



PE Buyer/Public Target M&A Deal Study Large and Middle Markets 2012 Year-End Review Highlights

Overview

Schulte Roth & Zabel regularly conducts studies on private equity buyer acquisitions of U.S. public companies with enterprise values in the \$100 million to \$500 million range (“middle market” deals) and greater than \$500 million (“large market” deals) to monitor market practice and deal trends reflected by these transactions. During the period from January 2010 to Dec. 31, 2012, there were a total of 40 middle market deals and 50 large market deals that met these parameters.

Key Observations: 2012 Market Practice and Trends

1. Volatility in the number and terms of middle market deals makes it more difficult to identify “market practice” in that segment. Although the overall number of deals in both the middle and large markets continued to fall in 2012 compared to 2011, the middle market showed more volatility in number of deals per quarter. In 2012, there were no middle market deals in Q1, 5 deals in Q2, 1 deal in Q3 and 3 deals in Q4. In contrast, the number of large market deals in each quarter of 2012 was relatively constant.

As we look forward into 2013, it is interesting to note that while the number of large market deals so far in the first quarter (3) is consistent with recent history (2010 (3), 2011 (4) and 2012 (3)), the size of the deals in Q1 2013 to date is significantly larger, as 2 of the deals signed so far this year have price tags over \$20 billion. It will be interesting to see if this is the beginning of a trend. (See charts 1 and 2.)

2. Overall, middle market deals took significantly longer to get signed than large market deals. In 2012, middle market deals took nearly 15% longer than large market deals to get signed from the start of the target’s process. The difference is even more striking when comparing the time span between the signing of the confidentiality agreement and the signing of the definitive agreement. Middle market deals in 2012 took approximately 52% longer than large

market deals during the same period to get signed from the buyer’s execution of a confidentiality agreement; for middle market deals, the process took an average of 6.3 months, compared to just 4.2 months for large market deals. (See charts 3 and 4.)

3. “Go-shop” provisions were used more frequently in large market deals, even though, overall, the percentages of middle market and large market deals in which a pre-signing market check was used are comparable.

In 2012, “go-shop” provisions were included in 33% of the middle market deals and 54% of the large market deals. Over that same period, 44% of middle market deals involved a pre-signing market check compared to 46% of large market deals. When we looked at middle market and large market deals that did not include a pre-signing market check, only 20% of the middle market deals included a “go-shop” provision, whereas 85% of the large market did so. It is difficult to speculate as to why market practice was so different on this issue — it may be because of a perception that larger deals attract more attention, and, therefore, have a higher likelihood of shareholder litigation (although research has shown that middle market deals are subject to the same frequency of shareholder litigation as large market deals).

4. While it is virtually the rule (92% of the time in 2012) in large market deals that the target will have a limited specific performance¹ right against the buyer, the full specific performance remedy is still used quite often (44% of the time in 2012) in middle market deals. Limited specific performance is almost universal in large market deals. In contrast, in about half of the middle market deals, the target had a full specific performance right providing the target with a much stronger remedy against the buyer than in the large market deals, and in the remaining middle market deals, the target generally had a limited specific performance right. In short, on average, the target is likely to have a much stronger remedy against the buyer in middle market deals than large market deals. (See chart 5.)

5. While the frequency with which middle market deals use reverse termination fees (“RTFs”) has converged on large market practice, the size of RTFs has not. In large market deals, the use of RTFs to fix a buyer’s monetary exposure in the event a target terminates the agreement for a buyer’s financing failure is universal. Middle market deals are starting to catch up to this trend. From 2010 to 2012, the number of middle market deals where the buyer was obligated to pay a RTF under certain circumstances increased from 50% in 2010 to 60% in 2011 and 89% in 2012.

As the use of RTFs in middle market deals has increased, their size (as a percentage of target equity value) has decreased. While RTFs in middle market deals were higher than in large market deals in 2010, they have since fallen below those of large market deals. The mean size of RTFs in middle market deals decreased from a high of 7.5% in 2010 to 5.2% in 2012, whereas the mean size of RTFs for large market deals barely changed from 6.19% to 6.14% over the same period. (See chart 6.)

6. Large market deals are much more likely than middle market deals to limit damages for buyer’s willful breach to the amount of the RTF. In large market deals, market practice is to limit damages for buyer’s willful breach to the amount of the RTF. Approximately 75% of the large market deals limited damages for buyer’s willful breach to the amount of the RTF compared to approximately 40% of middle market deals. Only 12% of large market deals left the buyer’s exposure for willful breach uncapped, as compared to 37.5% of middle market deals.

¹ Generally defined as a right to force the buyer to consummate the closing of the transaction subject to satisfaction of the buyer’s closing conditions and a requirement that the buyer’s debt financing be available.

Chart 1

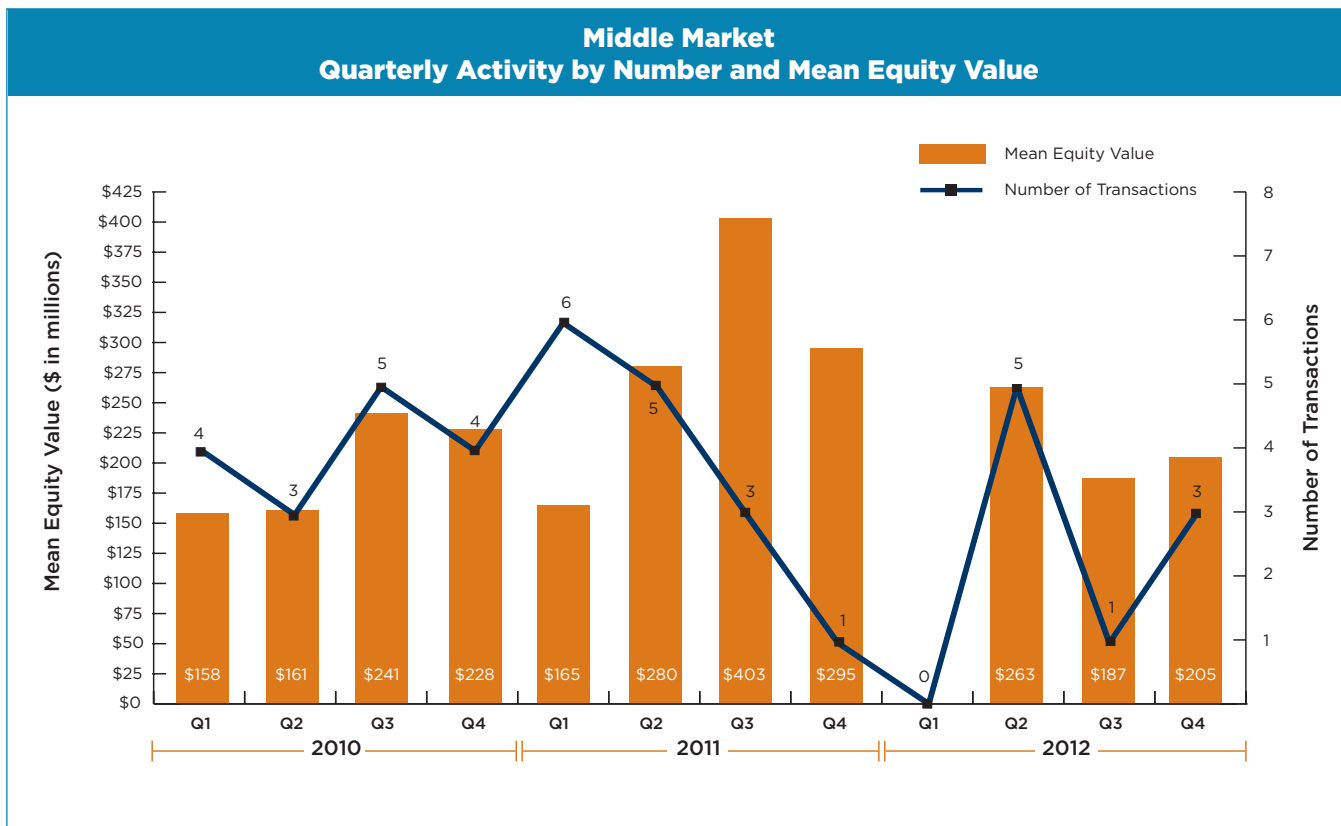


Chart 2

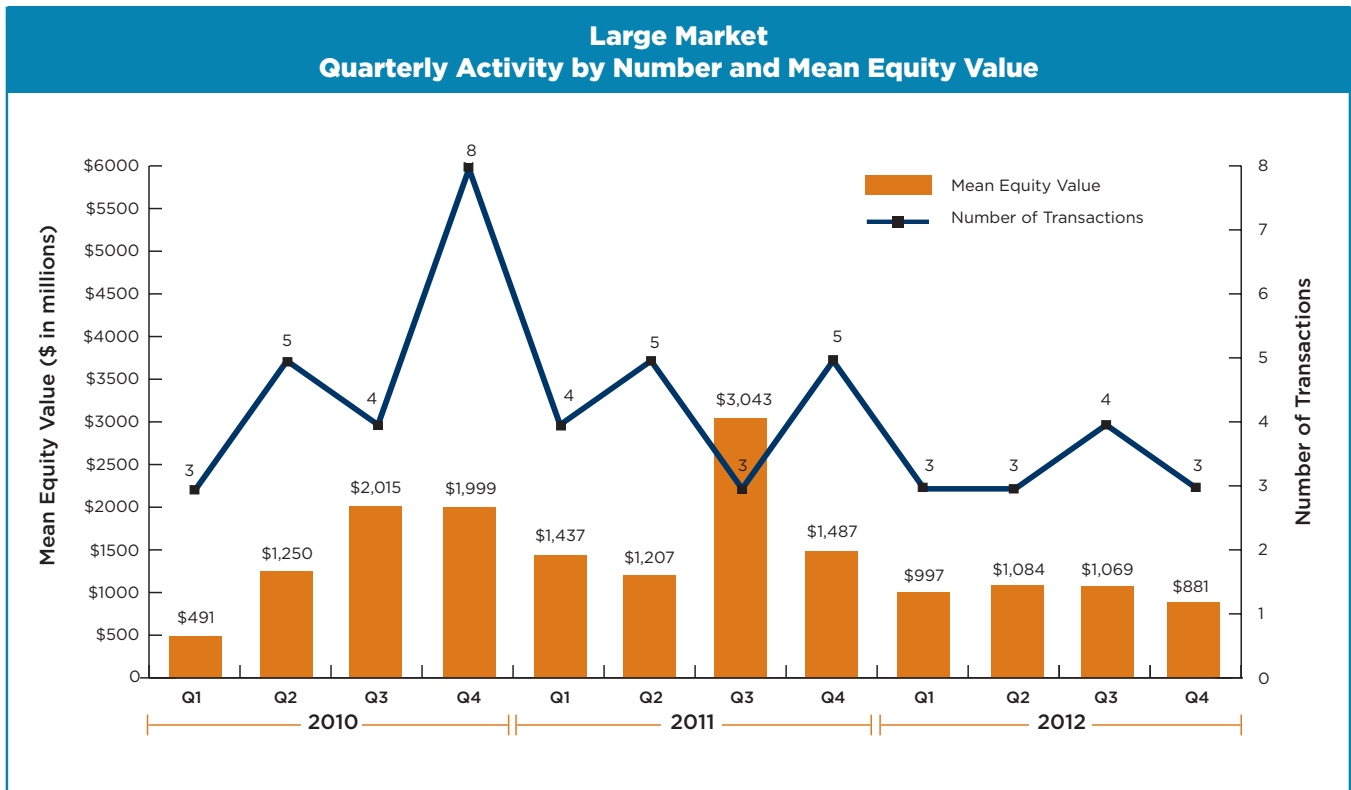


Chart 3

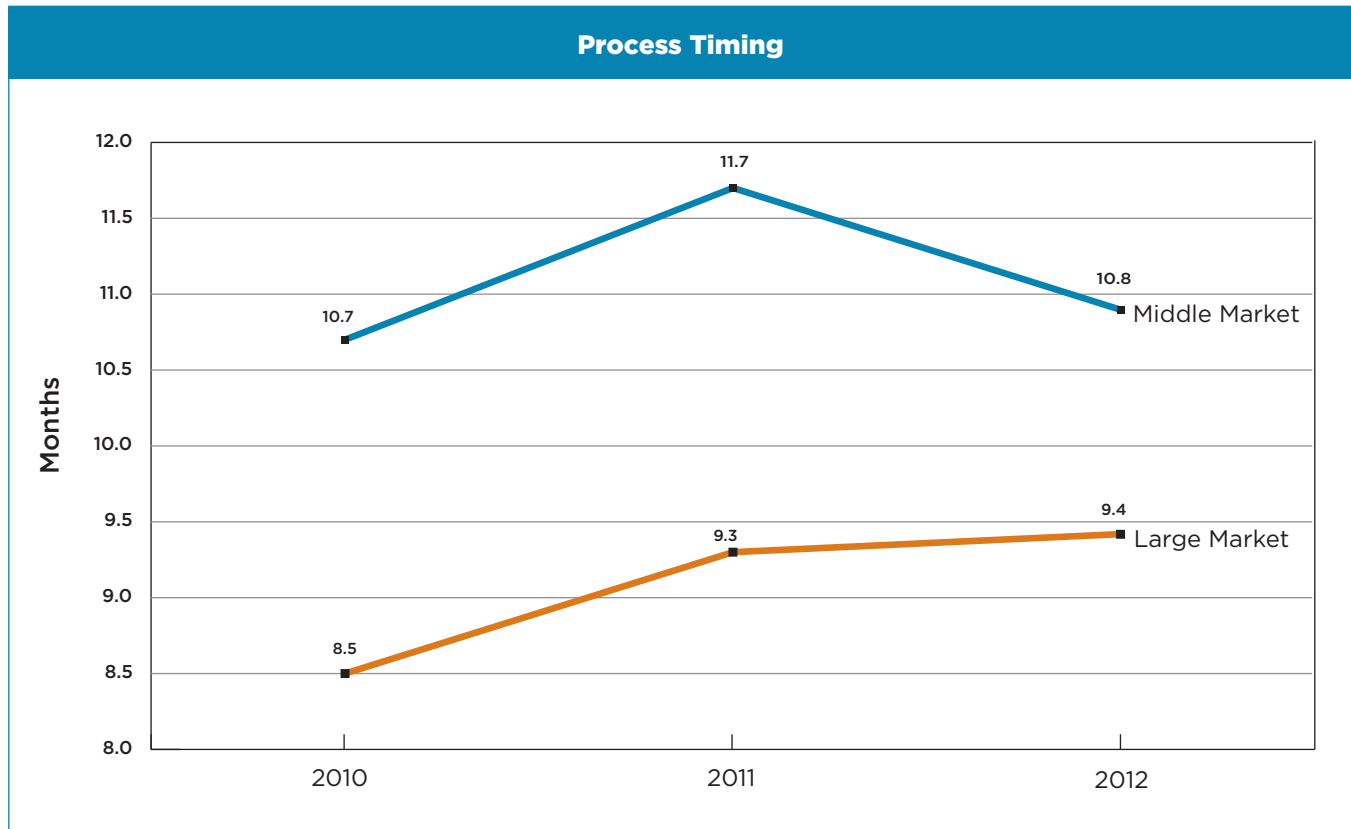


Chart 4

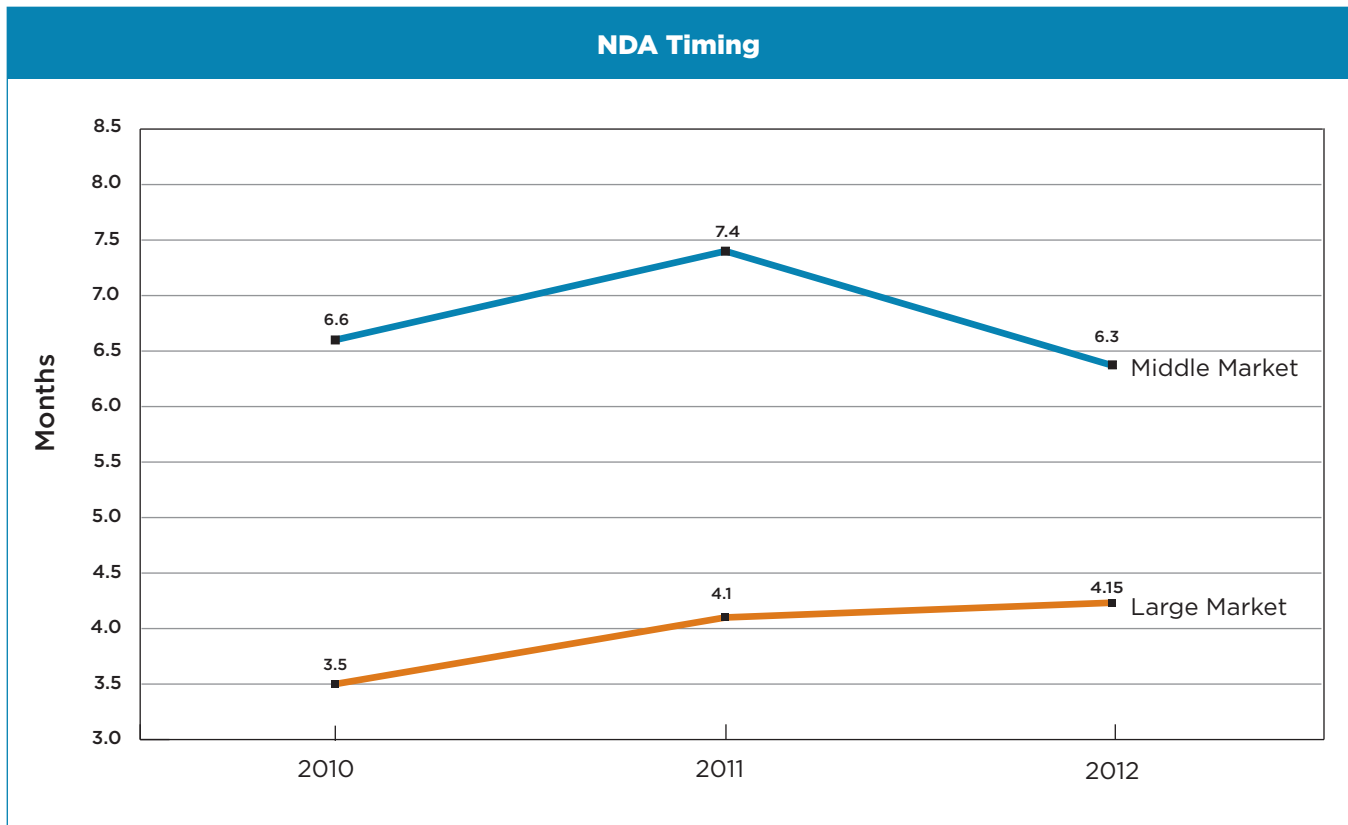
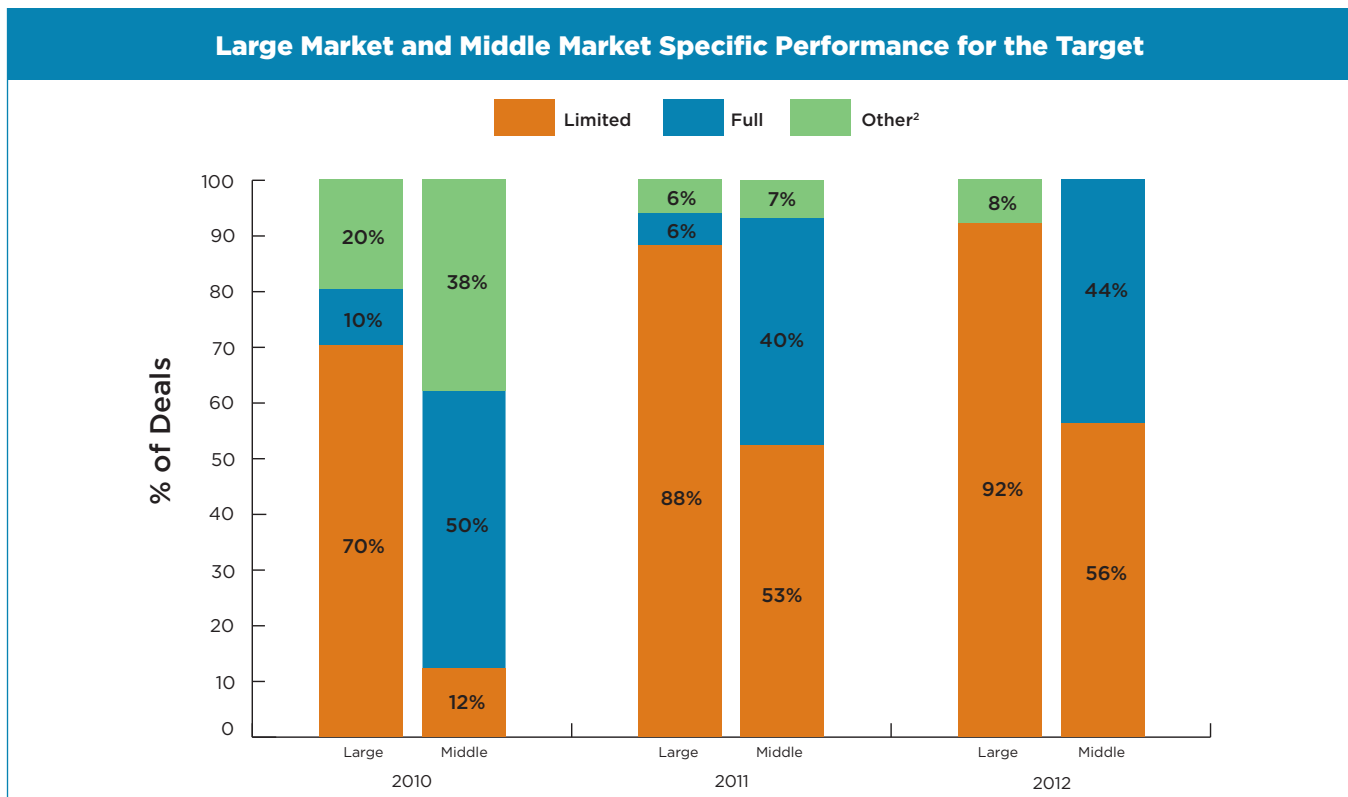
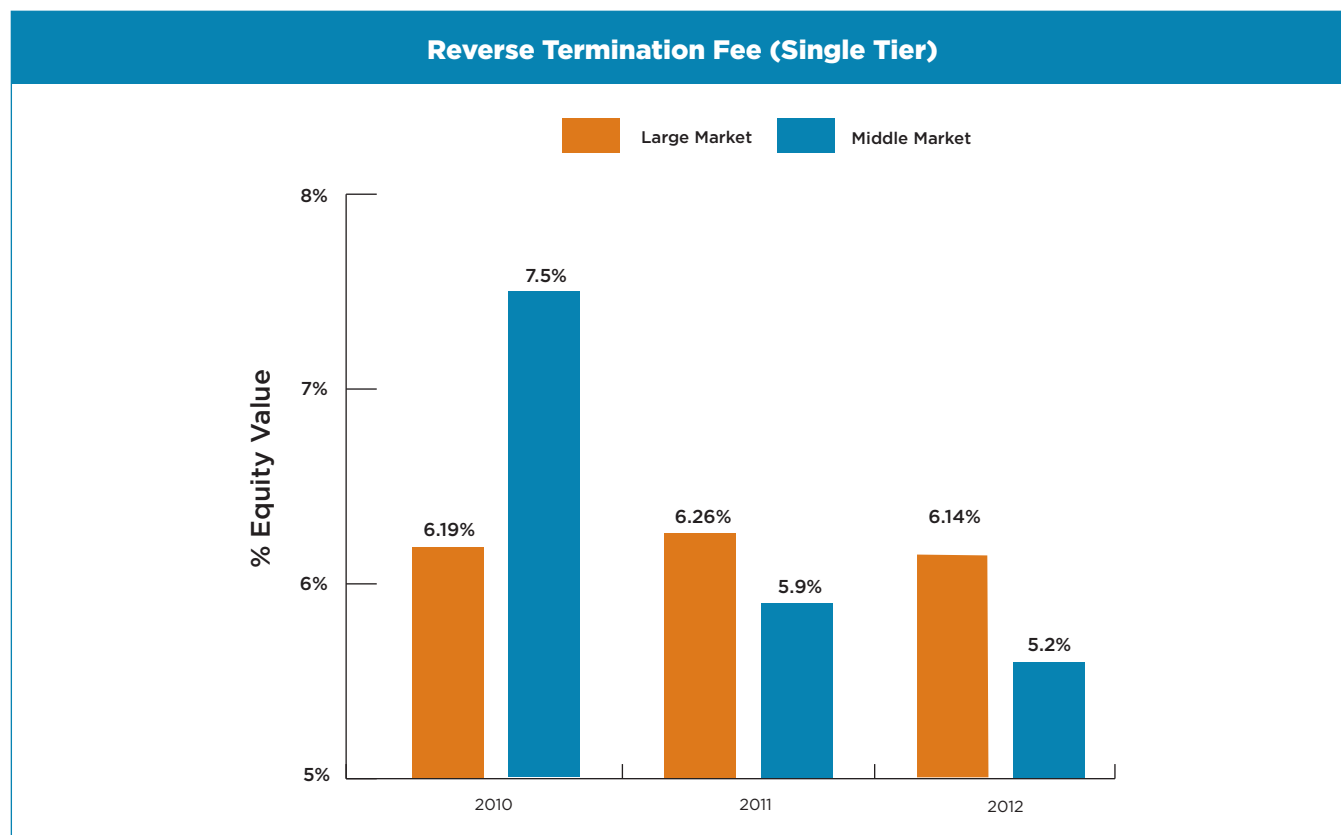


Chart 5



² In these deals, the target cannot force the buyer to close under any circumstances, and must instead rely on other remedies such as the RTF or other specified damages.

Chart 6



Appendix A — Middle Market vs. Large Market Transactions Selected Data

| Study | Year | Timing (Months) | | Limited Specific Performance Right for Target (% of Deals) | Break-Up Fee (Mean % of Equity Value) | “Go-Shop” Break-Up Fee (Mean % of Equity Value) | Single-Tier Reverse Termination Fee (Mean % of Equity Value) | Go-Shop | | Pre-Signing Market Check (% of Deals) |
|---------------|------|-------------------|------------------|--|---------------------------------------|---|--|------------|--------------------|---------------------------------------|
| | | Process | NDA | | | | | % of Deals | Mean Length (Days) | |
| Large Market | 2010 | 8.5 | 3.5 | 70 | 3.06 | 1.77 | 6.19 | 60 | 39 | 45 |
| | 2011 | 9.3 | 4.1 | 88 | 3.19 ¹ | 1.46 | 6.26 ¹ | 29 | 35 | 65 |
| | 2012 | 9.4 | 4.15 | 92 | 3.21 ² | 1.53 ² | 6.14 | 54 | 38 | 46 |
| Middle Market | 2010 | 10.7 | 6.6 | 12.5 | 3.2 | 2.33 | 7.5 | 31 | 39 | 50 |
| | 2011 | 11.7 | 7.4 | 47 | 3.6 | 2.83 | 5.9 | 33 | 43 | 33 |
| | 2012 | 10.8 ³ | 6.3 ³ | 56 | 2.9 | 1.77 | 5.2 | 33 | 40 | 44 |

| Study | Year | Deal Volume | Tender Offer/ Back-End Merger | Technology | Healthcare | Food and Beverage | Retail/Consumer Goods and Services | CEO in Buyout Group |
|---------------|------|-------------|-------------------------------|------------|------------|-------------------|------------------------------------|---------------------|
| Large Market | 2010 | 20 | 3 | 6 | 1 | 3 | 3 | 3 |
| | 2011 | 17 | 3 | 5 | 6 | 0 | 2 | 4 |
| | 2012 | 13 | 3 | 5 | 1 | 1 | 3 | 4 |
| Middle Market | 2010 | 16 | 4 | 1 | 4 | 0 | 3 | 7 |
| | 2011 | 15 | 4 | 5 | 1 | 0 | 1 | 3 |
| | 2012 | 9 | 2 | 2 | 1 | 1 | 3 | 2 |

¹ Excluding the Macquarie/WCA Waste Corporation transaction. In that transaction, the two-tiered break-up fees were unusually high as a percentage of equity value (7% and 10.7%), due to the significant difference between the enterprise and equity values of the target (\$526 million vs. \$154 million, respectively).

² Excluding the Insight Venture Partners/Quest Software transaction, which had an unusually small standard target break-up fee of 0.33% of target equity value and a “go-shop” target break-up fee of 0.22%.

³ Excluding the Thoma Bravo/Mediware Information System, Inc. transaction, which took an unusually long time from the start of the target’s sale process to signing a definitive agreement (26.8 months) and from the buyer signing a confidentiality agreement to signing a definitive agreement (23.7 months).

Appendix B – Surveyed Transactions⁴

2010 Middle Market Transactions

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|---------------------------------|--|----------|------------------|--------------|------------------------------|---------------------|--|------------------|--------------------------|
| Lodgian, Inc. | Lone Star Funds | 1/22/10 | \$270 | \$54 | One-Step Merger | \$3.3 | 6.0% | N/A | N/A |
| SouthWest Water Company | JPMorgan IIF Acquisitions, LLC and Water Asset Management, LLC | 3/2/10 | \$427 | \$273 | One-Step Merger | \$8.3 | 3.0% | \$13.7 | 5.0% |
| Sport Supply Group, Inc. | ONCAP Investment Partners II, L.P. | 3/15/10 | \$170 | \$170 | One-Step Merger | \$6.0 \$3.0 | 3.5% 1.75% | \$10.0 \$6.0 | 5.9% 3.5% |
| Plato Learning, Inc. | Thoma Bravo Fund IX, L.P., HarbourVest 2007 Direct Associates, L.P. and HarbourVest Partners VIII-Buyout Fund, L.P. | 3/25/10 | \$143 | \$137 | One-Step Merger | \$5.8 | 4.2% | N/A | N/A |
| Virtual Radiologic Corporation | Providence Equity Partners VI, L.P. and Providence Equity Partners, VI-A L.P. | 5/16/10 | \$294 | \$282 | One-Step Merger | \$9.0 | 3.2% | N/A | N/A |
| Omni Energy Services Corp. | Wellspring Capital Partners IV, L.P. | 6/3/10 | \$122 | \$63 | One-Step Merger | \$1.8 | 2.9% | \$7.2 \$4.3 | 11.5% 6.9% |
| Alloy, Inc. | ZM Capital, L.P. | 6/23/10 | \$127 | \$138 | One-Step Merger | \$3.9 | 2.8% | \$5.8 | 4.2% |
| Health Grades, Inc. | Vestar Capital Partners V, L.P. | 7/27/10 | \$294 | \$250 | Tender Offer/Back-End Merger | \$9.6 | 3.8% | N/A | N/A |
| Prospect Medical Holdings, Inc. | Green Equity Investors V, L.P. and Green Equity Investors Side V, L.P. | 8/16/10 | \$363 | \$180 | One-Step Merger | \$3.6 \$6.2 | 2.0% 3.4% | N/A | N/A |
| Phoenix Technologies Ltd. | Marlin Equity II, L.P. and Marlin Equity III, L.P. | 8/17/10 | \$152 | \$147 | One-Step Merger | \$4.2 | 2.8% | N/A | N/A |
| Res-Care, Inc. | Onex Partners III, L.P. | 9/6/10 | \$340 | \$390 | Tender Offer/Back-End Merger | \$13.7 \$9.1 | 3.5% 2.34% | N/A | N/A |
| Dynamex Inc. | Greenbriar Equity Group, LLC | 10/1/10 | \$238 | \$238 | One-Step Merger | \$7.7 \$4.2 | 3.2% 1.8% | \$21.4 \$14.3 | 9.0% 6.0% |
| Polymer Group, Inc. | Blackstone Capital Partners V, L.P. | 10/4/10 | \$326 | \$331 | One-Step Merger | \$8.0 | 2.4% | \$30.0 \$15.0 | 9.1% 4.5% |
| Thermadyne Holdings Corporation | Irving Place Capital Partners III, L.P. | 10/5/10 | \$422 | \$210 | One-Step Merger | \$6.4 | 3.1% | \$25.0 | 11.9% |
| Rewards Network Inc. | EGI-Fund (08-10) Investors, L.L.C. | 10/28/10 | \$126 | \$121 | Tender Offer/Back-End Merger | \$2.2 | 1.8% | \$4.4 | 3.6% |
| Cypress Bioscience, Inc. | Ramius Value and Opportunity Advisors, LLC, Royalty Pharma US Partner, L.P., Royalty Pharma US Partners 2008, L.P. and RP Investment Corp. | 12/14/10 | \$255 | \$251 | Tender Offer/Back-End Merger | \$5.0 | 2.0% | N/A | N/A |

⁴ All dollar amounts are in millions. For two-tiered fees, the first number is the lowest tier and the second number is the higher tier.

2011 Middle Market Transactions

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|---|---|---------|------------------|--------------|---|---------------------|--|-----------------|--------------------------|
| Playboy Enterprises, Inc. | Hugh M. Hefner, Rizvi Opportunistic Equity Fund, L.P., Rizvi Opportunistic Equity Fund I-B, L.P., Rizvi Opportunistic Equity Fund (TI), L.P., Rizvi Opportunistic Equity Fund I-B (TI), L.P., Rizvi Traverse Partners, LLC and Rizvi Opportunistic Equity Fund II, L.P. | 1/9/11 | \$207 | \$208 | Tender Offer/ Back-End Merger | \$3.0 \$6.0 | 1.4% 2.7% | \$20.0 | 9.6% |
| RAE Systems, Inc. | Vector Capital IV, L.P. and Vector Capital III, L.P. | 1/18/11 | \$134 | \$134 | One-Step Merger | \$3.7 | 2.8% | N/A | N/A |
| Answers Corporation | Summit Partners | 2/2/11 | \$127 | \$85 | One-Step Merger | \$4.6 | 5.4% | \$7.6 | 8.9% |
| Conexant Systems, Inc. | Golden Gate Capital Opportunity Fund, L.P. | 2/20/11 | \$300 | \$206 | One-Step Merger | \$7.7 | 3.7% | N/A | N/A |
| Tollgrade Communications, Inc. | Golden Gate Capital | 2/21/11 | \$137 | \$133 | One-Step Merger | \$3.0 | 2.3% | \$4.0 | 3.0% |
| Global Defense Technology & Systems, Inc. | Ares Corporate Opportunities Fund III, L.P. | 3/2/11 | \$315 | \$224 | Tender Offer/ Back-End Merger | \$7.1 \$3.5 | 3.2% 1.6% | N/A | N/A |
| Nobel Learning Communities, Inc. | Leeds Equity Partners V, L.P. | 5/17/11 | \$149 | \$125 | One-Step Merger | \$5.0 | 4.0% | \$5.0 | 4.0% |
| China Fire & Security Group, Inc. | Bain Capital Asia Fund, L.P. and Bain Capital Fund X, L.P. | 5/20/11 | \$266 | \$251 | One-Step Merger | \$8.5 \$6.4 | 3.4% 2.9% | \$10.7 \$8.5 | 4.3% 3.4% |
| California Pizza Kitchen, Inc. | Golden Gate Capital Opportunity Fund, L.P. | 5/24/11 | \$470 | \$455 | Tender Offer/ Back-End Merger (Dual-Track) | \$18.0 \$30.0 | 4.0% 6.6% | \$30.0 | 6.6% |
| Gerber Scientific, Inc. | Vector Capital IV International, L.P. and Able Business Ltd. | 6/10/11 | \$282 | \$276 | One-Step Merger | \$7.9 \$5.4 | 2.9% 2% | \$16.9 | 6.1% |
| Ness Technologies, Inc. | Citi Venture Capital International | 6/10/11 | \$307 | \$296 | One-Step Merger | \$8.4 | 2.8% | N/A | N/A |

2011 Middle Market Transactions *con't*

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|--------------------------------|---|---------|------------------|--------------|----------------------------------|---------------------|--|--------|--------------------------|
| APAC Customer Services, Inc. | One Equity Partners IV, L.P. | 7/6/11 | \$469 | \$458 | One-Step Merger | \$15.0 | 3.3% | N/A | N/A |
| Global Traffic Network, Inc. | GTCR Fund X/A AIV, L.P. | 8/2/11 | \$267 | \$267 | Tender Offer/ Back-End Merger | \$8.3 \$4.1 | 3.1% 1.6% | N/A | N/A |
| Renaissance Learning, Inc. | Permira IV Continuing L.P.1, Permira IV Continuing L.P.2, Permira Investments Ltd. and P4 Co-Investment, L.P. | 8/15/11 | \$455 | \$485 | One-Step Merger | \$13.0 | 2.7% | \$26.0 | 5.4% |
| American Dental Partners, Inc. | JLL Partners Fund VI, L.P. | 11/4/11 | \$398 | \$295 | One-Step Merger | \$13.9 \$8.0 | 4.7% 2.7% | \$15.9 | 5.4% |

2012 Middle Market Transactions

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|------------------------------------|---|----------|------------------|--------------|--|---------------------|--|--------|--------------------------|
| eResearch Technology, Inc. | Genstar Capital Partners VI, L.P. | 4/9/12 | \$400 | \$395 | One-Step Merger | \$11.0 | 2.8% | \$20.0 | 5.1% |
| The Edelman Financial Group Inc. | LEP Summer Holdings, LLC, Lee Equity Partners Fund, L.P., Lee Equity Strategic Partners Fund, L.P. and Lee Equity Strategic Partners Fund (Off-shore), L.P. | 4/16/12 | \$258 | \$262 | One-Step Merger | \$8.0 \$4.0 | 3.10% 1.55% | \$16.0 | 6.2% |
| Benihana Inc. | AG Private Equity Partners IV, L.P., AG Private Equity Partners IV (R), L.P., AG Super Fund, L.P., Nutmeg Partners, L.P., AG Princess, L.P. and AG MM, L.P. | 5/22/12 | \$296 | \$292 | One-Step Merger | \$11.1 \$5.9 | 3.8% 2.0% | \$17.9 | 6.1% |
| The Talbots, Inc. | Sycamore Partners, L.P. and Sycamore Partners A, L.P. | 5/30/12 | \$369 | \$199 | Tender Offer/Back-End Merger (Dual-Track) | \$6.0 | 3.0% | \$11.0 | 5.5% |
| IntegraMed America, Inc. | Sagard Capital Partners, L.P. | 6/10/12 | \$170 | \$168 | One-Step Merger | \$5.1 | 3.0% | \$8.5 | 5.0% |
| Mediware Information Systems, Inc. | Thoma Bravo Fund X, L.P. | 9/11/12 | \$195 | \$187 | One-Step Merger | \$5.8 | 3.1% | \$10.0 | 5.3% |
| Young Innovations, Inc. | Linden Capital Partners II LP | 12/3/12 | \$314 | \$319 | One-Step Merger | \$11.0 \$5.5 | 3.4% 1.72% | \$18.8 | 5.9% |
| Westway Group, Inc. | EQT Infrastructure II Limited Partnership (England and Wales) | 12/20/12 | \$419 | \$189 | Tender Offer/ Back-End Merger | \$13.0 | 6.9% | N/A | N/A |
| FirstCity Financial Corporation | The Värde Fund X (Master), L.P., Värde Investment Partners, L.P., Värde Investment Partners (Offshore) Master, L.P. and The Värde Fund VI-A, L.P. | 12/20/12 | \$225 | \$108 | One-Step Merger | \$2.0 | 1.8% | \$5.0 | 4.6% |

2010 Large Market Transactions

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|------------------------------|---|---------|------------------|--------------|--|---------------------|--|--------------------|--------------------------|
| RCN Corporation | ABRY Partners VI, L.P. | 3/5/10 | \$1,200 | \$561 | One-Step Merger | \$10.0 \$17.5 | 1.78% 3.12% | \$30.0 | 5.34% |
| infoGroup, Inc. | CCMP Capital Advisors, LLC | 3/8/10 | \$635 | \$463 | One-Step Merger | \$15.8 | 3.42% | \$25.4 | 5.47% |
| BWAY Holding Company | Madison Dearborn Partners, LLC | 3/28/10 | \$915 | \$447 | One-Step Merger | \$5.0 \$12.5 | 1.12% 2.79% | \$5.0 \$27.5 | 1.12% 6.15% |
| DynCorp International Inc. | Cerberus Series Four Holdings, LLC | 4/11/10 | \$1,500 | \$1,002 | One-Step Merger | \$30.0 | 2.99% | \$100.0 \$300.0 | 9.98% 29.94% |
| CKE Restaurants, Inc. | Apollo Management VII, L.P. | 4/18/10 | \$1,000 | \$694 | One-Step Merger | \$15.5 | 2.23% | \$15.5 \$30.9 | 2.23% 4.46% |
| Protection One, Inc. | GTCR Fund IX/A, L.P. | 4/26/10 | \$828 | \$396 | Tender Offer/ Back-End Merger | \$8.0 | 2.02% | \$60.0 \$150.0 | 15.16% 37.89% |
| Interactive Data Corporation | Silver Lake Partners III, L.P., Warburg Pincus Private Equity X, L.P. and Warburg Pincus X Partners, L.P. | 5/3/10 | \$3,400 | \$3,245 | One-Step Merger | \$120.0 | 3.70% | \$225.0 | 6.93% |
| inVentiv Health, Inc. | Thomas H. Lee Equity Fund VI, L.P. | 5/6/10 | \$1,100 | \$911 | One-Step Merger | \$27.5 | 3.02% | \$55.0 | 6.04% |
| SonicWALL, Inc. | Thoma Bravo Fund IX, L.P. and Ontario Teachers' Pension Plan Board | 6/2/10 | \$717 | \$637 | One-Step Merger | \$25.0 | 3.93% | \$60.0 | 9.43% |
| NBTY, Inc. | Carlyle Partners V, L.P. | 7/15/10 | \$3,800 | \$3,488 | One-Step Merger | \$53.6 \$98.2 | 1.54% 2.82% | \$214.2 | 6.14% |
| Burger King Holdings, Inc. | 3G Special Situations Fund II, L.P. | 9/2/10 | \$4,000 | \$3,312 | Tender Offer/ Back-End Merger (Dual-Track) | \$50.0 \$95.0 | 1.51% 2.87% | \$175.0 | 5.28% |
| Internet Brands, Inc. | Hellman & Friedman Capital Partners VI, L.P. | 9/17/10 | \$640 | \$625 | One-Step Merger | \$23.0 | 3.68% | \$38.0 | 6.08% |

2010 Large Market Transactions *con't*

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|--------------------------------|---|----------|------------------|--------------|----------------------------------|---------------------|--|-------------------|--------------------------|
| The Gymboree Corporation | Bain Capital Fund X, L.P. | 10/11/10 | \$1,800 | \$1,789 | Tender Offer/ Back-End Merger | \$30.0 \$50.0 | 1.68% 2.79% | \$50.0 | 2.79% |
| American Commercial Lines Inc. | Platinum Equity Capital Partners II, L.P. | 10/18/10 | \$777 | \$436 | One-Step Merger | \$12.0 \$14.0 | 2.75% 3.21% | \$16.0 \$20.0 | 3.67% 4.58% |
| CommScope, Inc. | Carlyle Partners V, L.P. | 10/26/10 | \$3,900 | \$3,053 | One-Step Merger | \$43.3 \$103.9 | 1.42% 3.40% | \$233.8 | 7.66% |
| Syniverse Holdings, Inc. | Carlyle Partners V, L.P. | 10/28/10 | \$2,600 | \$2,177 | One-Step Merger | \$60.0 | 2.76% | \$60.0 \$120.0 | 2.76% 5.51% |
| J. Crew Group, Inc. | TPG Partners VI, L.P., Green Equity Investors V, L.P. and Green Equity Investors Side V, L.P. | 11/23/10 | \$3,000 | \$2,781 | One-Step Merger | \$27.0 \$54.0 | 1.94% 0.97% | \$200.0 | 7.19% |
| CPI International, Inc. | The Veritas Capital Fund IV, L.P. | 11/24/10 | \$525 | \$331 | One-Step Merger | \$13.0 \$15.0 | 3.92% 4.53% | \$22.5 \$27.5 | 6.79% 8.30% |
| Del Monte Foods Company | KKR 2006 Fund, L.P., Vestar Capital Partners V, L.P., Centerview Capital, L.P. and Centerview Employees, L.P. | 11/24/10 | \$5,300 | \$3,820 | One-Step Merger | \$60.0 \$120.0 | 1.57% 3.14% | \$249.0 | 6.52% |
| Jo-Ann Stores, Inc. | Green Equity Investors V, L.P. and Green Equity Investors Side V, L.P. | 12/23/10 | \$1,600 | \$1,606 | One-Step Merger | \$20.0 \$44.9 | 1.25% 2.80% | \$90.0 | 5.60% |

2011 Large Market Transactions

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|--|---|---------|------------------|--------------|--|---------------------|--|------------------|--------------------------|
| Pre-Paid Legal Services, Inc. | MidOcean Partners III, L.P., MidOcean Partners III-A, L.P. and MidOcean Partners III-D, L.P. | 1/30/11 | \$650 | \$649 | One-Step Merger | \$21.5 | 3.31% | \$50.0 | 7.70% |
| Emergency Medical Services Corporation | Clayton, Dubilier & Rice Fund VIII, L.P. | 2/13/11 | \$3,200 | \$2,834 | One-Step Merger | \$116.5 | 4.11% | \$203.9 | 7.19% |
| Rural/Metro Corporation | Warburg Pincus Private Equity X, L.P. | 3/28/11 | \$701 | \$443 | One-Step Merger | \$16.9 | 3.82% | \$33.8 | 7.63% |
| SRA International, Inc. | Providence Equity Partners VI, L.P. and Providence Equity Partners VIA, L.P. | 3/31/11 | \$1,880 | \$1,821 | One-Step Merger | \$28.2 \$47.0 | 1.55% 2.58% | \$112.9 | 6.20% |
| Epicor Software Corporation | Apax US VII, L.P., Apax Europe VII-A, L.P., Apax Europe VII-B, L.P. and Apax Europe VII-1, L.P. | 4/4/11 | \$976 | \$802 | Tender Offer/ Back-End Merger (Dual-Track) | \$15.0 \$40.0 | 1.87% 4.99% | \$20.0 \$60.0 | 2.49% 7.48% |
| CKx, Inc. | Apollo Global Management | 5/10/11 | \$560 | \$509 | Tender Offer/ Back-End Merger | \$20.0 | 3.93% | \$40.0 | 7.85% |
| PRIMEDIA, Inc. | TPG Partners VI, L.P. | 5/15/11 | \$525 | \$322 | One-Step Merger | \$8.0 | 2.48% | \$30.0 | 9.31% |
| BJ's Wholesale Club, Inc. | Leonard Green & Partners, L.P. and CVC Capital Partners Advisory (U.S.), Inc. | 6/28/11 | \$2,700 | \$2,815 | One-Step Merger | \$80.0 | 2.84% | \$175.0 | 6.22% |
| Blackboard Inc. | Providence Equity Partners VI, L.P. and Providence Equity Partners VI-A, L.P. | 6/30/11 | \$1,600 | \$1,585 | One-Step Merger | \$49.1 | 3.10% | \$106.4 | 6.71% |
| Immucor, Inc. | TPG Partners VI, L.P. | 7/2/11 | \$2,000 | \$1,919 | Tender Offer/ Back-End Merger (Dual-Track) | \$25.0 \$45.0 | 1.30% 2.34% | \$90.0 | 4.69% |

2011 Large Market Transactions *con't*

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|--|--|----------|------------------|--------------|-----------------|---------------------|--|-------------------|--------------------------|
| Kinetic Concepts, Inc. | Apax Europe VII-A, L.P. Apax Europe VII-B, L.P., Apax Europe VII-1, L.P., Apax US VII, L.P. Port-aux-Choix Private Investments, Inc. and CPP Investment Board (USRE V), Inc. | 7/12/11 | \$6,300 | \$5,009 | One-Step Merger | \$51.8 \$155.4 | 1.03% 3.10% | \$317.2 | 6.33% |
| Emdeon Inc. | Blackstone Capital Partners VI, L.P. | 8/4/11 | \$3,400 | \$2,202 | One-Step Merger | \$65.0 | 2.95% | \$80.0 \$153.0 | 3.63% 6.95% |
| Pharmaceutical Product Development, Inc. | The Carlyle Group and Hellman & Friedman, LLC | 10/3/11 | \$3,900 | \$3,797 | One-Step Merger | \$116.2 | 3.06% | \$251.8 | 6.63% |
| 99¢ Only Stores | Ares Corporate Opportunities Fund III, L.P. and Canada Pension Plan Investment Board | 10/11/11 | \$1,600 | \$1,562 | One-Step Merger | \$47.3 | 3.03% | \$94.5 | 6.05% |
| Tekelec | Siris Capital Group, LLC | 11/6/11 | \$780 | \$777 | One-Step Merger | \$15.0 | 1.93% | \$40.0 | 5.15% |
| Blue Coat Systems, Inc. | Thoma Bravo, LLC | 12/8/11 | \$1,300 | \$1,145 | One-Step Merger | \$39.0 | 3.41% | \$73.0 | 6.38% |
| WCA Waste Corporation | Macquarie Infrastructure Partners II, U.S. L.P. and Macquarie Infrastructure Partners II International, L.P. | 12/21/11 | \$526 | \$154 | One-Step Merger | \$16.5 | 10.71% ⁵ | \$16.5 | 10.71% |

⁵ The Macquarie/WCA transaction had a two-tier break-up fee of \$11 million (2.09% of enterprise value and 7% of equity value) for entering into an alternative transaction and \$16.5 million break-up fee for other specified terminations (3.15% of enterprise value and 10.71% of equity value).

2012 Large Market Transactions

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|------------------------------------|---|----------|------------------|--------------|--|---------------------|--|------------------|--------------------------|
| The Pep Boys – Manny, Moe & Jack | The Gores Group, LLC | 01/29/12 | \$1,000 | \$803 | One-Step Merger | \$10.0 \$25.0 | 1.25% 3.11% | \$50.0 | 6.23% |
| Quest Software, Inc. | Insight Venture Partners VII, L.P., Insight Venture Partners (Cayman) VII, L.P., Insight Venture Partners (Co-Investors) VII, L.P., Insight Venture Partners (Delaware) VII, L.P. and Insight Venture Partners Coinvestment Fund II, L.P. | 03/8/12 | \$2,000 | \$1,927 | One-Step Merger | \$4.2 \$6.3 | 0.22% 0.33% | \$9.0 | 0.47% |
| Great Wolf Resorts, Inc. | Apollo Investment Fund VII, L.P., Apollo Overseas Partners VII, L.P., Apollo Overseas Partners (Delaware) VII, L.P., Apollo Overseas Partners (Delaware 892) VII, L.P. and Apollo Investment Fund (PB) VII, L.P. | 03/13/12 | \$740 | \$262 | Tender Offer/ Back-End Merger | \$7.8 | 2.97% | \$15.0 \$20.0 | 5.72% 7.62% |
| P.F. Chang's China Bistro, Inc. | Centerbridge Capital Partners II, L.P. | 05/01/12 | \$1,100 | \$1,094 | Tender Offer/ Back-End Merger (Dual-Track) | \$21.1 \$36.5 | 2.48% 3.34% | \$67.4 | 6.17% |
| Collective Brands, Inc. | Blum Strategic Partners IV, L.P. and Golden Gate Capital Opportunity Fund | 05/01/12 | \$2,000 | \$1,324 | One-Step Merger | \$44.0 | 3.32% | \$84.0 | 6.34% |
| Interline Brands, Inc. | GS Capital Partners VI Fund, L.P. and P2 Capital Master Fund I, L.P. | 05/29/12 | \$1,100 | \$833 | One-Step Merger | \$13.9 \$29.9 | 1.67% 3.59% | \$51.3 \$68.4 | 6.16% 8.22% |
| MModal Inc. | One Equity Partners V, L.P. | 7/2/12 | \$1,100 | \$797 | Tender Offer/ Back-End Merger | \$28.7 | 3.60% | \$57.5 | 7.21% |
| Par Pharmaceutical Companies, Inc. | TPG Partners VI, L.P. | 7/14/12 | \$1,900 | \$1,855 | One-Step Merger | \$48.0 \$24.0 | 2.59% 1.29% | \$119.0 | 6.41% |
| TPC Group Inc. | FR XII Alpha AIV, L.P., FR XII-A Alpha AIV, L.P. and SK Capital Partners III, L.P. | 8/24/12 | \$930 | \$732 | One-Step Merger | \$24.0 | 3.28% | \$45.0 | 6.15% |
| Deltek, Inc. | Thoma Bravo Fund IX, L.P. and Thoma Bravo Fund X, L.P. | 8/26/12 | \$1,100 | \$892 | One-Step Merger | \$32.1 | 3.60% | \$59.6 | 6.68% |

2012 Large Market Transactions *con't*

| Target | Sponsor | Date | Enterprise Value | Equity Value | Structure | Target Break-Up Fee | Target Break-Up Fee as % of Equity Value | RTF | RTF as % of Equity Value |
|---------------------------|---|----------|------------------|--------------|-----------------|---------------------|--|--------|--------------------------|
| Ancestry.com Inc. | Permira IV Continuing L.P.1, Permira IV Continuing L.P.2, Permira Investments Limited and P4 Co-Investment L.P. | 10/21/12 | \$1,600 | \$1,445 | One-Step Merger | \$37.8 | 2.62% | \$75.6 | 5.23% |
| TNS, Inc. | Siris Partners II, L.P. | 12/11/12 | \$862 | \$528 | One-Step Merger | \$18.7 \$8.0 | 3.54% 1.52% | \$32.1 | 6.07% |
| Duff & Phelps Corporation | Carlyle Global Financial Services Partners, L.P., Edmond de Rothschild Europ-ortunities II SCA SICAR, Pictet & Cie and Trident V DP Holdings LP | 12/30/12 | \$666 | \$669 | One-Step Merger | \$20.0 \$6.7 | 2.98% 0.99% | \$39.9 | 5.97% |

Survey Methodology

In this deal study, we reviewed selected deal terms of private equity buyer/public company target all-cash merger transactions involving consideration greater than or equal to \$100 million in enterprise value. In regards to middle market deals, we compared treatment of such deal terms in the 16 transactions entered into in 2010, 15 transactions entered into in 2011 and 9 transactions entered into in 2012. In regards to large market deals, we compared treatment of such deal terms in the 20 transactions entered into in 2010, 17 transactions entered into in 2011 and 13 transactions entered into in 2012.

Please note that our findings described in this survey are not intended to be an exhaustive review of all transaction terms in the surveyed transactions — instead, we report only on those matters that we believe would be most interesting to the deal community. Our observations are based on a review of publicly available information for the surveyed transactions, which accounted for only a portion of M&A activity during the survey period and may not be representative of the broader M&A market.

Schulte Roth & Zabel M&A Group

Schulte Roth & Zabel's M&A Group represents private investment funds, portfolio companies and publicly-traded companies in public and private M&A transactions, including leveraged buyouts, "going private" transactions, tender offers and proxy contests, cross-border transactions and leveraged recapitalizations.

In 2012, The Global M&A Network recognized three SRZ deals as deals of the year at the 2012 Americas M&A Atlas Awards: Charming Shoppes Inc.'s \$890 million acquisition by Ascena Retail Group Inc. was named the North America Large Corporate Deal of the Year, Cerberus Capital Management LP's acquisition of AT&T's Yellow Pages - Advertising Solutions and AT&T Interactive Businesses was named the North America Large Private Equity Deal of the Year and Morton's Restaurant Group Inc.'s acquisition by affiliates of Tilman J. Fertitta was named the Americas Industry Real Estate Hospitality Deal of the Year. SRZ's work on Cerberus' sale of Chrysler Financial to TD Bank Group was recognized when the transaction received the ACG New York Champions Award for Cross Border Deal of the Year Over \$100MM. SRZ won the 2012 Special Situation M&A Deal of the Year (above \$750 million) at the Turnaround Atlas Awards for its work on the Innkeepers USA Trust Chapter 11 reorganization and sale to Cerberus Capital Management LP and Chatham Lodging Trust. SRZ was also recognized as the top law firm for PIPEs investors in the U.S. market by *PrivateRaise* and *PlacementTracker*.

In 2011 and 2012, SRZ ranked among the top 15 investor counsel in *The American Lawyer's* Corporate Scorecard for private equity M&A deals by volume. SRZ was ranked by *mergermarket* among the top 20 legal advisers to U.S. buyouts by volume in 2010 and for the first half of 2011, and was recognized for having worked on one of *The Deal's* Private Equity Deals of the Year in 2010. The firm also represented the buyer in one of *Investment Dealers' Digest's* 2010 Deals of the Year and acted as company counsel to *Marine Money's* 2010 Deal of the Year.



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Founded in 1969, Schulte Roth & Zabel is a multidisciplinary firm with offices in New York, Washington, D.C. and London. The firm is widely regarded as one of the premier legal advisers to private investment funds.

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