manatt

MERGERS AND ACQUISITIONS
2011 REPRESENTATIVE TRANSACTIONS

Q. Who smoothes the way for major deals in a turbulent global market?

A. Manatt.
Mergers and Acquisitions.

Turning opportunities into realities.

The Dow is rising to unprecedented levels. Jobs are coming back. Lending, while still tight, is on the upswing. But global markets—particularly in Europe—remain shaky, making the economic recovery tenuous. Cautious optimism best describes the M&A outlook for 2012.

According to Bloomberg's 2012 Global M&A Outlook, deal-making opportunities increased 5.5% in 2011, but they were a mere shadow of the 41% increase in volume from 2009 to 2010. However, attractive target valuations and cash stockpiles presented opportunities across the board to the alert and prudent. Corporate acquisitions were up across the Americas, cross-border deals continued to grow and cash remained the most prominent payment method.

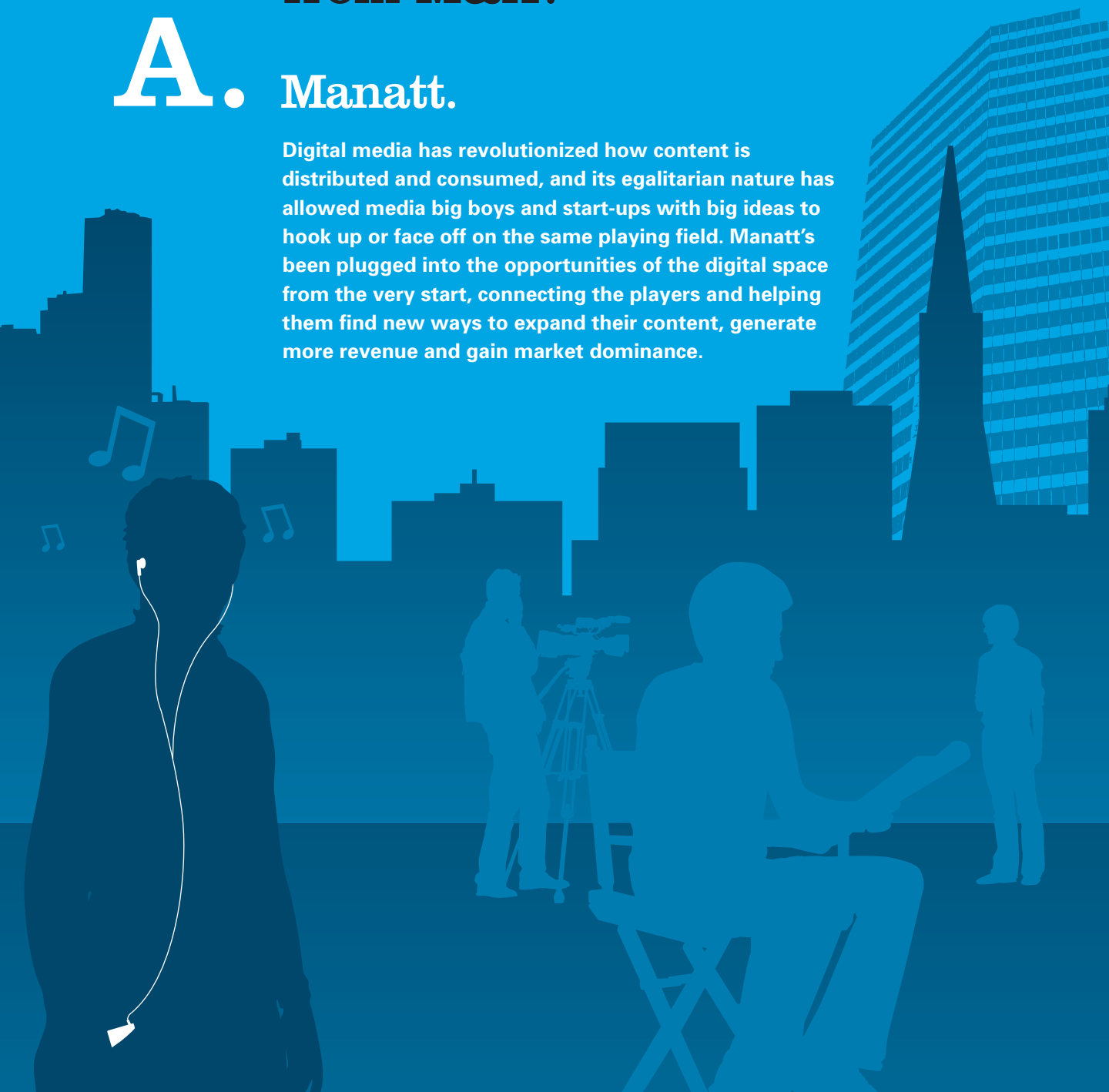
Last year's steady deal flow in **Entertainment and Media** is expected to continue, fueled by an evolving digital marketplace. Content creators have been drawing greater attention, driven by digital media consumption and "over-the-top" content distribution on smart phones, tablets and other mobile devices. Valuations in the video game segment, for example, have been driven by a trifecta of online, social media and wireless gaming. New and nontraditional market entrants are expected to continue to be an important source of M&A activity. Strong valuations for content owners could also impact future deal activity, as could recent changes in online gaming regulations. According to PricewaterhouseCoopers's Global Entertainment & Media Outlook, $2.5 trillion in corporate cash reserves and private investment capital point to more transactions, but the outlook warns of "a maturing wall of $145 billion in debt" that "may place a drag on M&A activity."

Healthcare is always a good bet, even in uncertain times. Activity in post-acute care facilities, laboratories and managed care drove an 11% increase in the dollar value of deals, which totaled $227.4 billion. Since many large healthcare companies have strong cash flow, credit availability is not expected to be an issue. Dollar-wise, medical devices, pharmaceuticals and biotechnology were the leaders, but the largest share of deal activity was elsewhere. Last year's red-hot rehab market (a 465% increase in aggregate value in the face of declining government reimbursements) has been attributed to opportunistic deals by large companies looking to fill out their provider networks. M&A is expected to remain robust, including among managed care plan providers, many of which are showing greater interest in the financing aspect of healthcare delivery.

Q. Who can you count on to know a call sheet from a rap sheet, a crosscut from a cross-claim and A&R from M&A?

A. Manatt.

Digital media has revolutionized how content is distributed and consumed, and its egalitarian nature has allowed media big boys and start-ups with big ideas to hook up or face off on the same playing field. Manatt's been plugged into the opportunities of the digital space from the very start, connecting the players and helping them find new ways to expand their content, generate more revenue and gain market dominance.



With digital media consumption and over-the-top content delivery continuing to drive competition for content ownership, **BMG Rights Management** turned to Manatt for help with two acquisitions aimed at increasing its share of the music publishing market. We helped BMG prevail in a heated bidding war for independent publisher Bug Music, Inc.'s portfolio of 250,000 copyrights, stoked by soaring music asset valuations in the wake of the U.S. launch of digital music service Spotify and beta launches of cloud music services by Amazon, Google and Apple. Our lawyers then went on to represent BMG in the acquisition of R2M, adding another 12,000 copyrights, including "Top Ten" hits from the 1960s to 1990s.

Feature film trailer house **Buddha Jones, LLC**, has established a premier clientele ranging from major Hollywood movie studios to indie film leaders. Some of its more memorable campaigns include *No Country for Old Men*, *The Hangover* and *Inglourious Basterds*. With its 51% owner no longer active in the business, the three minority members decided the time had come to buy out his controlling interest and came to Manatt to get the job done. We structured a leveraged transaction using company funds and with payment over time. With no outlay of cash required and no personal liability attaching to the debt, it was a low-risk deal for our clients, who will own the company free and clear in six years or less.

Psyop Media Company, LLC, which helps brands and agencies connect with consumers through the use of animation, 3-D, 2-D and live action production, has been on a steady growth trajectory since its founding in 2000. With an enviable number of prestigious awards to its credit, the company was ready to take on an outside investor. The only catch was its corporate structure—two distinct but affiliated entities without a common holding company. Because a single enterprise would be more attractive to investors, Psyop came to Manatt to combine the businesses and restructure the partnership. We reconciled the differing interests of the company's constituents and achieved the buy-in of interested investors, as well as some operational efficiencies and tax advantages.

Q. Where do healthcare companies needing a booster go for legal and business advice?

A. Manatt's M&A lawyers.

A strong infusion of capital and inexpensive credit has given many healthcare companies the boost they need to grow and strengthen market share through strategic acquisitions or affiliations with others in their sectors. Manatt's M&A lawyers are on top of this robust trend, identifying the opportunities and structuring deals that breathe new life into the capabilities—and bottom lines—of healthcare providers and services.

Manatt has been providing "long-term care" to post-acute healthcare provider **Covenant Care** for many years, so when the privately held company wanted to recapitalize, we were there. A previous recapitalization by Centre Partners Management, LLC, a private equity firm, had provided Covenant Care with new capital for operations and the acquisition of additional skilled nursing facilities, eventually leading to its acquisition by Centre Partners. A partial rebound in capital markets, combined with Covenant Care's strong performance, signaled to its owners that the time was right to restructure some debt and obtain some liquidity. The multi-tiered credit facility and dividend recapitalization we handled provided Covenant Care with liquidity and operating capital to continue growing and its equity lenders with an alternative way of realizing liquidity, other than selling the company or trying an IPO.

Manatt assisted a subsidiary of **Kindred Healthcare, Inc.**, with a strategic acquisition that allowed the leading post-acute care provider to grow its home health and hospice businesses as well as expand its continuum of post-acute services. The acquisition of Professional HealthCare, LLC, allowed Kindred, a national firm with facilities in 46 states, not only to expand its services but also to double its presence in its key markets of California, Arizona, Nevada and Utah.

In helping **Northwest Newborn Specialists, P.C.**, a sizeable neonatology group, merge with Pediatrix Medical Group, the nation's leading provider of maternal-fetal, newborn and pediatric subspecialty physician services, Manatt truly delivered for its client. By joining with Pediatrix, Northwest Newborn now has the opportunity to expand its commitment to improved outcomes by tapping into Pediatrix's large-scale neonatal database and participating in the group's ongoing nationwide quality-improvement programs. Manatt was able to structure and negotiate the transaction in a compressed time period while vigorously advocating and protecting the collective interests of the Northwest Newborn physicians.

Buddha Jones, LLC
majority shareholder buyout

Counsel to
Buddha Jones, LLC
January 2011

Covenant Care
credit facility and dividend recapitalization

Counsel to
Covenant Care
January 2011

Northwest Newborn Specialists, P.C.
sale to Pediatrix Medical Group, Inc., a subsidiary of Mednax, Inc.

Counsel to Seller
January 2011

Security Consultants Group, Inc.
sale to Paragon Systems, Inc.

Counsel to Seller
April 2011

Stevco, Inc.
sale of its farming, cold storage, sales and distribution business to Tays River Investments

Counsel to Seller
April 2011

ZAGG Incorporated
acquisition of iFrogz

$105 million

Counsel to
Roth Capital Partners
June 2011

Kindred Healthcare, Inc.
acquisition of Professional HealthCare, LLC

$51 million

Counsel to Buyer
August 2011

Ridgeline Energy
acquisition of a California multiphase utility scale solar farm project

Counsel to Buyer
August 2011

Outcome Resources
sale to a private equity fund

Counsel to Seller
September 2011

BMG Rights Management
acquisition of Bug Music, Inc.

Counsel to Buyer
October 2011

RMG Capital Corporation and **Fullerton Community Bank**
sale of Garden Grove branch to Southland Credit Union

Counsel to Sellers
November 2011

RMG Capital Corporation and **Fullerton Community Bank**
sale of the Fullerton Bank franchise to Opus Bank

$75 million

Counsel to Sellers
November 2011

first

first financial bank

First Financial Bank
acquisition of 22 branches of
Flagstar Bank, FSB

$23 million

Counsel to Buyer
December 2011

Automobile Club of Southern California
affiliation with AAA
Tidewater Virginia

Counsel to
Automobile Club of Southern California
January 2012

Psyop Media Company
partnership restructuring and
business combination

Counsel to
Psyop Media Company
January 2012

M&A is back on the map—if you know where to look

The ups and downs of the economic recovery have made it tough to see opportunities for M&A deals on the horizon. Yet, despite the economic uncertainty of global markets, credit risk and financing challenges, there are still plenty of opportunities out there. It only takes an experienced, knowledgeable and creative hand to help find and land lucrative transactions in a turbulent economy.

Manatt's M&A lawyers can help you navigate the challenges and risks, find the opportunities, and bring them to fruition. We have deep industry experience working with a broad range of clients—both buy side and sell side—helping public and private companies, entrepreneurs, family-owned businesses, private equity funds and large multinational corporations evaluate risks and rewards, develop strategies, and execute complex transactions that strengthen both bottom lines and business relationships for the future.

What makes us a different and valuable partner?

- Senior-level lawyers manage your transaction from point of origin to day of closing
- Deep pool of talent who are standouts in their fields—financial services, healthcare, entertainment and media, technology, consumer products, energy, and real estate
- Wall Street experience combined with boutique-level service and follow-through
- Focus on long-term relationships as a trusted advisor
- Nimble approach and rapid response times to help seize on quick turnaround opportunities

A strong bench that helps get deals done

For complex M&A transactions, we put together "deal teams" comprising lawyers from our antitrust, environmental, real estate and land use, intellectual property, tax, labor and employment, and executive compensation and employee benefits practices. Our well-organized and integrated deal teams:

- Develop a due diligence strategy that focuses on key value drivers
- Properly structure tax-efficient transactions that help clients enhance competitive position
- Advise and negotiate all aspects of a transaction, including financing, regulatory approval, operational concerns, and closing and post-closing matters
- Act as liaison with regulatory agencies, including the SEC, the FTC and the DOJ

AREAS OF FOCUS:

- Mergers
- Stock and asset purchases
- Going-private transactions
- Cross-border and domestic deals
- Leveraged and management buyouts
- Strategic acquisitions and spin-offs
- Private equity investments and acquisitions
- Tender and exchange offers
- Unsolicited offers and takeover defenses
- Special committee representations
- Proxy contests
- Share exchanges
- Fairness opinions

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