, pursuing any public M&A transaction is difficult, let alone one in which a fully negotiated transaction is already pending. Competition will be challenging, costs will be incurred and time will be expended, all without any guarantee of success.

Competition is one of the most challenging aspects of an M&A sell-side process. This is typically due to the number of parties contacted throughout the course of an auction. As illustrated in this study, the number of potential competitors is likely to be significantly lower in a go-shop transaction than a traditional auction process. Another misconception is the belief that go-shops typically take place in multi-billion dollar transactions, thus making the transactions difficult to finance or integrate. Exhibit 9 illustrates the fact that the lower middle market (<$500MM of TEV) experienced the highest volume of transactions with go-shops (43% of all transactions with go-shops). Nearly 47% of the transactions with Alternative Outcomes (7 transactions) involved a third-party prevailing bidder in a transaction with less than $500MM of TEV. A buyer will never be able to develop a unique investment thesis or determine whether there is an ability to reduce / eliminate the superfluous expenses via synergies unless the time is taken to review a selling company's diligence data materials.

The time constraint, while daunting at first glance, can be overcome with preparedness. Potential acquirers must be ready to capitalize on go-shop announcements by having key transaction personnel (financial advisors, legal counsel, due diligence consultants and financing sources) identified ahead of time.

Finally, third party bidders prevailed in 80% of the transactions which yielded an Alternative Outcome. Signal Hill believes this is an overwhelmingly positive statistic for new entrant investors, whether strategic or financial. The combination of the limited competition, the modest premium and the high likelihood of success should prompt investors to seriously consider the next go-shop opportunity. The odds are in the third-party bidder's favor and the transaction could result in becoming the next Alternative Outcome.

GO-SHOP FACT SHEET
2004 – 2011
132 TRANSACTION SAMPLE SET

Frequency of Transactions with Go-Shops

- 6% of all public company sell-side transactions
- 18% of LBO's

Length of Go-Shop Period

- Range of 14 – 60 days
- 62% of go-shops have 30 – 45 day window

Number of Parties Contacted

- Range of 5 – 146
- Mean of 49

Number of Participating Parties

- Range of 0 – 35
- Mean of 6 (12%)

Break-Up Fees as a % of TEV

- Transactions typically incorporate a bi-furcated structure
  - ~2.0% during the go-shop
  - ~3.0% following the go-shop

Break-Up Fees as a % of Equity Value

- Transactions typically incorporate a bi-furcated structure
  - ~2.3% during the go-shop
  - ~3.6% following the go-shop

Average Premium to Initial Equity Value
(By Incumbent Bidder - All transactions)

- 1 Day Premium: 34%
- 30 Day Premium: 41%

Premium by Third-Party Bidder to Incumbent Bidder's *Initial* Offer

- Mean premium to Equity Value: 22.5%
- Mean premium to TEV: 25.9%
- Median premium to Equity Value: 16.2%
- Median premium to TEV: 18.5%

Premium by Third-Party Bidder to Incumbent Bidder's *Final* Offer

- Mean premium to Equity Value: 9.2%
- Mean premium to TEV: 8.1%
- Median premium to Equity Value: 6.9%
- Median premium to TEV: 6.2%

Successful Third-Party Bidders

- ~80% of third parties that submit a bid successfully complete the acquisition
- ~67% of the successful third-party bidders are Strategic bidders

Topping Rights Behavior by Incumbent Bidder
(In the 15 Transactions with Alternative Outcomes)

- 40% elected not to match (6 transactions)
- 40% matched or topped yet lost (6 transactions)
- 20% successfully topped the offer (3 transactions)

Frequency of Litigation in Go-Shop Related Transactions

- ~68% of all transactions with go-shops were involved in litigation

Deal Size of Transactions with Go-Shops

- 43% occur in deals less than $500MM
- 13% occur in deals between $500MM - $1BN
- 25% occur in deals between $1BN - $3BN
- 6% occur in deals between $3BN - $5BN
- 13% occur in deals between $5BN+

RESOURCES

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BIOGRAPHIES

Jeffrey C. Nahley, *Managing Director*

Mr. Nahley has over 25 years of investment banking experience concentrated in the Healthcare, Business Services and Government Outsourcing sectors. Mr. Nahley has served as the senior or lead investment banker in connection with several completed go-shop transactions. He has represented publicly traded clients (such as a seller or associated special committee/Board) (i) as exclusive financial advisor managing the client's go shop process, and (ii) in the context of a distinct engagement to provide a fairness opinion to a public Board in a negotiated deal subject to a go shop process orchestrated by a third party financial advisor. He is based in Nashville, TN.

Prior to joining Signal Hill in 2009, Mr. Nahley was a Founder, Board Member and Head of the Investment Banking Group with Avondale Partners, LLC since the firm's inception in 2001. During his tenure as Head of Investment Banking, Avondale completed approximately 120 investment banking transactions and assignments approaching $11 Billion of value, with Mr. Nahley completing approximately 50 transactions and assignments exceeding $5 Billion of value. From 2000 to 2001, Mr. Nahley was a Managing Director with ING Barings Investment Banking Group focusing on Business Services and Healthcare. From 1993 to 2000, he was an investment banker with Equitable Securities and managed the firm's Government Outsourcing investment banking practice. Mr. Nahley started his career with Bankers Trust in 1986 where he spent 7 years in New York focused on structured financings and M&A.

Mr. Nahley received his B.A. from Middlebury College in 1986 and an M.B.A. from Columbia Business School in 1991.

Travis J. Messina, *Associate*

Travis Messina joined Signal Hill in 2011 to focus on the Healthcare Services, Healthcare IT and Government Outsourcing sectors.

Prior to Signal Hill, Mr. Messina was an Associate with SunTrust Robinson Humphrey's (STRH) Mergers & Acquisitions group in Atlanta. While at STRH, Mr. Messina focused primarily on buy-side and sell-side M&A transactions within the Healthcare and Media & Communications sectors. Prior to STRH, he worked with Bank of America's Middle Market Banking group in Houston, TX and UBS PaineWebber's Technical Research group in New York.

Mr. Messina received his M.B.A. from Vanderbilt's Owen Graduate School of Management and a B.B.A. in International Business from the University of Georgia.

Miguel F. Alvarez, *Analyst*

Miguel Alvarez joined Signal Hill in 2010 and has primarily worked in the Healthcare, Business Services and Government Outsourcing sectors.

Prior to joining Signal Hill, Mr. Alvarez was a Summer Analyst in the Investment Banking Division at Goldman Sachs in New York, NY. He also spent two years as an Analyst for Team Health's Florida Acute Care Specialist's Division in Miami, FL. Mr. Alvarez graduated from the McIntire School of Commerce at the University of Virginia in 2010 where he received his B.Sc. in Commerce with a concentration in Finance and a focus on Real Estate.

William M. Duffy, *Analyst*

William Duffy joined Signal Hill in 2010 and has primarily worked in the Education and Business Services Sectors.

Prior to joining Signal Hill, Mr. Duffy was a senior associate in the Audit Practice at PricwaterhouseCoopers in Baltimore, MD. Mr. Duffy graduated from Bucknell University in 2006 where he received a B.S.B.A. with a concentration in Accounting.