

INTEGRATION RISK ASSESSMENT

PRITCHETT

- This questionnaire has been designed to:
 - Establish the current state of an integration event as it relates to structure, experience, resources, process, tools, methods, protocols, value drivers, etc.
 - Determine the gaps between the current state and “required” state for delivering the value proposition within or prior to the announced time frame.
 - Identify specific risks
 - Determine actions required to close the gaps to achieving the “required” state
- Once the questionnaire is completed and returned, the selections made will be compiled with known transaction information (size, complexity, value strategy, timelines, synergy dependency, etc). Risks and requirements will be analyzed and weighted against historic data and experience rationale. A detailed report will be generated for review in person or by conference call.

For questions or comments please contact PRITCHETT at
800-992-5922 Completed assessments can be faxed to:
218-239-9650 Attn: Merger Integration Advisors

Integration Risk Assessment

For each risk criteria below, please select the description that best describes your integration capability by placing a check in the appropriate triangle

Sponsor & Authorizer

Qualified Integration Leadership

Alignment

Integration Planning

Detailed Integration Plan

Below Standard

- ▶ High level structure in place upon close. Delegated authority to skilled project manager with minimal integration experience and limited final authority.
- ▶ Integration Leaders have limited integration leadership experience, diluted focus, and lack of proven process, templates and tools.
- ▶ General understanding of the deal among employees and their contribution to integration success, with some confusion regarding priorities.
- ▶ Planning begins <30 days prior to close with planning process continuing after close.
- ▶ General integration plan to capture most synergy assumptions and value drivers at close.

At Standard

- ▶ Integration structure defined prior to close. SBU Executive without total decision-making responsibility and authority.
- ▶ Some integration leadership experience, operational familiarity and some knowledge of integration best practices.
- ▶ All employees understand strategic rationale and need for speed. Nominal incentives implemented for business and integration success.
- ▶ Planning begins early in due diligence process with formal and approved plan to capture most synergies complete 30 days prior to close.
- ▶ Planning begins early in due diligence process with formal and approved plan to capture most synergies complete prior to close.

Above Standard

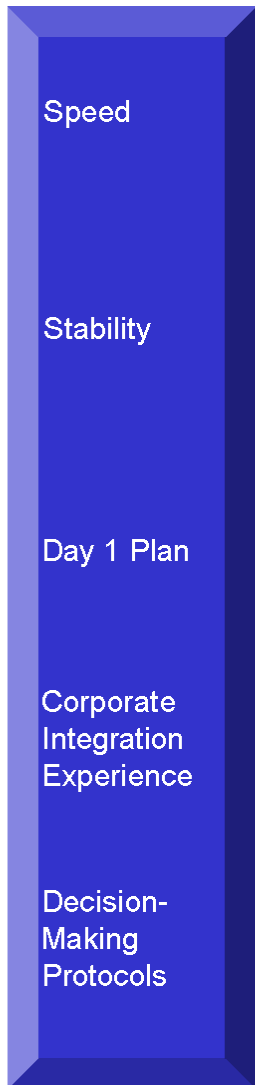
- ▶ Integration structure approved by Directors prior to close. Involved C-Level sponsor transfers total decision-making authority and responsibility to SBU Executive.
- ▶ Multiple experience cycles with limited degrees of size and complexity. Strong linkage with operations. Bias toward speed and best practices.
- ▶ All affected employees have internalized strategic rationale, urgency of synergy capture and counterintuitive nature of integration.
- ▶ Integration plan approved by Directors prior to close. Identification of lessons learned from previous experiences. Plans in place and validated at operating level.
- ▶ Board-approved plan includes all actions including owners, value, timing for completion required to capture all synergies in shortest time while retaining critical talent and customers.

Best Practices

- ▶ Integration structure approved by Directors prior to announcement. C-Level sponsor available and authorized to make all decisions. Protocols in place to drive immediate decisions and communication.
- ▶ Experienced, proven, committed leader with multiple cycles with varying degrees of size and complexity. Leverage dedicated personnel with operational experience using proven processes, templates, and tools based on historic best practices.
- ▶ Full consensus and commitment to integration priorities with significant and aligned incentives for business and integration success.
- ▶ Integration plan approved by Directors prior to announcement. Discovery of additional synergies and revenue stability not included in deal economics. Pre-mortem performed against integration plan prior to close.
- ▶ Board-approved plan includes accounting for each synergy, method for analyzing and comparing vendor contracts, customer agreements and competitive information prior to close for discovery of additional synergies or increased revenue stability.

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Below Standard

At Standard

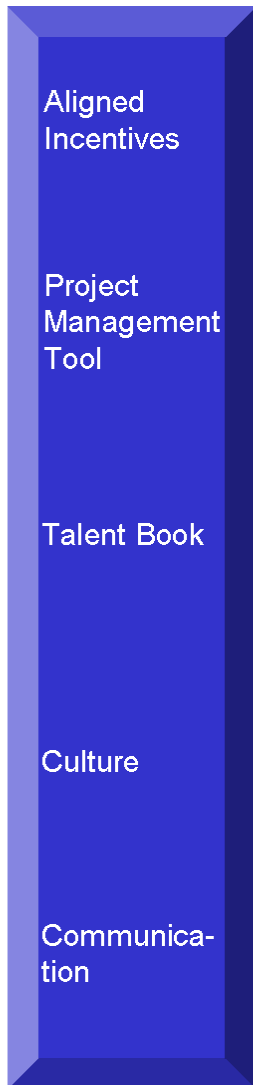
Above Standard

Best Practices

	Below Standard	At Standard	Above Standard	Best Practices
Speed	<p>Integration planning begins near close. Decision process is business as usual. Teams seeking opportunities to optimize and create new.</p>	<p>Plan in place at close. Tools and review forum in place after close. Goal is to capture synergies within 12-18 months. Rationalization and consolidation precede optimization.</p>	<p>Decision-making protocols pre-approved for rapid response to requests, authorization and signoff. Actions focused on early capture of synergies. Seek best available solution versus best solution.</p>	<p>Plan in place. Leadership and authorized review forum in place. Real time management and tracking tools. Experience and protocols for rapid-fire decisions. Bias for immediate rationalization vs. optimization.</p>
Stability	<p>Core business objectives set aside due to integration. Limited customer and employee retention plans. Some communication processes. Some contingency planning.</p>	<p>Core business plans remain in place. Communication to customers, employees and suppliers is primarily progress announcements.</p>	<p>Strong management of relationships with customers, suppliers, and employees. Retention plans in place and under way prior to close. Incremental resources used for integration.</p>	<p>Core business plans and resources in place. Stakeholders confident about future. No meaningful threat to customer, supplier, or employee migration. Revenue growth going forward. Limited turnover in leadership team.</p>
Day 1 Plan	<p>All Day 1 issues not completed prior to close. Employees' "me issues" not handled on Day 1.</p>	<p>All Day 1 issues planned for prior to close by operational teams with limited prioritization. Employee "me issues" handled on Day 1. Failure mode assessment with corrective actions identified.</p>	<p>Day 1 Plan completed prior to close. No significant Day 1 issues. Many HR transition migration issues completed within Week 1.</p>	<p>Comprehensive Day 1 execution plan in place, prioritized by Value Driver Analysis. "Me issues" addressed eliminating personal uncertainty. Immediate focus on delivering the promise</p>
Corporate Integration Experience	<p>Confidence in capability based on factors other than personal experience and resources of this integration team.</p>	<p>Defined knowledge systems for capturing experience on past integrations. Experience leveraged and improved over time.</p>	<p>Best practices integrated with experience and knowledge management systems to improve integration processes, decision protocols, tools, templates and methodology.</p>	<p>Best practices institutionalized. Integration capability is a competitive advantage.</p>
Decision-Making Protocols	<p>Responsibilities and authority for integration decisions distributed or undefined.</p>	<p>Responsibilities defined. Limited decision making authority delegated. Regular review forums and updates to senior executives.</p>	<p>Fully defined responsibilities and authorities with defined decision-making protocols and necessary information requirements.</p>	<p>Leadership commitment to decisive action and compliance with fully developed protocols. Defined processes for escalation, review, approval, and communication.</p>

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Below Standard

At Standard

Above Standard

Best Practices

	Below Standard	At Standard	Above Standard	Best Practices
Aligned Incentives	 Separation packages undefined or unrelated to integration results.	 Incentives in place that focus on running the business and retention of key players.	 Incentives are in place prior to close are linked to synergy capture and business execution for all exiting employees.	 Incentives are in place prior to close that drive synergy capture, business execution and preservation of human capital. Integration plan priorities based on economic deal drivers.
Project Management Tool	 Update reports for each organization delivered to functional leaders.	 Using effective global project management tool to track progress of key integration activities.	 Top-down executive dashboard for activity workflow management.	 Well-maintained executive dashboard with zoom-in zoom-out capability to any level for effective real-time decision-making and problem-solving.
Talent Book	 Key positions unfilled at close. Limited knowledge of franchise players from both companies.	 Franchise players and bench strength identified in both organizations and key positions filled prior to close.	 Prior to close, most positions filled through meritocracy and retention plans in place for all formal and informal leaders.	 New cultural role models selected for visible positions of authority to emulate behaviors that drive success. High level succession plan in place.
Culture	 "Best of Both" or "Merger of Equals" culture strategy or undefined.	 Democratic approach avoided. Behaviors to drive success are defined and shared prior to close. Cross-pollination between units after close.	 Behaviors that drive success are defined and shared with all employees and internalized by key leaders and managers.	 "Integration culture" that builds trust, drives change and allows rapid-fire decision-making internalized by most employees.
Communication	 Communication by press release and employee announcement. Limited identification of stakeholder issues.	 Integrated information strategy in place prior to close that addresses anticipated questions from customers, suppliers, investors, and employees.	 Integrated information strategy in place prior to close that addresses stakeholders' concerns and delivered through channels they trust.	 Integrated information strategy implemented prior to close to gather data, mobilize support, remove uncertainty and drive commitment. Leverage all channels to deliberately message to each stakeholder. On-going communication plan in place post-integration.

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Below Standard

At Standard

Above Standard

Best Practices

	Below Standard	At Standard	Above Standard	Best Practices
Customer Service	<p>▶ No communication or service contingency plans in place for any customers or TBD.</p>	<p>▶ Communication and service contingency plans in place for some customers.</p>	<p>▶ Communication and service contingency plans in place for key customers.</p>	<p>▶ Communication and service contingency plans in place and tested for key customers.</p>
Catalytic Mechanisms	<p>▶ No change acceleration plan in place or TBD.</p>	<p>▶ Plan in place to focus top of organization on critical path issues.</p>	<p>▶ Some plans in place to manage the depth and duration of productivity loss during change process.</p>	<p>▶ Detailed plans in place to accelerate change process at all levels in organization.</p>
Knowledge Management	<p>▶ Limited knowledge transfer between executives and between integrations. Limited re-use of team members and from one deal to the next.</p>	<p>▶ Some integration experience within the company. Some access to prior integration files.</p>	<p>▶ Re-use of key integration personnel with access to experienced leaders and lessons learned.</p>	<p>▶ Development of tribal knowledge through full capture of tools, templates, data, and lessons learned for re-use by integration team comprised of experienced leaders and team members.</p>