



BOARD'S ROLE IN M&A

8:30 AM

Bryan Armstrong, FD/Ashton Partners

Chris Brown, TechTeam Global

David Drury, Poblocki Sign Company

Justin Friesen, UBS Securities LLC

Steven Hilfinger, Foley & Lardner LLP

Martin Traber, Foley & Lardner LLP

James Williams, Gold Toe Brands



BRYAN ARMSTRONG
EXECUTIVE VICE
PRESIDENT
FD/Ashton Partners

Bryan Armstrong is an Executive Vice President at FD Ashton Partners, a strategic communications firm. Bryan joined FD as part of the acquisition of Ashton Partners on 10/1/2007, where he served as one of three Partners. Bryan has ten years of experience in strategic investor relations consulting working primarily with clients in the Industrial, Technology and Health Care sectors. Bryan also leads the Quantitative and Fundamental Research group at FD Ashton Partners.

Prior to joining Ashton Partners, Bryan was an investment analyst at Merrill Lynch conducting security analysis and research. Mr. Armstrong received his BBA in Finance at the University of Wisconsin Madison, with a concentration in International Business. In addition, Mr. Armstrong holds the Chartered Financial Analyst (CFA) designation, and is a member of the Investment Analysts Society of Chicago (IASC) and the CFA Institute.



WILLIAM C. BROWN
PRESIDENT AND CHIEF
EXECUTIVE OFFICER,
DIRECTOR
TechTeam Global

Mr. Brown joined TechTeam Global in February 2006 as President and Chief Executive Officer, and he also serves as a Director on the Company's Board. During his tenure the company has delivered record revenues and profits.

Mr. Brown has a distinguished 29-year career in professional services. He worked with IBM for 11 years and is credited with pioneering the use of large-scale off shoring for delivery of application management services at IBM, securing numerous multi-hundred million dollar-outsourcing contracts. Prior to his work in application outsourcing services, Mr. Brown launched IBM's Worldwide Application Consulting Practice in 1992, his first year with the company. In the mid-1990s, he served as Vice President of Worldwide Healthcare Solutions. From 2004-2006, he led IBM's Business Process Outsourcing sales operations in the Americas, a \$1 Billion+ operation.

During a three-year break from his employment at IBM (2001-2004), Mr. Brown served as CEO of Aztec Software, Inc., a small, publicly traded Indian company specializing in application development services. He also was a member of the company's Board of Directors.

Before IBM, Mr. Brown was a partner in the Information Technology Consulting practice of Ernst & Young. He began his career with SYSCON Corporation, Inc., an engineering consulting firm that specialized in defense systems engineering and integration, primarily for the U.S. Navy. Mr. Brown is a graduate of the University of Virginia where he earned bachelors and masters degrees in 1973 and 1977 respectively.



DAVID J. DRURY
CHIEF EXECUTIVE
OFFICER
Poblocki Sign
Company

Dave started his career with the Milwaukee office of Price Waterhouse & Co. in 1971 following graduation from University of Wisconsin-Whitewater where he earned a BBA with a major in accounting. He was promoted to partner in 1981 and was appointed Office Managing Partner in 1987. Since 1989, Dave has been a principal in several privately owned businesses and is currently majority owner and CEO of Milwaukee-based Poblocki Sign Company, a business he acquired in 1999. Over the past 18 years, he has served on many private and public company boards and is currently a member of Northwestern Mutual Life Insurance Company Board of Trustees, and a member of the Boards of Journal Communications, Plexus Corporation and Fiskars Corporation. Throughout his career, Dave has been involved with numerous acquisitions and divestitures as an advisor, a principal and a board member.



JUSTIN WEBB FRIESEN
MANAGING DIRECTOR
UBS Securities LLC

Justin Webb Friesen is a Managing Director, Mergers & Acquisitions in the Investment Banking Department of UBS and is based in Chicago. Mr. Friesen has been involved in a wide variety of strategic and capital raising transactions in the diversified industrials, engineering and construction services, consumer/retail and business services sectors. Mr. Friesen's transaction experience includes hostile M&A defense, corporate acquisitions, public and private company sales, mergers and divestitures along with high-yield, equity and private placement capital raising for Fortune 500 and middle-market companies. His most recent transactions include the leveraged buyout of NuCO2 Inc. by Aurora Capital Group, CB&I's acquisition of Lummus Global from ABB, CH2M HILL's acquisition of VECO, ADESA's leveraged buyout sale to a private equity consortium led by Kelso, Banta's white knight hostile defense and sale to R.R. Donnelley & Sons, JLG Industries' sale to Oshkosh Truck, Pentair Inc.'s acquisition of APW Limited's thermal enclosure assets and The Shaw Group's acquisition of 20% of Westinghouse Electric. Mr. Friesen is also currently engaged as UBS' lead M&A banker on the potential privatization of the Illinois Lottery for the State of Illinois.

Mr. Friesen serves as a relationship and execution M&A banker for a wide variety of clients, is actively involved with management teams, Boards of Directors and governmental entities in new idea generation, strategic review, acquisition implications and is accountable for transactions for which UBS is engaged as advisor. Prior to joining UBS in May 2004, Mr. Friesen was a Vice President at Credit Suisse First Boston where he participated in significant M&A assignments. Mr. Friesen began his investment banking career in 1994 as an analyst at Dean Witter Reynolds Inc.

Mr. Friesen received his M.B.A. from The Wharton School at the University of Pennsylvania where he graduated with highest honors and was recognized as a Palmer Scholar. He graduated with distinction from the Indiana University School of Business earning a B.S. in Accounting.



STEVEN H. HILFINGER
PARTNER
Foley & Lardner LLP

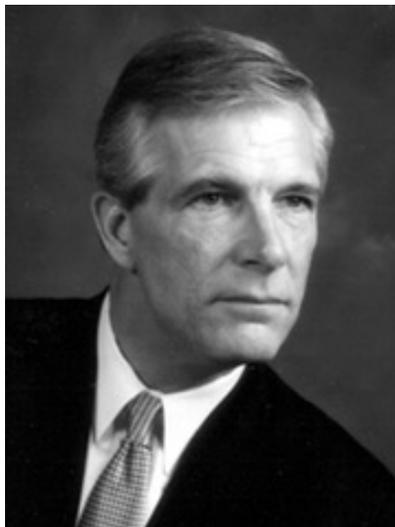
Steven H. Hilfinger is a partner with Foley & Lardner LLP, where he is co-chair of the firm's Automotive Industry Team. Mr. Hilfinger was a founding partner of the firm's Detroit office in 2000 and served as Detroit office managing partner from 2002 to 2006 and hiring partner from 2000 to 2002.

Mr. Hilfinger focuses his practice in corporate and securities law matters, including mergers and acquisitions, corporate restructurings, venture capital transactions, debt and equity finance transactions, business formation and corporate governance, and general corporate and contract counseling. His practice includes representation of automotive suppliers, venture capital and other private equity funds, financial institutions, and other publicly and privately held businesses.

Mr. Hilfinger is a member of the Transactional & Securities and Private Equity & Venture Capital Practices, as well as the International Business Industry Team. He is a member of the Board of Advisors of the Detroit Chinese Business Association and a member of the China Strategy Council of the Original Equipment Suppliers Association (OESA).

Mr. Hilfinger obtained his B.B.A. degree (concentration in accounting) with high distinction from the University of Michigan in 1984. He was awarded the William A. Paton Award for achieving the highest score on the Michigan CPA examination. Mr. Hilfinger graduated *magna cum laude* with a J.D. degree from Northwestern University in 1987 and served as editor-in-chief of the *Northwestern University Law Review* in 1986-87.

Mr. Hilfinger is admitted to practice law in Michigan and Illinois and is a member of the Business Law Section of the American Bar Association; the Business Law Section of the State Bar of Michigan; and of the Detroit Metropolitan Bar Association.



MARTIN TRABER
PARTNER
Foley & Lardner LLP

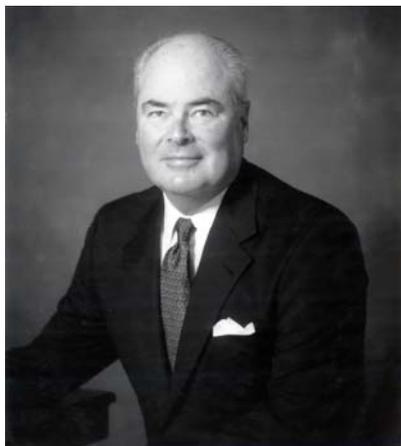
Martin Traber is a partner with Foley & Lardner LLP, where he is a member of the firm's Transactional & Securities and Private Equity & Venture Capital Practices and its Emerging Technologies Practice. Mr. Traber's practice focuses on corporate securities and public companies.

Formerly a partner in the 500-attorney Cleveland, Ohio, firm of Arter & Hadden, he served 10 years on the firm's Management Committee (including a term as chief executive) and was national chairman of both the Business and Corporate Department and of the Marketing and Business Development Committee.

Mr. Traber has practiced in corporate finance and securities law for over 30 years. His areas of emphasis include representation of companies in public and private securities offerings, roll-ups, and mergers and acquisitions. He represents several public and privately-held technology clients.

Mr. Traber served as an associate professor of law at Cleveland State University School of Law, where he developed and taught a course on financing. He graduated *magna cum laude* and first in his class from Indiana University School of Law in 1970, where he was an associate editor of the *Law Review*.

Mr. Traber is listed in *The Best Lawyers in America*®. He is also rated as one of the top Private Equity lawyers in the state of Florida in 2007 by *Chambers USA*.



JAMES A. WILLIAMS
PRESIDENT AND VICE-
CHAIRMAN
GoldToeMoretz, LLC

James A. Williams is President and Vice-Chairman of GoldToeMoretz, LLC.

GoldToeMoretz is the dominant branded sock manufacturer in the United States with in excess of 50% market share in the department store channel. The company is based in Newton, North Carolina, manufacturing and sourcing over 32 million dozen socks per year.

Mr. Williams has been in the sock business for 37 years, beginning his career with Adams Millis Hosiery Company (Hanes Brands) in High Point, North Carolina. Prior to that, he had brief relationships with the Upjohn Company (a Pharmaceutical Company) and Merrill Lynch.

He presently serves on the Board of Directors of GoldToeMoretz, LLC, Canofil, Inc. (Mexican Joint Venture) and Pep Boys (NYSE). He is past Chairman of the Board of Maidenform Worldwide, past Chairman of Powerlinx, Inc., and he also served on the Board of Esprit de Corp.

He also serves on the Board of Directors of the Educational Foundation for the Fashion Institute of Technology and the American Apparel Footwear Associations. He is the past Chairman of the Hosiery Association.

Mr. Williams is a graduate in Chemistry from the University of Southern Mississippi. He is married to Victoria S. Williams and has 3 children, 2 grandchildren and resides in High Point, North Carolina.

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NATIONAL DIRECTORS INSTITUTE
March 6, 2008

"THE BOARD'S ROLE IN M&A"

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Topics for Discussion

- Communications to the Board Regarding M&A Activities
- Keys to Being an Effective Strategic Buyer
- Effect of Sovereign and Middle Eastern Funds on M&A
- M&A in the Current Financing Markets
- Board Structure and Committees – When and How?
- Board Duties in MBOs and Other Conflict Situations
- Effective M&A Integration
- Evaluation of M&A in the Context of Capital Allocation
- Revival of the Tender Offer
- General Responsibilities of the Board in M&A
- Recent Legal Trends – MACs, "Go Shop" Provisions and Others
- Questions and Answers

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Communications to the Board Regarding M&A Activities

- Reporting M&A Activities
- Dealing with Inquiries
- Special Meetings and Regular Meetings
- How Much Information and When?
- Best Practices of Communicating the Progress of a Newly Integrated Business

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Keys to Being an Effective Strategic Buyer

- Advantages of Strategic Buyers
- Disadvantages Facing Strategic Buyers
- Due Diligence and M&A Execution
- Integration Issues

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Effect of Sovereign and Middle Eastern Funds on M&A

- Net foreign ownership increased 500% in the past decade
- Sovereign-wealth funds have "more equity than private equity and more funds than hedge funds" (The Economist, January 19, 2008)
- Sovereign-wealth funds expected to reach \$10-12 trillion by 2012
- Exon-Florio/CFIUS and other political issues and concerns

M&A in the Current Financing Markets

- Beginning in August 2007, lending markets for M&A transactions contracted in response to sub-prime issues
- Effects have been more pronounced in larger (>\$1 billion) transactions:
 - First seven months of 2007, averaged 32 per month with an average value of \$4.1 billion
 - Final five months of 2007, averaged 15 per month with an average value of \$2.8 billion

M&A in the Current Financing Markets *(cont.)*

- Stock market pullback has impacted acquisition currency of strategic buyers
- Cash is (still) King

Board Structure & Committees – When and How?

- M&A Committees most common in larger, higher market cap and higher growth companies
- Over 40% of companies with M&A Committees are in technology or telecommunications industries
- Roles: To dispassionately review transactions and to work with CEO to review and recommend transactions to Board and shareholders
- Composition: CEOs serve on 25% of such committees

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Board Duties in MBOs and other Conflict Situations

- Special conflicts posed by MBOs and Private Equity-sponsored transactions
- When and How to use a Special Committee
- Always employ a "Board-Centric" Process
- Avoid "tilting the playing field" to circumvent or undermine an established process

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Effective M&A Integration

- What Makes Transactions Successful?
 - Are all-cash deals more successful?
 - Is there a correlation between lower market cap or lower P/E ratios and success?
 - Acquirers with one or two deals in prior years performed best; those with ten or more performed worst
- (From "The Determinants of M&A Success," published by KPMG (2007))
- Why Do Many Transactions Not Live Up To Expectations?

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Effective M&A Integration (cont.)

- Cultural Issues/Post-Transaction Staffing
 - What is the post-merger organization structure?
 - What process is used to assess executives on both sides of deal?
 - What role does merging cultures play in the success of a transaction?
- What can service companies do balance retaining top talent and integration efforts?

Material Adverse Change Clauses

- Definition of MAC:
 - 95% of deals include MAC to business, operations, financial condition, etc. in definition
 - 49% include MAC on Seller's ability to close
 - 24% include MAC on Buyer's ability to close
- Increase in exceptions to MAC outs, including changes in financial markets, terrorism and hostilities, and Acts of God.

Material Adverse Change Clauses (cont.)

- See *Genesco, Inc. v. Finish Line* (holding Genesco's decline in financial performance was due to general economic environment, and thus excepted from MAC)

"Go Shop" Provisions

- Found in an increasing number of high profile transactions
- Approximate 40-day lockup is typical and sanctioned by Delaware court in Topps, with reduced break-up fee during go-shop period
- Useful tool to fulfill fiduciary duties or illusory and disingenuous method to shield directors—can alternative bids realistically be expected?

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"Go Shop" Provisions (cont.)

- *In re Netsmart Technologies, Inc. Shareholders Litigation* (Del. Ch. Mar. 14, 2007)
 - Court held that, despite appointing a special committee and conducting a post-signing market check, the Netsmart board had violated its fiduciary duties by focusing on private equity buyers to the exclusion of strategic buyers
 - Takeaway: There is no generic court-sanctioned sale process that will satisfy duties in every transaction

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Managing Transactions with International Elements

- Labor and Workforce Considerations
- Structure and Complexity
- Local legal representation

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Evaluation of M&A in the Context of Capital Allocation

- What processes are used to determine the most effective use of cash?
- How does one justify making acquisitions vs. conducting a share repurchase?
- How does the Board account for risk of acquisitions vs. other capital allocation decisions?

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Revival of the Tender Offer

- Since the amendment to the SEC's "best price" rule, tender offers are becoming more prevalent
- The "best price" rule prohibits a tender offer unless all tendering shareholders receive the highest consideration paid to any shareholders during the tender offer
- The SEC clarified that the rule applies only with respect to consideration paid for securities tendered for and not to employment and severance arrangements
- Impact on time to completion
- Commitment and strength of offer

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General Responsibilities of the Board in M&A

- Initiating and Managing an M&A Process
- Selecting Legal, Financial, and PR Advisors
- Evaluation of Strategic and Financial Options
- Stapled Financing Considerations
 - Potential financial buyer bias
 - Potential "winning bidder" bias
 - Independent fairness opinion required

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General Responsibilities of the Board in M&A (cont.)

- Fairness Opinions
 - The Board's primary objective is to exercise "due care" in complying with the Business Judgment Rule
 - The Board often hires an investment bank to render an unbiased opinion as to the fairness of a transaction, from a financial point of view

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Other Best Practices of Boards in Acquisition Transactions

- Other Best Practices
- Other Transaction Tips for Boards
- Success and Failure Stories

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Questions and Answers

Thank You



Topical Themes Impacting the M&A Market

Materials Prepared for Discussion

February 2008



Selected M&A Considerations

- ◆ The rapid growth in M&A volume has brought with it a number of consistent themes in contemporary dealmaking
 - Scrutiny has been further heightened by an “activist-friendly” environment
- ◆ Several points of focus include:
 - Impact of hedge fund activism
 - Heightened fiduciary responsibilities of Boards of Directors
 - Increased scrutiny by Delaware Courts into transaction / process integrity
 - Material Adverse Change (MAC) clauses
 - Emergence of the “Go Shop” provision
 - Revival of Tender Offers
- ◆ In addition to traditional deal dynamics—valuation, strategic fit, financeability and terms—buyers and sellers must consider these important topical themes to ensure a successful outcome



Broad Role of a Board of Directors

With the heightened level of hostile / activist investors and negotiated private equity deals, the role of the Board of Directors is increasingly important...and scrutinized

Selected Topics	Responsibilities of Boards of Directors
Initiating a Sale Process	<ul style="list-style-type: none"> ◆ Entitled to determine if, when and under what circumstances to engage in a sale process ◆ The Board, not senior management, should act as the gatekeeper
Selecting an Advisor(s)	<ul style="list-style-type: none"> ◆ The choice in retaining an advisor—legal, financial and PR—is one for the Board to make and should not be shared with senior management ◆ The formation of a special committee (and the selection of an advisor to it) are also the exclusive domain of the Board
Market Check / Deal Protection	<ul style="list-style-type: none"> ◆ The board must consider scope of process, ranging from a full-blown public auction to a negotiated transaction with a single bidder ◆ A post-agreement market check or Go Shop period should also be carefully considered

Broad Role of a Board of Directors

Selected Topics	Responsibilities of Boards of Directors
Due Diligence	<ul style="list-style-type: none"> It is important for the Board to try to minimize or monitor the risk of "management spin" by having representation (or advisor) participating in critical due diligence sessions Preventing "management spin" is more paramount when dealing with multiple parties (including strategics and financial bidders)
Stapled Financing	<ul style="list-style-type: none"> While valuable in many situations, perceived conflicts in securing buy-side financing must be managed <ul style="list-style-type: none"> Potential financial buyer bias Potential "winning bidder" bias Independent fairness opinion required
Fairness Opinions	<ul style="list-style-type: none"> The Board's primary objectives is to exercise "due care" in complying with the Business Judgment Rule In part to fulfill its fiduciary duties, the Board often hires an investment bank to render an unbiased opinion as to the fairness of a transaction, from a financial point of view
Transaction Authorization	<ul style="list-style-type: none"> Board is obliged to evaluate all alternatives to maximize shareholder value (i.e., sale, merger, acquisition, recapitalization, dividend, share repurchase, etc.)

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Key Themes in the Delaware Courts

Enhanced Scrutiny of Disclosure	Revlon Duties
<ul style="list-style-type: none"> In deals where a perceived conflict of interest exists, the Delaware Courts are requesting additional disclosure / discovery Conflicts of interest may include: <ul style="list-style-type: none"> stapled financing package and advisory services provided by the same advisor same firm advising on both sides of a transaction management-led buyouts Post announcement market checks (Go Shop) 	<ul style="list-style-type: none"> Triggered when a company is determined to be "for sale" (traditionally all or majority cash transaction) Require directors to maximize the short-term value reasonably available to shareholders through various means <ul style="list-style-type: none"> market check fiduciary out for superior offers Revlon does NOT require a formal auction so long as a Board adopts procedures that are reasonably designed to maximize value

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Key Themes in the Delaware Courts

Business Judgment Rule	Unocal Standard
<ul style="list-style-type: none"> Board will be protected when it satisfies two key duties: <ul style="list-style-type: none"> Duty of Care: Board must act on an informed basis after due consideration of all relevant materials and appropriate deliberation Duty of Loyalty: Board must act in good faith and in the honest belief that the action taken is in the best interests of the Company and its shareowners 	<ul style="list-style-type: none"> If the Board adopts defensive measures in the face of an unsolicited offer, the Board's conduct will be judged by an enhanced level of scrutiny: <ul style="list-style-type: none"> the Board must have reasonable grounds to believe that a danger to corporate policy and effectiveness exists; and the defensive measure must be reasonable in relation to the threat posed

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Key Themes in the Delaware Courts

Transaction / Process Integrity Considerations

- ◆ Go Shop provision
 - In a privately negotiated transaction (or limited number of buyers contacted), provides the Board with a true market check after announcement and prior to closing
- ◆ Ability to waive standstill enforceability during a Go Shop period
- ◆ Preserving fiduciary-out to respond to unsolicited proposals
- ◆ Transaction termination fees ("break-up" fee)
 - Above-market break-up fees can serve as a major hurdle in context of a topping bid
- ◆ Matching rights
 - Allow the initial acquirer the opportunity to meet or exceed a competing proposal
- ◆ Management conflicts in management-led buyouts with respect to access to information and due diligence



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Emergence of the "Go Shop" Provision

Private equity and many privately negotiated deals are increasingly including "Go Shop" provisions

- ◆ A Go Shop provision allows the target Board to solicit alternative proposals from other potential buyers for a certain period of time between the signing of the agreement and the closing of the transaction
- ◆ Key variables impacting effectiveness of Go Shop provisions
 - length of Go Shop period
 - break-up fees
 - scope of pre-signing market-check
 - matching rights
 - enforcement of other bidders' standstill agreements



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Overview of MAC Clauses

Material Adverse Change (MAC) clauses have recently increased as an important deal dynamic...

- | | |
|---------------------------------|--|
| What is a MAC clause? | <ul style="list-style-type: none"> ◆ A contractual definition used to delineate the circumstances that, upon their occurrence, permits a buyer to withdraw from the transaction without penalty ◆ MAC definitions are heavily negotiated and can be either general (e.g., "market" or "business" MAC) or a specific list of events |
| Why is it used? | <ul style="list-style-type: none"> ◆ To protect the buyer from a possible deterioration in business or market conditions between signing and closing ◆ Resulting from the recent credit crisis, many buyers are using it to re-negotiate the deal to achieve more favorable terms |
| What could be considered a MAC? | <ul style="list-style-type: none"> ◆ Business MAC: change in business, operations, financial performance or legal status ◆ Industry MAC: change in company's industry dynamics ◆ Market MAC: ability to secure financing or close a transaction |

...however, effectively litigating a MAC is difficult and subject to a significant amount of interpretation



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Revival of the Tender Offer

Since the amendment to the SEC's "best price" rule, tender offers are becoming more prevalent

- ◆ Since the mid 1990's, threat of shareholder litigation under SEC's "best price" rule effectively precluded use of tender offer
 - As a result, traditional shareholder votes served as the only practical method to pursue an acquisition
- ◆ The "best price" rule prohibits a tender offer unless all tendering shareholders receive the highest consideration paid to any shareholders during the tender offer
- ◆ The SEC clarified that the rule applies only with respect to consideration paid for securities tendered for and not to employment and severance arrangements
- ◆ Recent amendment to the "best price" rule mitigates risk of shareholder litigation



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Revival of the Tender Offer

Why Use It?

- ◆ Fastest to close (5–6 weeks, if no regulatory delays)
- ◆ Shows commitment and strength
- ◆ Concrete alternative in topping situations
- ◆ Streamlined SEC review process
- ◆ Parallel a foreign takeover bid regime

When to Use It?

- ◆ When speed in a proprietary deal is critical
- ◆ Create distinct advantage in auction
- ◆ Interloper bid
- ◆ Target is in restatement process

When Not to Use It?

- ◆ Regulatory delays (HSR, CFIUS, etc.) likely
- ◆ Enhanced disclosure if financing contingency required
- ◆ Some additional expense
- ◆ Tax or foreign jurisdictional drivers



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