

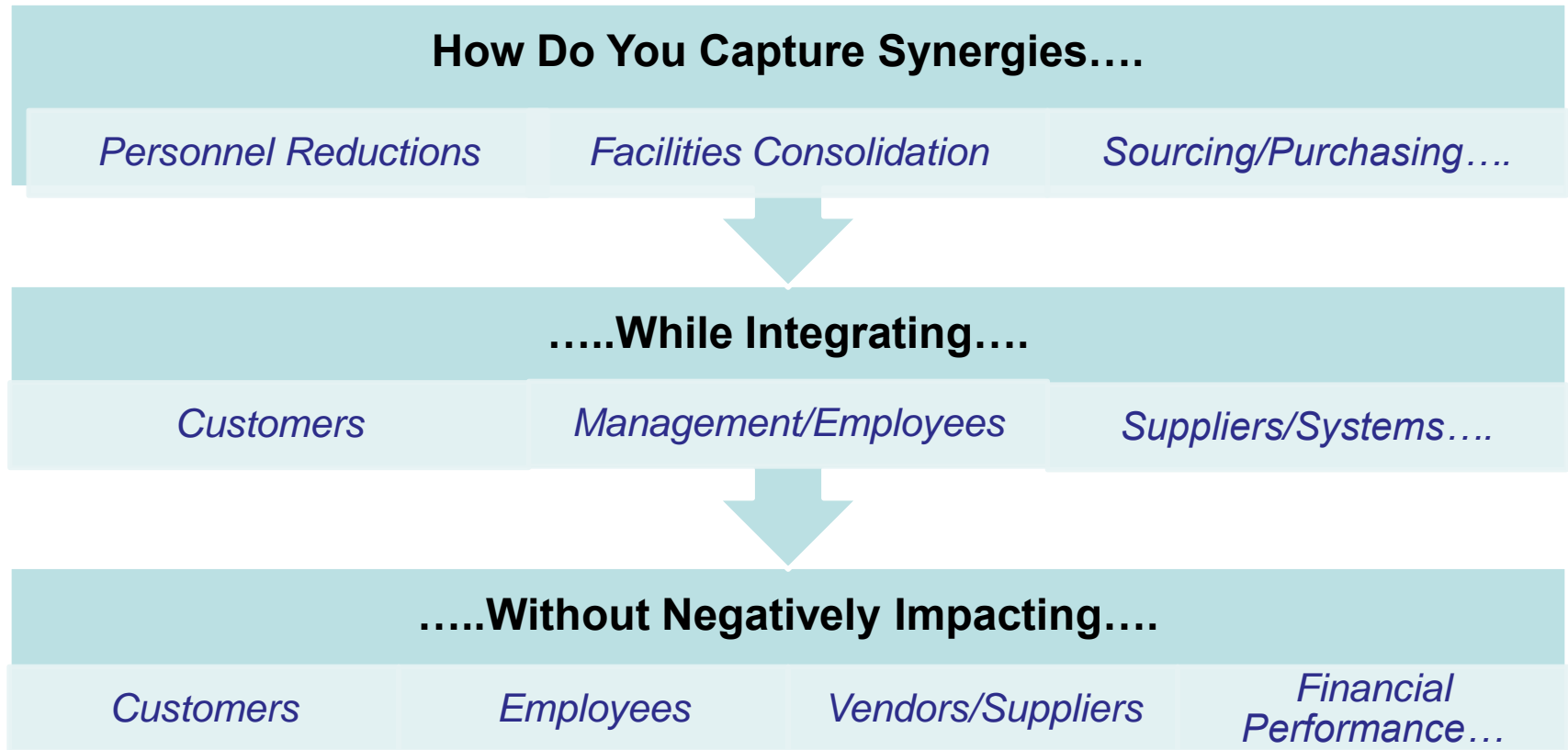


WHITAKER
& COMPANY

Marketing • Process • Integration

Merger Integration Playbook Overview

Why Companies Need a Playbook: The Integration Challenge



...All while relying on the same leaders/employees who are attempting to do their “day job” and maintain current business momentum

Playbook Benefits

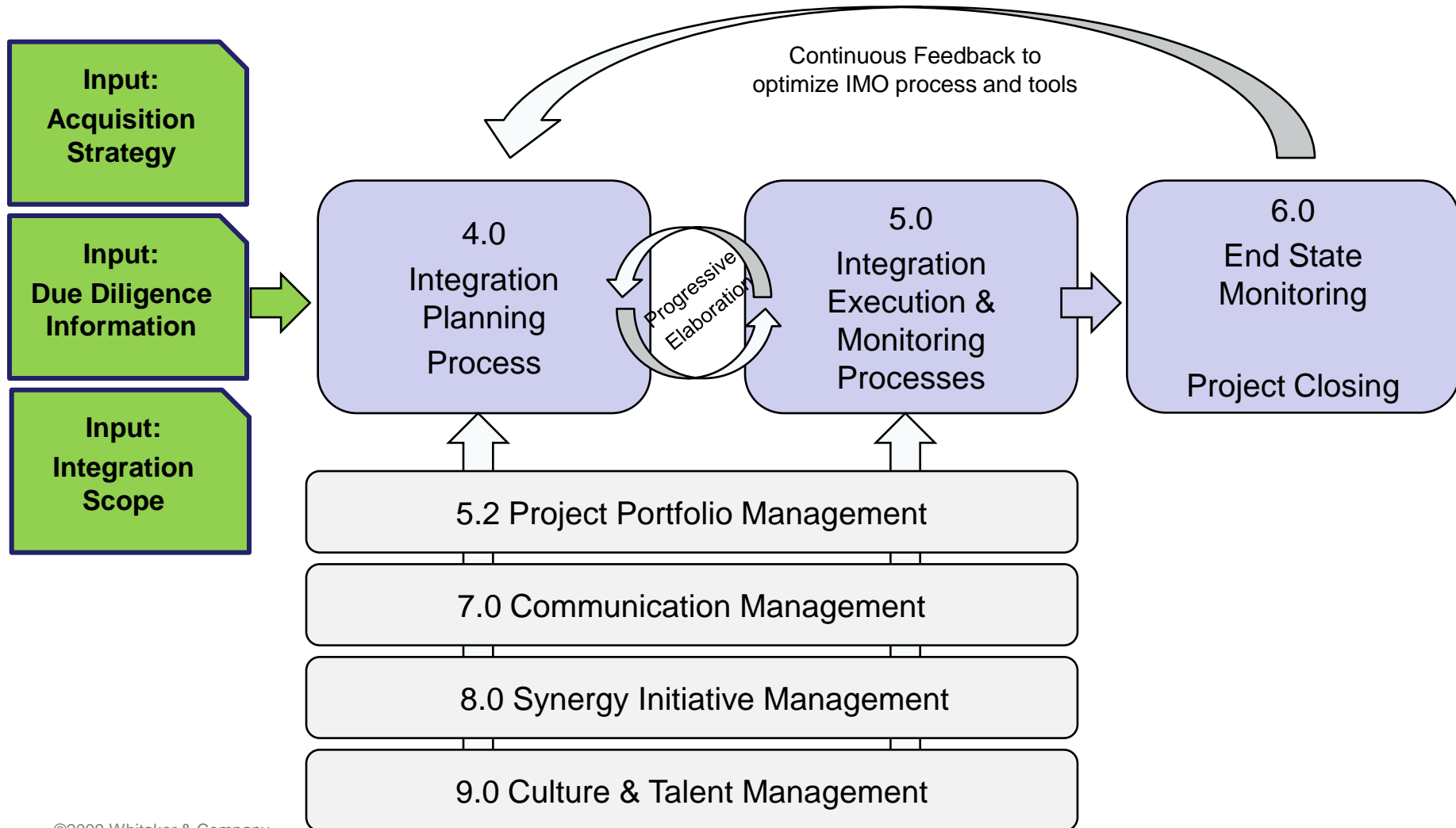
- Help companies realize the goals of their M&A strategy by following through with integration execution
- Facilitates a structured approach to integrating newly acquired companies, which will minimize confusion and enhance efficiency
- Provides reusable tools and templates to support integration activities ranging from Day 1 communication to synergy tracking
- Enables Divisions and Subsidiary Executives to focus on running the day-to-day operations as opposed to spending time on integration minutia (with the support of an integration team and an IMO function)
- Helps Sponsors develop a strategic approach to driving synergies by validating synergy assumptions, assigning owners, and tracking results vigorously

Typical Integration Playbook Outline

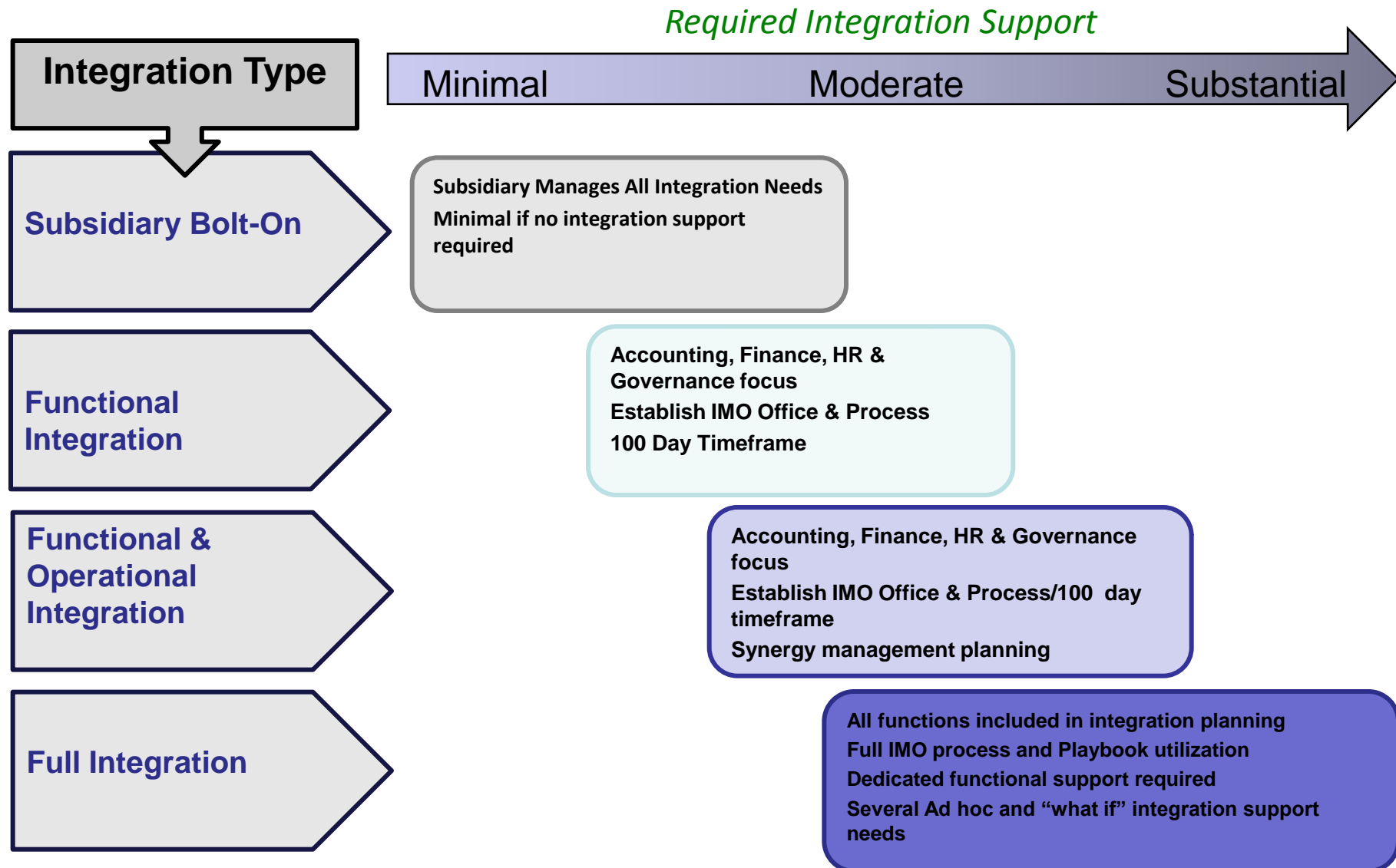
#	Section Title
1	PURPOSE
2	SCOPE
2.1	Playbook Scope
2.2	Relationship between Playbook Elements
3	INTEGRATION MANAGEMENT PLAN
3.1	Organization
3.2	Governance
4	INTEGRATION PLANNING PROCESSES
4.1	Integration Phases Overview
4.2	Pre-Close Processes and Tools
4.2.1	Integration Planning Discovery Phase
4.2.2	Human Resources Data Requirements
4.2.3	Accounting Data Requirements
4.3	Initial Integration Plan

#	Section Title
5	EXECUTION AND MONITORING PROCESSES
5.1	Functional Integration Planning with Acquired Company Resources
5.2	Project Portfolio Management Processes
6	INTEGRATION PROJECT CLOSING
6.1	End State Tracking Process
6.2	Lessons Learned Process
7	COMMUNICATION MANAGEMENT PLAN (CMP)
7.1	Communication Schedule
7.2	Communication Management Execution Processes
7.3	Reusable Integration Message Products
8	SYNERGY MANAGEMENT PLAN (SMP)
8.1	Synergy Initiative Planning
8.2	Synergy Initiative Process Management
9	CULTURE/TALENT ASSESSMENT PLAN (CTAP)
9.1	Culture Assessment Tools
9.2	Culture Analysis/Recommendations
9.3	Talent Assessment Tools
9.4	Retention/Separation Planning

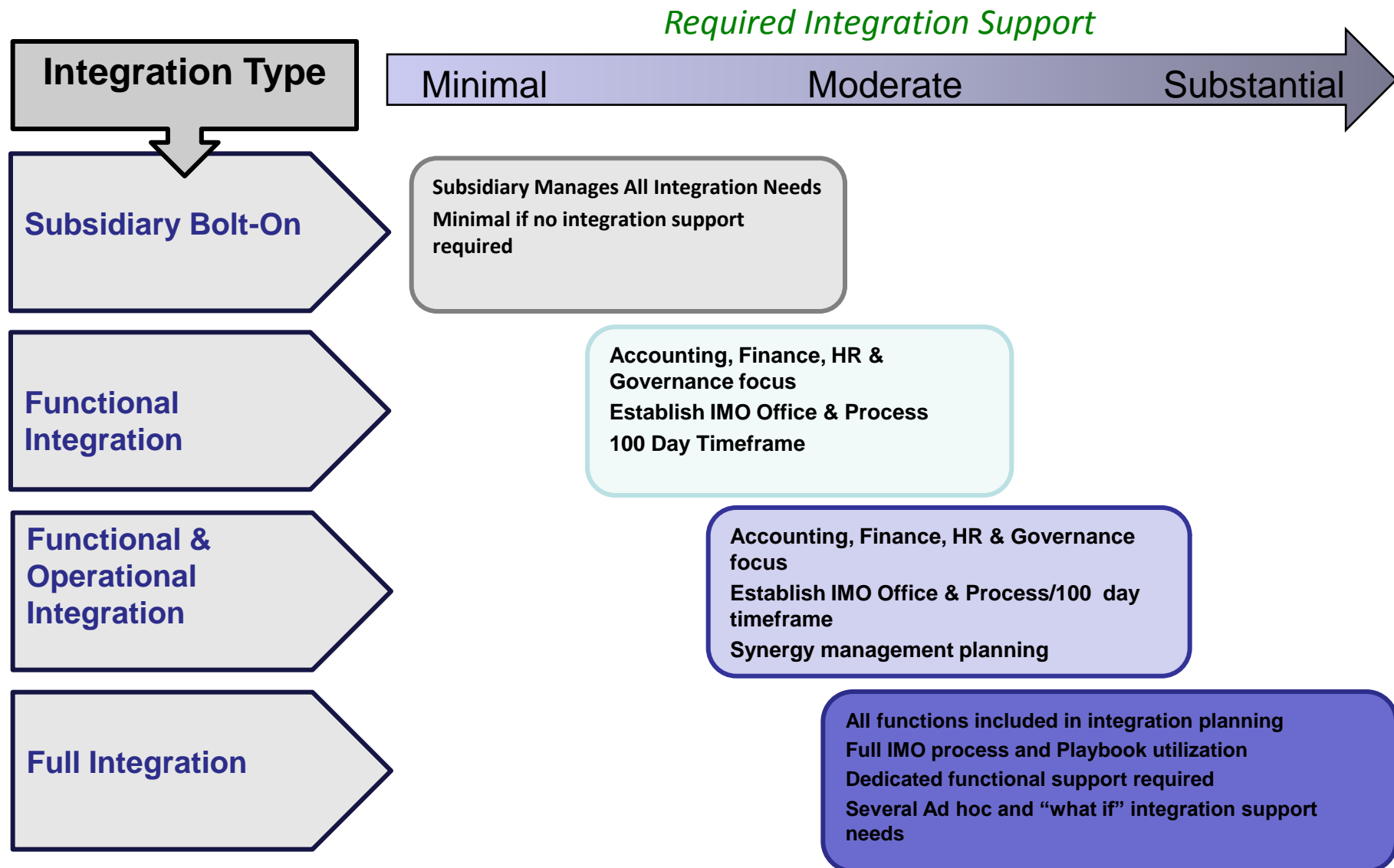
Playbook Elements: How They Work Together



Integration Support Scenarios & Playbook Scope



Integration Support Scenarios & Playbook Scope

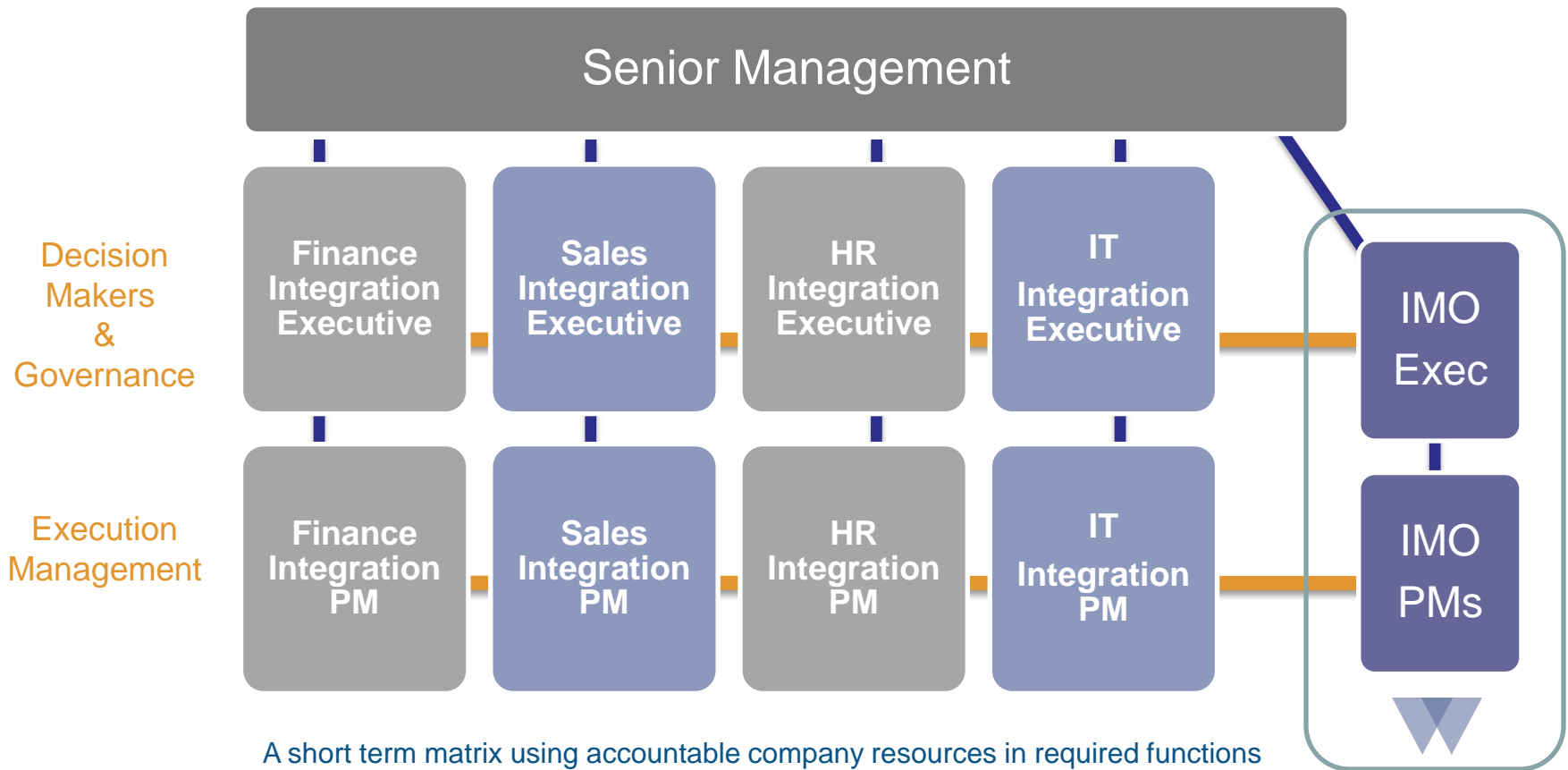




Integration Playbook Work Product Samples for:

- Integration Planning: Team Structure, Project Management, Communication, Synergy
- Integration Processes: Monitoring & Controlling the integration
- Integration Playbook Outline: Enabling the team to execute independently

Define Team Structure

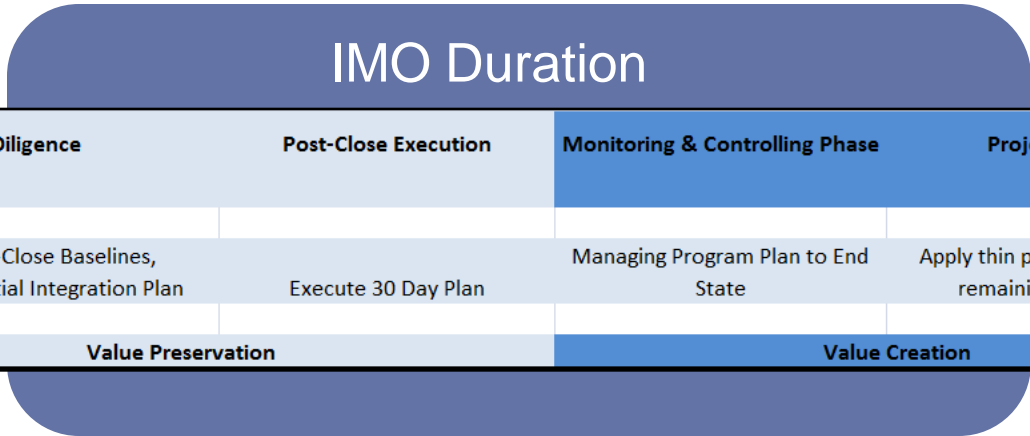


A short term matrix using accountable company resources in required functions

W&C helps you develop the plan, execute, manage the cross functional matrix, and measure/report results

We act as a transparent extension of your team

Integration Project Planning – High Level View



Phase	Due Diligence	Post-Close Execution	Monitoring & Controlling Phase	Project Closing
Activity	Establish Pre-Close Baselines, and Develop Initial Integration Plan	Execute 30 Day Plan	Managing Program Plan to End State	Apply thin process to manage remaining open items
Goal	Value Preservation		Value Creation	

- **Due Diligence:** planning data collection, initial integration plan, detail first 30 days plan.
- **Post-Close Execution:** accelerated change management, leadership changes, key process changes, focus on communication plan execution, short term sale incentives.
- **Monitoring & Controlling:** key initiative focus, project status management, issue resolution.
- **Project Closing:** transition to thinner end-state monitoring process, publish lessons learned, complete integration process knowledge transfer.

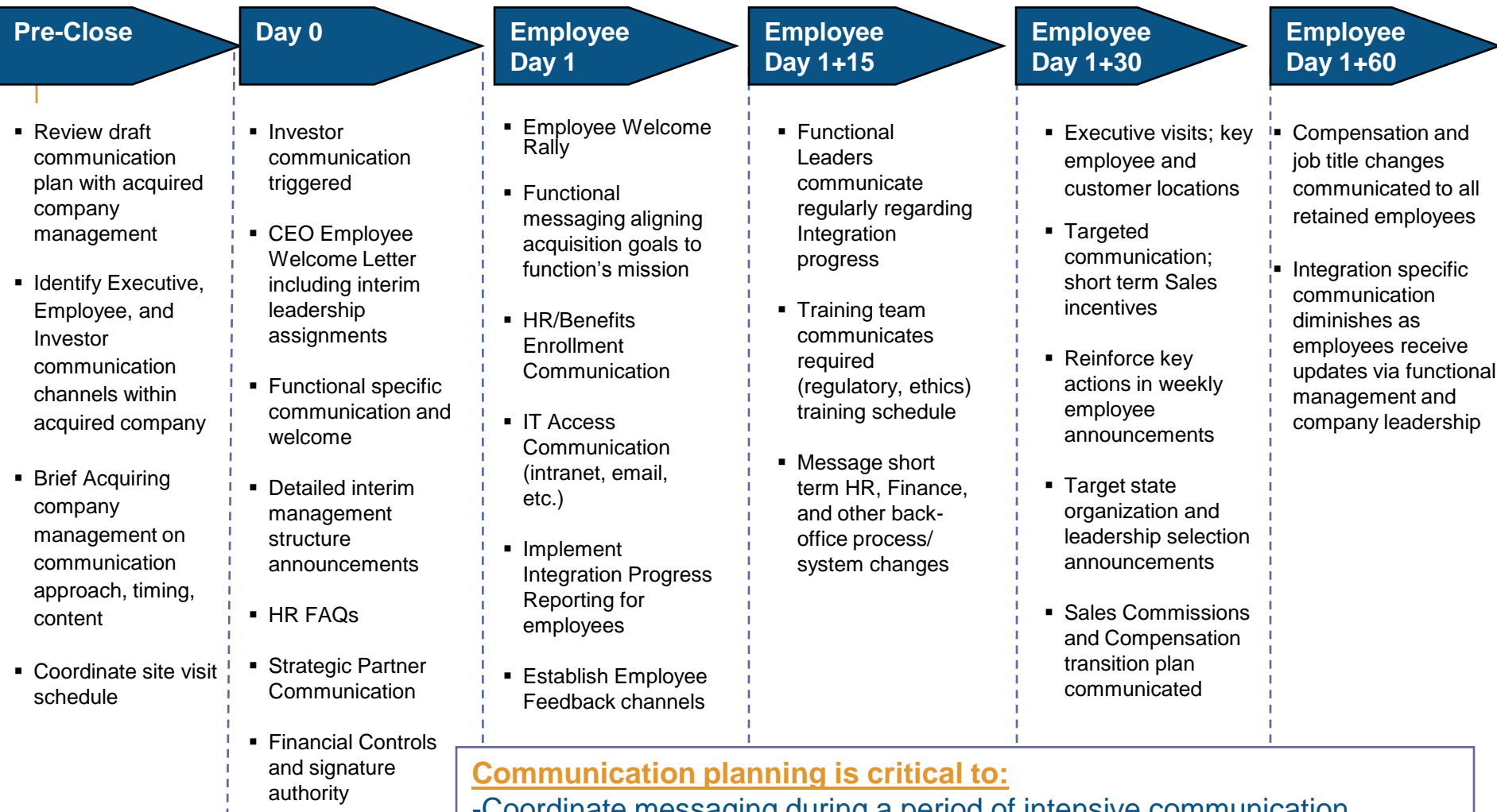
Establish Macro Timing for Functional Plan Elements

Phase	Due Diligence	Post-Close Execution	Monitoring & Controlling Phase	Project Closing
Activity	Establish Pre-Close Baselines, and Develop Initial Integration Plan	Execute 30 Day Plan	Managing Program Plan to End State	Apply thin process to manage remaining open items
Goal	Value Preservation		Value Creation	
Integration Management Office	<ul style="list-style-type: none"> - Integration executive and team selection - Establish initial integration plan - Outline Communication Plan with a first 30 days focus - Establish collaboration process - Identify key integration issues/risks 	<ul style="list-style-type: none"> - Develop detailed master integration plan - Manage execution of employee, customer, and investor communication - Establish weekly rhythm of planning, collaboration, and status vehicles 	<ul style="list-style-type: none"> - Drive Integration Plan - Report performance - Manage collaboration - Identify, resolve, escalate risk items 	<ul style="list-style-type: none"> - Formally close project with participants - Lessons Learned for next integration - Outstanding issues to track
Human Resources	<ul style="list-style-type: none"> - Employee Contracts review - Retention Planning - Benefits baseline/ planning - Structure/Position Alignment planning 	<ul style="list-style-type: none"> - Employee Benefit Communication/FAQs - Payroll systems changes - Initiate systems changes with IT - Retention/Selection 	<ul style="list-style-type: none"> - Complete Benefit, Job Title, Compensation alignment - Monitor separations, retention agreements, and measure retention rates 	<ul style="list-style-type: none"> - Retention rates achieved - Outstanding synergy, culture, and training issues to manage
IT	<ul style="list-style-type: none"> - Systems Baseline - Initial Target State concept - Short term connectivity/access plan 	<ul style="list-style-type: none"> - Execute immediate systems changes required to support customers and employees (access controls, web, email, etc.) - Complete target state architecture with business owner input 	<ul style="list-style-type: none"> - Initiate customer-facing and back-office project with business owners - Communicate system transition and retirement dates 	<ul style="list-style-type: none"> - Transition to work/report longer term projects through target state PM approach
Finance	<ul style="list-style-type: none"> - Financial Reporting Baseline - Day 0 Signature Authorities - Investor Communication Plan - Integration Budget Plan - Synergy Measurement Approach 	<ul style="list-style-type: none"> - Execute fiscal approval and reporting changes if required - Initiate supplier consolidation programs 	<ul style="list-style-type: none"> - Complete longer term vendor alignment, financial system changes, accounting/reporting changes, etc. - measure synergy attainment 	<ul style="list-style-type: none"> - Manage outstanding vendor/lease commitments to closure
Sales	<ul style="list-style-type: none"> - Org and Territory Structure Baseline and Initial Plan - Incentive Baseline/ Planning - Cross-sell/Training Plan 	<ul style="list-style-type: none"> - Communicate target organization - Initiate selection and account assignment - Manage customer communication - Initiate training 	<ul style="list-style-type: none"> - Cross-sell, new product sales measurements - Comp plan alignment, training, rollout 	<ul style="list-style-type: none"> - Capture lessons learned for maintaining momentum through integration
Marketing/Product	<ul style="list-style-type: none"> - Four P's Baseline - Product Integration Strategy - Distribution Channel Plan - Customer Communication Plan 	<ul style="list-style-type: none"> - Manage rebranding (if required) - Initial customer messaging - Segmentation changes 	<ul style="list-style-type: none"> - Integrated marketing campaign, product pricing - Distribution channel alignment 	<ul style="list-style-type: none"> - Bring integrated products/solutions to market

Sample Function Plan Elements

Status	Activity	Milestone	Owner	Due Date
	Finance	Pre-Planning	Finance	
	Coordinate data requests with due diligence team	Pre-Planning	Finance	
	List of bank accounts and lockboxes	Pre-Planning	Finance	
	List of individuals with signature authority on all accounts	Pre-Planning	Finance	
	Latest SEC filings	Pre-Planning	Finance	
	General ledger	Pre-Planning	Finance	
	Current budget by functional area	Pre-Planning	Finance	
	Updated financial statements - income statement, balance sheet, cash flow statement	Pre-Planning	Finance	
	List of outsourcing agencies or shared services	Pre-Planning	Finance	
	Complete list of current vendors of products and services - current annual spend per entity	Pre-Planning	Finance	
	Complete list of corporate policies and procedures by function	Pre-Planning	Finance	
	Copies of SOX 404 compliance policy and procedure documentation	Pre-Planning	Finance	
	Details of any material weakness or significant deficiency	Pre-Planning	Finance	
	Latest short-term and long-term sales and finance (cash flow, Cap Ex, etc.) forecasts	Pre-Planning	Finance	
	Listing of all insurance policies	Pre-Planning	Finance	
	Copies of Tax returns from last 3 years	Pre-Planning	Finance	
	List of internal and external audit results for past 3 years	Pre-Planning	Finance	
	Training	Pre-Planning	Training	
	Coordinate data requests with due diligence team	Pre-Planning	Training	
	Complete list of corporate policies and procedures by function	Pre-Planning	Training	
	List of training courses offered and scheduled	Pre-Planning	Training	

Sample Communication Plan Elements



Communication planning is critical to:

- Coordinate messaging during a period of intensive communication
- Ensure key audiences are included
- Messages are tailored to the audience when necessary
- Satisfies regulatory requirements; typically financial and HR

Develop Synergy Plan

- Link Synergy Plan → Initiative/Project → Initiative Owner
 - Reinforce with existing incentive/accountability model
- Define Measurement Approach:
 - Identify initiative/project specific synergies and costs
 - Leverage operating metrics when possible
 - Augment with KPIs and Project Measures relevant to the business for early warning signs; key customer churn, receivables, customer tickets, target employee retention, etc.
- Decide how to manage/approve changes:
 - target reallocations between functional area, achievable amounts, timing
 - Reacting to operational changes

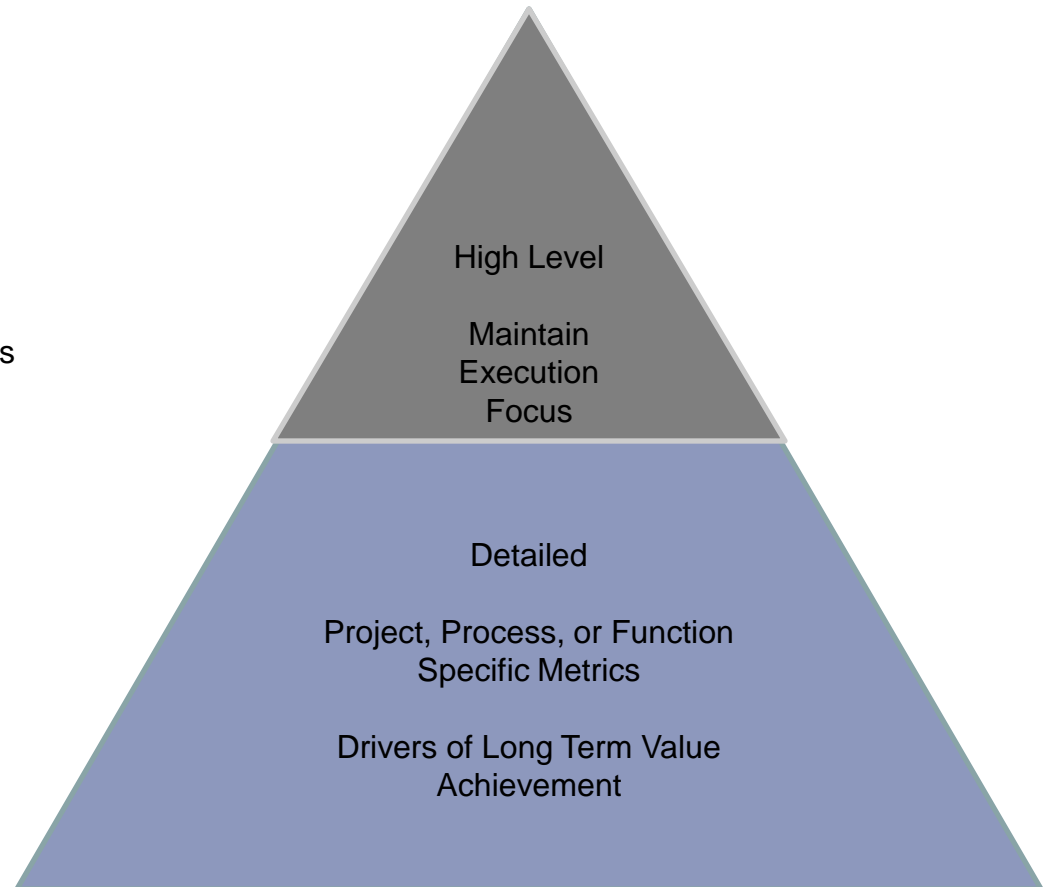
Monitoring Integration Success and Synergies

High Level Near Term Metrics:

- Sales/Revenue, Customer Service

Detailed and Long Term Metrics:

- Retention of key personnel
- Customer Churn/Root Cause Analysis
- Cross-sell/up-sell wins
- Supply Chain BPA improvements
- IT infrastructure savings
- Distribution Channel Rationalization
- Real Estate Rationalization
- Headcount synergies



Master Synergy Status Report

	Gross Synergy			Cost to Achieve			Net		
	1Q10 Fcst	1Q10 Plan	Var	1Q10 Fcst	1Q10 Plan	Var	1Q10 Fcst	1Q10 Plan	Var
EBITDA Synergies									
Cross Utilization	42,500	42,500	-	90,000	90,000	-	(47,500)	-	(47,500)
Synergy Initiative 2	-	-	-	-	-	-	-	-	-
Synergy Initiative 3	-	-	-	-	-	-	-	-	-
Synergy Initiative 4	-	-	-	-	-	-	-	-	-
Synergy Initiative 5	-	-	-	-	-	-	-	-	-
Other Shared Services	-	-	-	-	-	-	-	-	-
EBITDA	42,500	42,500	-	90,000	90,000	-	(47,500)	-	(47,500)
Capex Synergies									
Cross Utilization	-	-	-	200,000	200,000	-	(200,000)	-	(200,000)
Synergy Initiative 2	-	-	-	-	-	-	-	-	-
Synergy Initiative 3	-	-	-	-	-	-	-	-	-
Synergy Initiative 6	-	-	-	-	-	-	-	-	-
Synergy Initiative 7	-	-	-	-	-	-	-	-	-
Total Capex	-	-	-	-	-	-	-	-	-
Working Capital/Other	-	-	-	-	-	-	-	-	-
Total Synergies	-	-	-	200,000	200,000	-	(200,000)	-	(200,000)

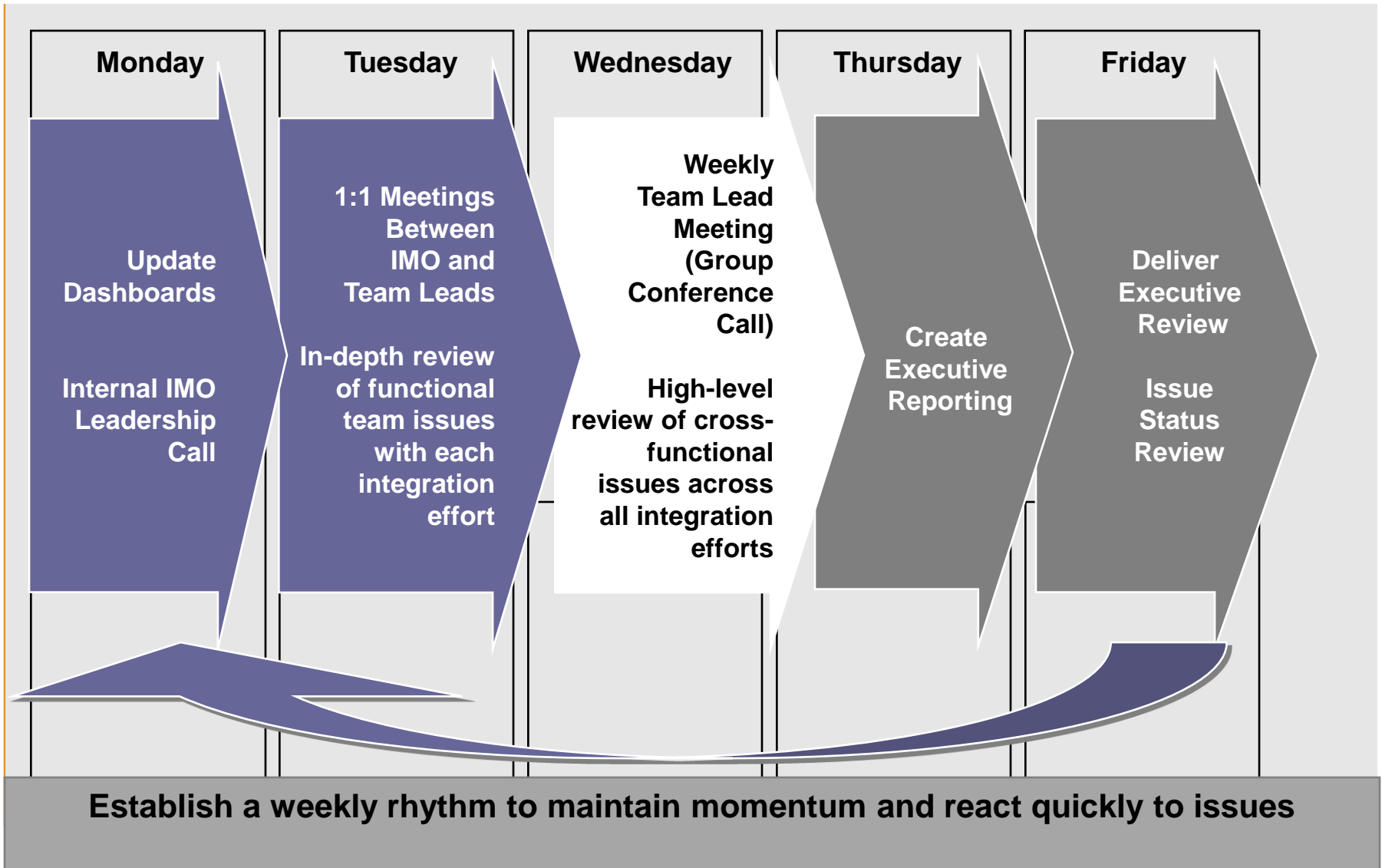
Synergy Tracking Worksheets

	Q1 2010	Q2 2010	Q3 2010
Labor Costs			
Incremental Additions in Headcount - Manager			
Incremental Additions in Headcount - Ind. Contributor	17500	17500	17500
Period Additions in Labor Costs	\$ 17,500	\$ 17,500	\$ 17,500
Total Period Labor Cost Savings	\$ (17,500)	\$ (17,500)	\$ (17,500)
Contractors/ Prof. Services Costs			
Incremental Recurring Contractor/ Prof. Services Cost Reductions	\$ -	\$ -	\$ -
Period Contractor/ Prof. Services Cost Reductions	\$ -	\$ -	\$ -
One Time Costs to Achieve Contractor/ Prof. Services Cost Reductions	\$ -	\$ -	\$ -
Total Period Contractor/ Prof. Services Cost Savings	\$ -	\$ -	\$ -
Other Costs			
Incremental Recurring Other Cost Reductions	\$ 60,000	\$ 60,600	\$ 61,206
Period Cost Reductions	\$ 60,000	\$ 60,600	\$ 61,206
One time other cost reduction			
One Time Costs to Achieve Other Costs	\$ 90,000		
Total Period Other Cost Savings	\$ (30,000)	\$ 60,600	\$ 61,206
Capital Costs			
Incremental Recurring Capital Cost Reduction	\$ -	\$ -	\$ -
Incremental Recurring Capital Cost Addition	\$ -	\$ -	\$ -
Period Savings - Capital Costs	\$ -	\$ -	\$ -
One-Time Capital Cost Reductions	\$ -	\$ -	\$ -
One Time Capital Costs to Achieve - Other	\$ 200,000	\$ -	\$ -
Total Period Capital Cost Savings	\$ (200,000)	\$ -	\$ -
Working Capital Reduction			
Inventory Reduction			
Accounts Receivable	\$ -	\$ -	\$ -
Accounts Payable	\$ -	\$ -	\$ -
Total Period Reduction in Working Capital	\$ -	\$ -	\$ -
Summary			
Total Period Operating Cost Savings	\$ 42,500	\$ 43,100	\$ 43,706
Total Capital Cost Savings	\$ -	\$ -	\$ -
Total One Time Operating Costs to Achieve	\$ 90,000	\$ -	\$ -
Total One Time Capital Costs to Achieve	\$ 200,000	\$ -	\$ -
Total Period Operating Cost Savings Net of Costs to Achieve	\$ (47,500)	\$ 43,100	\$ 43,706
Total Capital Cost Savings Net of Costs to Achieve	\$ (200,000)	\$ -	\$ -

Synergy Tracking: Accountability Tracking

PLEASE FILL OUT ONLY CELLS SHADED YELLOW	
1	Functional Team Name:
2	Synergy Initiative Number:
3	Initiative Name:
4	Initiative Description:
5	Cost to Achieve Description:
6	Cost to Achieve Code:
7	Does the initiative involve decommissioning an asset ?
8	If yes, is the asset owned or leased ?
9	Integration Project Dependency/Link
10	Initiative Implementation Owner:
11	Cost Center:
12	Team Lead:
13	Team Lead Sign Off (Accountable Owner, Functional Resource Manager)

Sample Status Management Process



Sample Functional Team Snapshot: Human Resources










Status/Highlights

- Detailed employee mapping is in progress and is expected to be complete by 7/13. We have accelerated the date for response from functions to 7/9 to allow more time to track down missing inputs.
- Focusing on the employee load to PeopleSoft HR that is scheduled to occur from 7/25 to 7/31. Several meetings have been scheduled to discuss the load.
- Acquired employees will transition to our HR benefits/ policies on day 0.
- Draft employee FAQ's were delivered to acquired company management for their review
- Evaluating retention bonus needs.

Employee communication, specifically:

- Established dedicated email address for acquired employee questions.
- Continue to create robust set of employee FAQ's for delivery after close.
- Employee All hands meeting will be conducted in early August.
- Payroll & Benefit specific calls for employees are slated for the second week in August.

High Level Initiatives/Milestones

Status	Initiatives	Targeted Completion Date*	Notes
	Complete detailed employee mapping.	07/13	In progress
	HR load of employees to PeopleSoft	07/25 – 7/31	
	Transition of phone plans	Targeted for first week in August.	Transition date is under review.
	Auto Fleet Transition	TBD	Coordinating via leasing company
	Retention Bonuses	9/15	If required
	Sales Compensation and Incentive plan rationalization	8/1	Researching with acquired company sales leadership
	Benefits Enrollment	08/07 - 8/30	Benefits will be effective 9/1.
	First PeopleSoft paycheck	8/10 (8/1 – 8/3)	Assume employee database loaded between 8/1 and 8/3
	Workforce planning (WFP) implemented and decisions completed	8/13/2007	Plans are to roll out to all functional team leads. Completed spreadsheets due on 8/20. Legal review due by 8/27. Green light given by 9/1.

Sample Executive Status Process

Description

- Summarizes the key weekly progress issues, decisions and inter-dependencies associated with integration Functional Teams
- Used to identify and resolve cross-functional issues and to keep leadership informed of progress towards key milestones and Day 0, 1, and 100 readiness

Protocol

- IMO works with Functional Team Leads to update their Functional Work Plan on a weekly basis
- The weekly Functional Team Work Plan updates are used to build the Dashboard for review with IMO leadership and key stakeholders

Process

- IMO reviews updated Functional Team Work Plans to prepare draft Dashboard for discussion in the Team Lead status meeting
- The Dashboard is updated based on outcome of the meeting and presented to the IMO at the next IMO meeting
- The IMO resolves any escalated issues or decisions

Functional Team	STAT	WRK	BUD	ORG	SYN
IMO Office	C	C	C	C	C
Customer Care	G	G	C	C	N/A
Business Sales	G	G	C	G	G
Consumer Sales	G	G	C	C	G
Corporate Communications	N/A	N/A	N/A	C	N/A
Receivables/Collections	G	G	C	G	G
Finance (all other)	G	G	C	G	G
HR	G	G	C	C	G
IT	G	Y	C	C	G
Legal	G	G	C	G	G
Marketing	G	G	C	C	G
Training	N/A	N/A	C	C	G
Real Estate	G	G	C	C	G
Business Operations	G	G	C	C	G

Functional Dashboard Example

Focus executive decision making on yellow/red areas for quick escalation & resolution

After Action Review & End State Monitoring

- Conduct After Action Review:
 - Collect lessons learned from stakeholders and insert best practices into Playbook
- End State Workplan
 - As Integration wraps up, track longer duration items to completion
 - Ensure visibility maintained via normal status reporting channels/owners

Integration A End State Work Plan				Date:
Overall Status				
<i>Status</i>	<i>Milestone / Deliverable</i>	<i>Owner</i>	<i>Due Date</i>	<i>Comments</i>
	Accounting/Credit/JSOX			
On Target				
On Target				
On Target				
	Internal Governance			
On Target				
On Target				
On Target				
On Target				
	Finance			
On Target				
On Target				
On Target				
On Target				
	Information Systems			
On Target				
On Target				
On Target				
On Target				
	Legal/Compliance			
On Target				
On Target				
On Target				
On Target				