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PRIVATE EQUITY

Orbotech closes \$290M Photon deal

by [John E. Morris](#)

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Orbotech Ltd. closed its \$290 million acquisition of Photon Dynamics Inc. after arranging to sell the target's defense digital imaging unit, Salvador Imaging Inc., to management for an undisclosed price.

Orbotech was required under the merger agreement to divest Salvador to avoid any problems with the Committee on Foreign Investment in the United States, which vets the purchase of assets with national security assets by foreign buyers. Salvador makes high resolution digital sensor cells used by the military and for medical applications. San Jose, Calif.'s Photon Dynamics' primary product line is test equipment used in making flat, liquid crystal display screens.

Salvador and Yavne, Israel's Orbotech announced the closing and divestiture Thursday, Oct. 2.

Photon Dynamics purchased Colorado Springs, Colo.-based Salvador in July 2007. The unit was operated independently of Photo Dynamics' LCD equipment business, accounting for \$3.9 million, or 4%, of Photo Dynamics' revenue in the nine months ended June 30. Salvador booked a net loss of \$4.4 million in that time.

Photon Dynamics acquired Salvador last year from its founder and president David Gardner and trusts he controlled for about \$20 million, consisting of stock valued at about \$12 million at the time, \$2.7 million in cash plus a \$5.3 million note.

An undisclosed investment fund helped fund Gardner's repurchase of Salvador.

Cravath, Swaine & Moore LLP partner Richard Hall and associates Zachary Gubler, Wendy Ng and Tuire Kuronen advised Orbotech.

Seward & Kissel LLP partners James Abbott and Craig Sklar and associates Nick Katsanos and James Cofer were counsel to Gardner and his backers.

Orbotech shares were up fractionally to \$7.79 late Friday afternoon.