2007
Strategic Buyer/Public Target
Mergers & Acquisitions Deal Points Study
(For Transactions Announced in 2005 and 2006)

A Project of the Mergers & Acquisitions Market Trends Subcommittee
of the
Committee on Negotiated Acquisitions
of the
American Bar Association’s Section of Business Law
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Subcommittee Co-Chairs
Wilson Chu, Haynes and Boone, LLP
Larry Glasgow, Gardere Wynne Sewell, LLP

Subcommittee Vice-Chairs
Keith A. Flaum, Cooley Godward Kronish LLP
J. Freek K. Jonkhart, Loyens & Loeff

Committee on Negotiated Acquisitions Chair
Joel I. Greenberg, Kaye Scholer LLP

Special Advisor
Richard E. Climan, Cooley Godward Kronish LLP

More info at www.abanet.org/dch/committee.cfm?com=CL560003

DISCLAIMERS

The findings presented in this Study do not necessarily reflect the personal views of the Working Group members or the views of their respective firms. In addition, the acquisition agreement provisions that form the basis of this Study are drafted in many different ways and do not always fit precisely into particular “data point” categories. Therefore, Working Group members have had to make various judgment calls regarding, for example, how to categorize the nature or effect of particular provisions. As a result, the conclusions presented in this Study may be subject to important qualifications that are not expressly articulated in this Study. The sample provisions included in this Study are for illustrative purposes only.
# 2007 Strategic Buyer/Public Target Study Working Group

**Keith A. Flaum**  
Cooley Godward Kronish LLP  
Palo Alto, CA  
(Chair)

<table>
<thead>
<tr>
<th>Name</th>
<th>Firm</th>
<th>Location</th>
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<tbody>
<tr>
<td>Jay E. Bothwick</td>
<td>Wilmer Cutler Pickering Hale and Dorr LLP</td>
<td>Boston, MA</td>
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<tr>
<td>Maury Bricks</td>
<td>Greenberg Traurig LLP</td>
<td>Atlanta, GA</td>
</tr>
<tr>
<td>Michelle Bushore</td>
<td>Latham &amp; Watkins LLP</td>
<td>Menlo Park, CA</td>
</tr>
<tr>
<td>Wei Chen</td>
<td>Cooley Godward Kronish LLP</td>
<td>Palo Alto, CA</td>
</tr>
<tr>
<td>James C. Creigh</td>
<td>West Corporation</td>
<td>Omaha, NE</td>
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<tr>
<td>George M. Flint III</td>
<td>Parson Behle &amp; Latimer</td>
<td>Salt Lake City, UT</td>
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<tr>
<td>Diane Holt Frankie</td>
<td>DLA Piper Rudnick Gray Cary US LLP</td>
<td>Palo Alto, CA</td>
</tr>
<tr>
<td>Michael A. Gold</td>
<td>Baker Botts LLP</td>
<td>Washington, D.C.</td>
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<tr>
<td>James R. Griffin</td>
<td>Fulbright &amp; Jaworski L.L.P.</td>
<td>Dallas, TX</td>
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<tr>
<td>Alan Jacobs</td>
<td>Heller Ehrman White and McAuliffe LLP</td>
<td>San Diego, CA</td>
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<tr>
<td>John M. Jennings</td>
<td>Nelson Mullins Riley &amp; Scarborough LLP</td>
<td>Greenville, SC</td>
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<td>Jay A. Lefton</td>
<td>Ogilvy Renault LLP</td>
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<td>Hal J. Leibowitz</td>
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<td>Michael G. O’Bryan</td>
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<td>Jessica Pearlman</td>
<td>Kirkpatrick &amp; Lockhart Preston Gates &amp; Ellis LLP</td>
<td>Seattle, WA</td>
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<td>Michael Rave</td>
<td>Day Pitney LLP</td>
<td>Morristown, NJ</td>
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<tr>
<td>Douglas Raymond</td>
<td>Drinker Biddle &amp; Reath LLP</td>
<td>Philadelphia, PA</td>
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<td>Jane Ross</td>
<td>Cooley Godward Kronish LLP</td>
<td>Palo Alto, CA</td>
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<tr>
<td>Claudia Simon</td>
<td>Paul, Hastings, Janofsky &amp; Walker LLP</td>
<td>San Diego, CA</td>
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<tr>
<td>Lorna J. Telfer</td>
<td>McCarthy Tetrault</td>
<td>Montreal, Quebec</td>
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<td>Phillip D. Torrence</td>
<td>Miller, Canfield, Paddock and Stone, P.L.C.</td>
<td>Kalamazoo, MI</td>
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<tr>
<td>Celia Van Gorder</td>
<td>Howard Rice Nemerovski Canady Falk &amp; Rabin</td>
<td>San Francisco, CA</td>
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</tbody>
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**2007 Strategic Buyer/Public Target Study Sample Overview**

- This Study analyzes publicly-available acquisition agreements for acquisitions of U.S. publicly-traded targets by publicly-traded and other strategic acquirers for transactions announced in 2005 and 2006. Acquisition agreements for acquisitions by private equity buyers have not been included among the agreements analyzed for purposes of this Study. See *The 2007 Private Equity Buyer/Public Target Mergers & Acquisitions Deal Points Study* for data from deals involving private equity buyers ([http://www.abanet.org/dch/committee.cfm?com=CL560003](http://www.abanet.org/dch/committee.cfm?com=CL560003)).

- In certain places, this Study includes references to “deals in 2004.” The data relating to deals in 2004 is based on *The First Annual Public Target M&A Deal Points Study* ([http://www.abanet.org/dch/committee.cfm?com=CL560003](http://www.abanet.org/dch/committee.cfm?com=CL560003)) and is included for comparative purposes.

<table>
<thead>
<tr>
<th>Transaction Value Range</th>
<th># of Deals</th>
<th>Consideration</th>
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</thead>
<tbody>
<tr>
<td>$100M and over</td>
<td>212 *</td>
<td>All Cash 49%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All Stock 20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mixed 31%</td>
</tr>
</tbody>
</table>

* Includes 109 deals announced in 2005 and 103 deals announced in 2006. Includes 15 deals structured as negotiated tender offers.
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   B. No Material Adverse Change
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TARGET’S REPRESENTATIONS AND WARRANTIES
Target’s Representations and Warranties

“Fair Presentation” Representation

(“Fairly Presents” is GAAP Qualified)

“Financial Statements. The Target Financial Statements fairly present the financial position of the Target and its consolidated subsidiaries as of the respective dates thereof and the results of operations and cash flows of the Target and its consolidated subsidiaries for the periods covered thereby, all in accordance with GAAP.”

(“Fairly Presents” is not GAAP Qualified)

“Financial Statements. The Target Financial Statements fairly present the financial position of the Target and its consolidated subsidiaries as of the respective dates thereof and the results of operations and cash flows of the Target and its consolidated subsidiaries for the periods covered thereby. The Target Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered.”
Target’s Representations and Warranties

“Fair Presentation” Representation

- **Deal in 2004**
  - "Fairly Presents" is **GAAP Qualified**: 27%
  - "Fairly Presents" is **not GAAP Qualified**: 67%

- **Deal in 2005/2006**
  - "Fairly Presents" is **GAAP Qualified**: 33%
  - "Fairly Presents" is **not GAAP Qualified**: 73%
“No Undisclosed Liabilities” Representation

All Liabilities

“No Undisclosed Liabilities. The Target has no accrued, contingent or other liabilities of any nature, either matured or unmatured, except for . . .”

GAAP Liabilities

“No Undisclosed Liabilities. The Target has no liabilities of the type required to be disclosed in the liabilities column of a balance sheet prepared in accordance with GAAP, except for . . .”
Target’s Representations and Warranties

“"No Undisclosed Liabilities”" Representation

- 98% (93% in deals in 2004) Includes Rep
- 2% (7% in deals in 2004) No Rep

Subset: Includes Rep

- "GAAP Liabilities" 36% (41% in deals in 2004)
- "All Liabilities" 64% (59% in deals in 2004)
Target’s Representations and Warranties

“Full Disclosure” Representation

“Full Disclosure. [To the knowledge of the Target,] No representation or warranty made by the Target in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make any such representation or warranty, in light of the circumstances in which it was made, not misleading.”
Target’s Representations and Warranties

“Full Disclosure” Representation

- **Includes Rep**: 13% (19% in deals in 2004)
- **No Rep**: 87% (81% in deals in 2004)

**Subset: Includes Rep**

- **Includes Rep**: 93% (83% in deals in 2004)
- **No Rep**: 7% (17% in deals in 2004)

**“Knowledge” Qualifier**

- **Includes Rep**: 93% (83% in deals in 2004)
- **No Rep**: 7% (17% in deals in 2004)
CONDITIONS TO CLOSING
Accuracy of Target’s Representations - When Must They Be Accurate?
(Two Points in Time: At Signing and At Closing)

“Accuracy of Representations and Warranties. Each of the representations and warranties made by the Target in this Agreement shall have been accurate in all respects as of the date of this Agreement, and shall be accurate in all respects as of the Closing Date as if made on the Closing Date.”
Accuray of Target’s Representations – When Must They Be Accurate?

“When Made”
(i.e., at Signing)

- No “When Made” Requirement
  - 19% (23% in deals in 2004)

- 81% (77% in deals in 2004)
  - Includes “When Made” Requirement

“Bring Down”*
(i.e., at Closing)

- Includes “Bring Down” Requirement
  - 100% (100% in deals in 2004)

* Includes deals with both “when made” and “bring down” requirement and deals solely with a “bring down” requirement.
“Accuracy of Representations and Warranties. Each of the representations and warranties made by the Target in this Agreement shall have been accurate in all material respects as of the Closing Date as if made on the Closing Date.”
"Accuracy of Representations and Warranties. Each of the representations and warranties made by the Target in this Agreement shall have been accurate in all respects as of the Closing Date as if made on the Closing Date, except for inaccuracies of representations or warranties the circumstances giving rise to which, individually or in the aggregate, do not constitute and could not reasonably be expected to result in a Material Adverse Effect."
Accuracy of Target’s Representations – How Accurate Must They Be?
(“Double Materiality” Carveout)

“Accuracy of Representations and Warranties. Each of the representations and warranties made by the Target in this Agreement shall have been accurate in all respects as of the Closing Date as if made on the Closing Date, except for inaccuracies of representations or warranties the circumstances giving rise to which, individually or in the aggregate, do not constitute and could not reasonably be expected to result in a Material Adverse Effect (it being understood that, for purposes of determining the accuracy of such representations and warranties, all "Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded).”
Conditions to Closing

Accuracy of Target’s Representations - How Accurate Must They Be?
(Materiality Qualifiers In “When Made” Component)

Materiality Standard *

“Double Materiality” Carveout

* Many deals included separate (and different) materiality standards for the capitalization representation and certain other representations.

** “Other” includes “in all respects if qualified by materiality and in all material respects if not so qualified.”
Accuracy of Target’s Representations – How Accurate Must They Be? (Materiality Qualifier In “Bring Down” Component)

Materiality Standard *

“Double Materiality” Carveout

* Many deals included separate (and different) materiality qualifies for the capitalization representation and certain other representations.

** “Other” includes “in all respects if qualified by materiality and in all material respects if not so qualified.”
Conditions to Closing

Buyer’s MAC/MAE “Walk Right”

“No Material Adverse Change. Since the date of this Agreement, there has not been any material adverse change in the business, financial condition or results of operations of the Target and its Subsidiaries taken as a whole.”
Conditions to Closing

Buyer’s MAC/MAE “Walk Right” *

No "Walk Right"
1% (1% in deals in 2004)

99% (99% in deals in 2004)
Includes "Walk Right"

* MAC/MAE “walk right” includes closing condition, specific termination right in termination section and “back door” MAC/MAE (i.e., MAC/MAE closing condition or termination right through bring down of MAC/MAE representation).
Conditions to Closing

**Buyer’s MAC/MAE “Walk Right”**

*(Prospects)*

- Includes "Prospects" 6% (10% in deals in 2004)
- 94% (90% in deals in 2004) No "Prospects"

* A substantial number of the acquisition agreements that do not include the word “prospects” in the MAC/MAE clause do include other forward-looking language in that clause, such as “events that could/would reasonably be expected to result in a MAC/MAE.”
"MATERIAL ADVERSE CHANGE/EFFECT" means, when used in connection with the Target, any change, event, violation, inaccuracy, circumstance or effect that is materially adverse to the business, financial condition or results of operations of the Target and its Subsidiaries taken as a whole, other than as a result of: (i) changes adversely affecting the United States economy (so long as the Target is not disproportionately affected thereby); (ii) changes adversely affecting the industry in which the Target operates (so long as the Target is not disproportionately affected thereby); (iii) the announcement or pendency of the transactions contemplated by this Agreement; (iv) the failure to meet analyst projections, in and of itself; (v) changes in laws; (vi) changes in accounting principles; or (vii) acts of war or terrorism.
## General Economy

- **No Carveout**: 7% (includes 8% in deals in 2004)
- **Includes Carveout**: 93% (includes 92% in deals in 2004)

### Subset: Includes Carveout
- **Includes "Disproportionate" Language**: 69% (includes 48% in deals in 2004)
- **No "Disproportionate" Language**: 31% (includes 52% in deals in 2004)

## Industry

- **No Carveout**: 24% (includes 25% in deals in 2004)
- **Includes Carveout**: 76% (includes 75% in deals in 2004)

### Subset: Includes Carveout
- **Includes "Disproportionate" Language**: 83% (includes 70% in deals in 2004)
- **No "Disproportionate" Language**: 17% (includes 30% in deals in 2004)
Other Popular MAC/MAE Carveouts

<table>
<thead>
<tr>
<th>Condition</th>
<th>2004 (%</th>
<th>2005/2006 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement or Pendency</td>
<td>43%</td>
<td>69%</td>
</tr>
<tr>
<td>Change in Law</td>
<td>42%</td>
<td>65%</td>
</tr>
<tr>
<td>Change in Accounting Principles</td>
<td>24%</td>
<td>48%</td>
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<tr>
<td>War/Terrorism</td>
<td>15%</td>
<td>33%</td>
</tr>
<tr>
<td>Failure to Meet Projections</td>
<td>8%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Deals in 2004
Deals in 2005/2006
Opinion of Target’s Counsel
(Not Including Tax Opinion)

“Agreements and Documents. The Buyer shall have received the following agreements and documents, each of which shall be in full force and effect: . . . (__) a legal opinion of [counsel to the Target], substantially in the form of Exhibit __;”
Opinion of Target’s Counsel
(Not Including Tax Opinion)

* Does not include four deals containing an opinion condition because such condition relates to a single issue or because the scope of the opinion could not be determined.
Retention of Specified Employees of Target

“Employees. None of the individuals identified on Schedule 6.7(a) shall have ceased to be employed by the Target, or shall have expressed an intention to terminate his or her employment with the Target or to decline to accept employment with the Buyer; and not more than [___%] of the individuals identified on Schedule 6.7(b) shall have ceased to be employed by the Target or shall have expressed an intention to terminate their employment with the Target or to decline to accept employment with the Buyer.”
Retention of Specified Employees of Target

Includes
Condition
3%* (7% in deals in 2004)

97%
No (93% in deals in 2004)
Condition

* Condition to the effect that “employment agreements remain in full force and effect” are not included in the 3% statistic. The 3% statistic includes agreements that have either or both of a “single employee” trigger and/or a “percentage of employees” trigger – see prior slide for examples.
“No Governmental Litigation. There shall not be pending or threatened any Legal Proceeding in which a Governmental Body is or is threatened to become a party: (a) challenging or seeking to restrain or prohibit the consummation of the Merger or any of the other transactions contemplated by this Agreement; (b) seeking to prohibit or limit in any material respect the Buyer’s ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Surviving Corporation; or (c) seeking to compel the Target, the Buyer or any Subsidiary of the Buyer to dispose of or hold separate any material assets as a result of the Merger or any of the other transactions contemplated by this Agreement.”
Many of the agreements that did not include a specific “no governmental litigation” condition did include other provisions (such as a “material adverse change” condition or the “bring down” of the target’s “no litigation” representation) that could, under certain circumstances, provide the buyer with a walk right in the event of governmental litigation relating to the transaction.

Of the transactions that included threatened governmental litigation, approximately 8% also included “overtly” and approximately 12% also included “in writing.”
**No Non-Governmental Litigation**

**Challenging the Transaction**

“No Other Litigation. There shall not be pending or threatened any Legal Proceeding in which any Person is or is threatened to become a party: (a) challenging or seeking to restrain or prohibit the consummation of the Merger or any of the other transactions contemplated by this Agreement; (b) seeking to prohibit or limit in any material respect the Buyer’s ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of any of the Target; or (c) seeking to compel the Target, the Buyer or any Subsidiary of the Buyer to dispose of or hold separate any material assets as a result of the Merger or any of the other transactions contemplated by this Agreement.”
No Non-Governmental Litigation Challenging the Transaction

* Many of the agreements that did not include a specific “no non-governmental litigation” condition did include other provisions (such as a “material adverse change” condition or the “bring down” of the target’s “no litigation” representation) that could, under certain circumstances, provide the buyer with a walk right in the event of non-governmental litigation relating to the transaction.
Resignation of Target Directors

“Agreements and Documents. The Buyer and the Target shall have received the following agreements and documents, each of which shall be in full force and effect: . . . (__) the written resignations of all directors of the Target, effective as of the Effective Time.”
Resignation of Target Directors

* Ten of the fourteen deals with director resignation condition involved targets that had staggered boards of directors.
“Financing. The Buyer shall have obtained the financing described in the Commitment Letters on the terms set forth in the Commitment Letters and on such other terms as are reasonably satisfactory to the Buyer.”
Availability of Financing
(Subset: Transactions In Which Consideration Was 100% Cash) *

* Approximately 4% of the part cash/part stock deals included in the sample contained a financing condition.
Receipt/Bring Down of Fairness Opinion

“Fairness Opinion. The opinion of [Investment Banker] to the effect that the Exchange Ratio is fair, from a financial point of view, to the shareholders of the Target shall not have been withdrawn and shall be in full force and effect.”
Receipt/Bring Down of Fairness Opinion

- Includes Condition: 3%
- No Condition: 97%
Appraisal Rights

“Appraisal Rights. The aggregate number of shares of Target Common Stock at the effective time of the Merger, the holders of which have demanded purchase of their shares of Target Common Stock in accordance with the provisions of Section 262 of the DGCL, shall not equal [10]% or more of the shares of Target Common Stock outstanding as of the record date for the Target Stockholders Meeting.”
Appraisal Rights

All Cash

<table>
<thead>
<tr>
<th>Appraisal Rights Cap</th>
<th>Number of Deals</th>
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<tr>
<td>More than 15%</td>
<td>2 out of 13</td>
</tr>
<tr>
<td>11% - 15%</td>
<td>3 out of 13</td>
</tr>
<tr>
<td>6% - 10%</td>
<td>4 out of 13</td>
</tr>
<tr>
<td>1% - 5%</td>
<td>4 out of 13</td>
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</table>

Part Cash/Part Stock

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<th>Appraisal Rights Cap</th>
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<tr>
<td>More than 15%</td>
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<tr>
<td>11% - 15%</td>
<td>1 out of 19</td>
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<tr>
<td>6% - 10%</td>
<td>14 out of 19</td>
</tr>
<tr>
<td>1% - 5%</td>
<td>3 out of 19</td>
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</tbody>
</table>
DEAL PROTECTION
Target No-Shop/No-Talk; Fiduciary Exception to No-Talk

“No Solicitation. The Target shall not directly or indirectly, and shall not authorize or permit any of the other Acquired Corporations or any Representative of any of the Acquired Corporations directly or indirectly to: (a) solicit, initiate, encourage, induce or facilitate the making, submission or announcement of any Acquisition Proposal . . .; (b) furnish any nonpublic information regarding any of the Acquired Corporations to any Person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could lead to an Acquisition Proposal; (c) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal; (d) . . .;”

Fiduciary Exception to No-Talk

“provided, however, that prior to the approval of this Agreement by the Required Target Stockholder Vote, this Section 4.3(a) shall not prohibit the Target from furnishing nonpublic information regarding the Acquired Corporations to, or entering into discussions with, any Person in response to [an Acquisition Proposal] [an Acquisition Proposal that is reasonably likely to result in a Superior Offer] [a Superior Offer] that is submitted to the Target by such Person (and not withdrawn) if . . .”
Deal Protection

**Fiduciary Exception to No-Talk**

None of the 212 transactions included a “go shop” provision (i.e., a provision that permits the target company to solicit competing proposals for a limited period of time).
Fiduciary Exception to Target Board Recommendation Covenant

“Notwithstanding anything to the contrary contained in Section 5.2(b), at any time prior to the approval of this Agreement by the Required Target Stockholder Vote, the Target Board Recommendation may be withdrawn or modified in a manner adverse to the Buyer if: (i) an unsolicited, bona fide written offer . . . is made to the Target and is not withdrawn … (iii) the Target’s board of directors determines in good faith (based upon a written opinion of an independent financial advisor of nationally recognized reputation) that such offer constitutes a Superior Offer; (iv) the Target’s board of directors determines in good faith . . . that, in light of such Superior Offer, the withdrawal or modification of the Target Board Recommendation is required in order for the Target’s board of directors to comply with its fiduciary obligations to the Target’s stockholders under applicable law . . .”
**Fiduciary Exception to Target Board Recommendation Covenant** *

* Nine transactions were excluded from the main study sample because the relevant acquisition agreement did not include a customary form of recommendation covenant.

** A number of transactions in which the fiduciary exception was limited to Superior Offer also included provisions generally allowing the board to comply with its fiduciary duty of candor and/or securities law disclosure requirements.
**Target Fiduciary (Superior Offer) Termination Right**

"**Termination.** This Agreement may be terminated at any time prior to the Effective Time . . . (f) by the Target if: (i) the Target Stockholder Approval has not been obtained; and (ii) concurrently the Target enters into a definitive Target Acquisition Agreement providing for a Superior Offer in accordance with Section 5.3; *provided* that [first pay “break-up” fee]."
Deal Protection

**Target Fiduciary (Superior Offer)**

**Termination Right**

<table>
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<tr>
<th></th>
<th>All Cash</th>
<th></th>
<th>All Stock</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td><strong>FTR</strong></td>
<td><strong>No FTR</strong></td>
<td><strong>FTR</strong></td>
<td><strong>No FTR</strong></td>
</tr>
<tr>
<td><strong>Part Cash/Part Stock</strong></td>
<td>61% (74% in deals in 2004)</td>
<td>39% (26% in deals in 2004)</td>
<td>71% (63% in deals in 2004)</td>
<td>29% (37% in deals in 2004)</td>
</tr>
<tr>
<td></td>
<td>83% (86% in deals in 2004)</td>
<td>17% (14% in deals in 2004)</td>
<td></td>
<td>29% (37% in deals in 2004)</td>
</tr>
</tbody>
</table>

"8.3 Expenses; Termination Fees.
(a) Except as set forth in this Section 8.3, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses, whether or not the Merger is consummated; provided, however, that:

(i) [Naked No-Vote Fee] If this Agreement is terminated by the Buyer or the Target pursuant to Section 8.1(d) ["no vote"], then the Target shall [reimburse the Buyer for all expenses incurred by the Buyer in connection with the Merger] [pay to the Buyer, in cash, a nonrefundable fee in the amount of $________].

(ii) [Fee for No-Vote + Acquisition Proposal] If this Agreement is terminated by the Buyer or the Target pursuant to Section 8.1(d) ["no vote"] and at or prior to the time of the termination of this Agreement an Acquisition Proposal shall have been made, then the Target shall pay to the Buyer, in cash, a nonrefundable fee in the amount of $________.

(iii) [Drop-Dead Date + Acquisition Proposal] If this Agreement is terminated by the Buyer or the Target pursuant to Section 8.1(b) [drop dead date] and at or prior to the time of the termination of this Agreement an Acquisition Proposal shall have been made, then the Target shall pay to the Buyer, in cash, a nonrefundable fee in the amount of $________.

(iv) [Change in Board Recommendation; Certain Breaches] If this Agreement is terminated by the Buyer pursuant to Section 8.1(e) [change in Board Recommendation], Section 8.1(f) [breach of no shop or meeting covenants] or Section 8.1(g) [breach of representations, warranties or covenants], then the Target shall pay to the Buyer, in cash, a nonrefundable fee in the amount of $________."
Deal Protection

Target “Break-Up” Fee Triggers
(“Naked No-Vote”) *

* Excludes 15 tender offers.
** Out of the 18 transactions that contained a “naked no-vote” trigger, 17 required reimbursement of expenses only and one required payment of a full break-up fee (i.e., the same dollar amount as the break-up fee payable in other contexts).
Deal Protection

Target “Break-Up” Fee Triggers
("No-Vote” + Acquisition Proposal) *

Included?

- No “No-Vote” + Acquisition Proposal Fee
  - 15% (13% in deals in 2004)

- “No-Vote” + Acquisition Proposal Fee
  - 85% (87% in deals in 2004)

When Payable?

- “Still Pending” Requirement
  - 33% (38% in deals in 2004)

- “No” + Vote + Acquisition Proposal Fee
  - 67% (62% in deals in 2004)

Acquisition Proposal Still Pending?

- Includes “Still Pending” Requirement
  - 33% (38% in deals in 2004)

- No “Still Pending” Requirement
  - 67% (62% in deals in 2004)

* Excludes 15 tender offers.
** Part of fee payable on/immediately after termination and part of fee payable on signing or consummation of third party deal.
**Deal Protection**

**Target “Break-Up” Fee Triggers**
(Drop Dead Date + Acquisition Proposal)

**Included?**
- No Drop Dead Date + Acquisition Proposal Fee: 33% (47% in deals in 2004)
- Includes Drop Dead Date + Acquisition Proposal Fee: 67% (53% in deals in 2004)

**Acquisition Proposal Still Pending?**
- No “Still Pending” Requirement: 71% (63% in deals in 2004)
- Includes “Still Pending” Requirement: 29% (37% in deals in 2004)

**When Payable?**
- Payable on/immediately after Termination: 2% (12% in deals in 2004)
- Payable on Signing or Consummation of Third Party Deal: 92% (78% in deals in 2004)
- Payable on Signing: 6% (10% in deals in 2004)

*Part of fee payable on/immediately after termination and part of fee payable on signing or consummation of third party deal.*

Deal Protection

Target “Break-Up” Fee Triggers
(Change of Board Recommendation)

* A small number of transactions contain conditions in addition to mere change or withdrawal of board recommendation, such as consummation of a third party deal within a specified period after termination.
Deal Protection

Target “Break-Up” Fee Triggers
(Breach of Acquisition Agreement)

General Breach *

Includes Fee
3% (2% in deals in 2004)
No Fee
97% (98% in deals in 2004)

Breach No-Shop **
Includes Fee
36% (29% in deals in 2004)
No Fee
64% (71% in deals in 2004)

Breach Stockholder Meeting Covenants **
Includes Fee
23% (26% in deals in 2004)
No Fee
77% (74% in deals in 2004)

* General breach of representations, warranties and covenants: (a) is limited to transactions in which mere breach, without other conditions (such as consummation of a third party bid), triggers a break-up fee; however, some transactions require willful or intentional breach; and (b) do not include transactions in which a breach triggers reimbursement of expenses rather than full break-up fee.

** Breach of stockholder meeting covenants and breach of no-shop covenants: (a) do not include general breach of representations, warranties and covenants; and (b) are limited to transactions in which mere breach, without other conditions, triggers a break-up fee.
OTHER ACQUISITION AGREEMENT
DATA POINTS
“D&O Insurance. From the Effective Time until the ___ anniversary of the Effective Time, the Surviving Corporation shall maintain in effect, for the benefit of the Indemnified Persons with respect to their acts and omissions occurring prior to the Effective Time, the existing policy of directors’ and officers’ liability insurance maintained by the Target as of the date of this Agreement in the form disclosed by the Target to the Buyer prior to the date of this Agreement (the “Existing Policy”); provided, however, that: (i) the Surviving Corporation may substitute for the Existing Policy a policy or policies of comparable coverage; and (ii) the Surviving Corporation shall not be required to pay annual premiums for the Existing Policy (or for any substitute policies) in excess of $__________ in the aggregate [150% of the current premium]....
D&O Insurance

98% Includes Insurance

No Insurance 2%

Premium Cap | Percent of Deals*
--- | ---
350% | 1%
300% | 20%
250% | 23%
200% | 41%
175% | 3%
150% | 9%
125% | 1%
Less than 125% | 1%

* Excludes 62 deals from main study sample because unable to determine premium cap percentage.
Choice of Law

“Governing Law. This Agreement is made under, and shall be construed and enforced in accordance with, the laws of the State of [Delaware] applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law.”
Other Acquisition Agreement Data Points

Choice of Law*

Target incorporated in Delaware

- 90% Delaware
- Other 10%

Target not incorporated in Delaware

- Other 28%
- State of Incorporation 33%
- 39% Delaware

* The choice of law identified in the charts above refers to the law applicable to matters other than certain matters, such as the merger mechanics, that are mandatorily governed by the law of the jurisdiction of incorporation.
Non-Reliance

“Non-Reliance. The Buyer acknowledges that the Target has not made and is not making any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except as provided in Section 3, and that it is not relying and has not relied on any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except as provided in Section 3.”
Other Acquisition Agreement Data Points

Non-Reliance

- 82% Does Not Include Non-Reliance Clause
- 18% Includes Non-Reliance Clause

Entire Agreement/Integration

“Entire Agreement. This Agreement[, the other agreements referred to herein and the Confidentiality Agreement] constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter hereof and thereof.”
Entire Agreement/Integration

100%
Includes Entire Agreement Clause
SELECTED DATA POINTS IN TWO-STEP CASH TRANSACTIONS (Tender Offer Deals)
Structure of Cash Deals

- Two-Step Cash Transactions
  - Two-Step (Tender Offer): 13% (16% in deals in 2004)
  - One-Step Merger: 87% (84% in deals in 2004)
"Top-Up Option.

(a) The Target hereby grants to the Buyer and Acquisition Sub an irrevocable option (the “Top-Up Option”) to purchase that number of Shares (the “Top-Up Option Shares”) equal to the lowest number of Shares that, when added to the number of Shares owned by the Buyer and/or Acquisition Sub at the time of exercise of the Top-Up Option, shall constitute one Share more than 90% of the Shares then outstanding (assuming the issuance of the Top-Up Option Shares) at a price per Share equal to the Offer Price; provided, however, that the Top-Up Option shall not be exercisable unless immediately after such exercise the Buyer and/or Acquisition Sub would own more than 90% of the Shares then outstanding.

(b) The Buyer or Acquisition Sub may exercise the Top-Up Option, in whole but not in part, at any time after the occurrence of a Top-Up Exercise Event and prior to the occurrence of a Top-Up Termination Event.

(c) For the purposes of this Agreement, a “Top-Up Exercise Event” shall occur upon Acquisition Sub’s acceptance for payment pursuant to the Offer of Shares constituting less than 90% of the Shares then outstanding. Each of the following shall be a “Top-Up Termination Event”: (i) the Effective Time; and (ii) the termination of this Agreement pursuant to its terms."
Two-Step Cash Transactions

Top-Up Option

- Includes "Top-Up" Option (67% in deals in 2004)
- No "Top-Up" Option (33% in deals in 2004)
Two-Step Cash Transactions

Trading Suspension; Banking Moratorium; War/Terrorism; Limitation on Extension of Credit

“ANNEX A
CONDITIONS TO THE OFFER

... Acquisition Sub shall not be required to accept for payment ... any tendered Target Shares, if ... at any time on or after the execution and delivery of the Agreement and prior to the time of acceptance for payment for any such Target Shares, any of the following events shall have occurred:

(c) ... (i) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange or on the Nasdaq, for a period in excess of twenty four hours; (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory); (iii) a commencement of a war, armed hostilities or other international or national calamity (including terrorist activity) directly or indirectly involving the United States; (iv) any limitation (whether or not mandatory) by any United States governmental authority on the extension of credit generally by banks or other financial institutions.”
Two-Step Cash Transactions

Banking Moratorium
- Includes Banking Moratorium: 47% (78% in deals in 2004)
  - Does Not Include Banking Moratorium: 53% (22% in deals in 2004)

Limitation on Extension of Credit
- Includes Limitation on Extension of Credit: 73% (67% in deals in 2004)
  - Does Not Include Limitation on Extension of Credit: 27% (67% in deals in 2004)

Trading Suspension
- Includes Trading Suspension: 47% (78% in deals in 2004)
  - Does Not Include Trading Suspension: 53% (22% in deals in 2004)

War/Terrorism
- Includes War/Terrorism: 80% (67% in deals in 2004)
  - Does Not Include War/Terrorism: 20% (67% in deals in 2004)