

**PetSmart, Inc. (PETM)**

Record date for voting rights: [tbd]  
Shareholder vote: [tbd]  
Proposed buyer: BC Partners (with existing stockholder)  
Value of transaction: \$8.2 billion  
Incorporation: Delaware

PetSmart has announced an agreement for an \$83.00 per share sale to a group of investors led by BC Partners, a European buyout firm, with the participation of existing 9% company shareholder Longview Asset Management.<sup>1</sup> Longview and the activist JANA, with a newly acquired 9.7% holding, had been pressing PetSmart for a sale since July, generating a 39% gain in immediately realizable stock price as well as the opportunity Longview had stated it wanted for participation in a buyout to realize the company's long term intrinsic value.<sup>2</sup> Public shareholders can consider essentially the same choice: a current market-priced offer or the appraised intrinsic value that private equity investors are getting.

The situation appears to satisfy the three screening criteria for the Forum's "[Appraised Value Rights \("AVR"\) Management](#)" support of shareholders considering this alternative:

1. **Buyer** – The proposed transaction is a “standalone” buyout, without any benefits of a business combination that might justify a buyer's offering more than the intrinsic value of the company. It is therefore unlikely that the buyer, as an experienced professional investor with access to insider information, will be able to explain to the court – or to its equity partners and lenders – that the price it offered to pay was more than of its view of the company's intrinsic value. There is little risk that a court appraisal would vary from past patterns for such standalone buyouts.<sup>3</sup>
2. **Amount** – The size of the buyout is in a range that should justify public registration for quoted AVR trading and “Level 1” pricing if holders of a relatively small percentage of stock request support of liquidity. In the absence of requests for support of public registration, it can be assumed that the volume of demands for appraisal will be sufficient to support market activity with “Level 2” pricing of AVR investments.
3. **Jurisdiction** – The company is incorporated in Delaware, the state that provides a well-defined and relatively predictable process for appraisal rights.

Subject to review of the Merger Agreement and proxy statement when those documents are filed, there do not appear to be any “go-shop” provisions or other conditions to be satisfied other than shareholder approval. The Forum will therefore welcome requests for reservations of PetSmart AVR Management during the next couple of weeks until our limit is reached.

*GL – December 15, 2014*

Gary Lutin  
Chairman, The Shareholder Forum  
575 Madison Avenue, New York, New York 10022  
Telephone: 212-605-0335  
Email: [gl@shareholderforum.com](mailto:gl@shareholderforum.com)

<sup>1</sup> See [December 14, 2014, PetSmart, Inc. \(as published by Business Wire\): "Consortium led by BC Partners to Acquire PetSmart for \\$83.00 per Share in Cash"](#).

<sup>2</sup> See [July 7, 2014, Longview Asset Management \(as a 9.0% beneficial owner of PetSmart, Inc. common stock\), SEC Form 13D, Amendment 3: Reporting July 7, 2014 letter to board supporting JANA encouragement of sale and expressing interest in investment participation with buyer](#)

<sup>3</sup> See [September 10, 2013 Forum Report: Court Rules for Appraisal: Fair Value = Intrinsic Value](#).