



Mergers and Acquisitions Sample Client Work Stream Scoping

April 2014

Sample Client Work Stream Scoping - Pre-Acquisition Support



Executive Compensation Pre-Acquisition Support	
Assumptions	
<ul style="list-style-type: none"> • Stock deal for a company with 1,500 employees and a broad employee distribution: 1,000 U.S., 300 Asia (across six countries), 200 Europe (across three countries). 	
Activities	Deliverables
<ul style="list-style-type: none"> • Review and summarize pay philosophy of Target. • Review and analyze documentation related to executive compensation including employment agreements, offer letters, separation agreements, salary structure and market assessments. • Analyze individual employment and severance/ change-in-control agreements executed with the Target’s executives. • Consult on transaction bonuses and change-in-control provisions which may be triggered by transaction. • Analyze potential tax liabilities associated with change-in-control payments under Internal Revenue Code Section 280G and 409A conducted by our parent accounting firm “Golden Parachute Tax Solutions LLC”. • Consult on timing of deductions and withholding requirements for compensation programs. <p>(continued on next page)</p>	<ul style="list-style-type: none"> • Summary report of Target pay philosophy, severance/change-in-control provisions for executives and broad-based population, executive benefit plans, and individual arrangements. • Summary report of market competitiveness of executive compensation program and annual incentive program and relevant recommendations for transition into existing acquirer structure. • Summary report of sales incentive plan. • Cash and expense cost estimates for change-in-control severance payments based on targeted reductions; coordination with legal advisors on federal/state employment law issues. • Schedules reflecting timing and amount of deductions and payroll withholding details. <p>(continued on next page)</p>

Actual Client Work Stream Scoping - Pre-Acquisition Support (Continued)



Executive Compensation Pre-Acquisition Support (cont'd)	
Activities	Deliverables
<ul style="list-style-type: none"> Analyze compensation levels relative to market using published survey data and proxy peer group analysis to compare to positions within acquirer. Review most recent merit increases. Review annual incentive structure and market competitiveness. Review sales incentive plan and most recent payments. Analyze other front line incentives. Analyze any other individual arrangements. Work with leadership/deal team to identify key executives and structure 	<ul style="list-style-type: none"> 280G impact analysis (including gross-up and cutback analysis). Gap analysis report and recommendations on compensation levels and structure. Recommended plan design and analysis of related cost impacts of retention plan for targeted population. Assessment of annual incentive structure; recommendation of alternatives for transition into existing structure.

Actual Client Work Stream Scoping - Post-Acquisition Support



Executive Compensation Post-Acquisition Support	
Assumptions	
<ul style="list-style-type: none"> • 16-20 executives representing 16-20 unique benchmark positions • 20 employment agreements • 20 executives included in severance and change-in-control cost impact analysis • Up to two deferred compensation or SERP plan documents • Employee census is provided in Excel format • One annual incentive plan • One sales incentive plan • Weekly update calls with executive compensation team; up to three meetings in person via teleconference 	
Activities	Deliverables
<ul style="list-style-type: none"> • Assist with transition planning for executive compensation. 	<ul style="list-style-type: none"> • Report of recommended plan structure for all executives in the combined entity

Job Leveling & Compensation Consulting

Assumptions

- Acquired company = 1,500 total employees (1,000 U.S. and 500 across Asia and Europe); assume 500 total jobs to map to acquirer
- All Scenarios assumptions:
 - Exemption classification of acquired company jobs/employees will be based on mapping to acquirer jobs (acquired company will take on exemption classification of newly assigned acquirer job; if no direct mapping to acquirer job, acquirer will determine exemption classification).
 - Pay program side-by-side review and recommendations will include determining how to best move acquired company employees into acquirer programs and when to leave in existing programs (not expected to be common); does not include program revisions or design of new programs.
 - Acquirer determines governance and approval process for compensation program decisions (who provides input, who provides review, who provides decision for changes to pay programs and final job mappings).
 - Acquirer makes all changes/uploads of employee and pay program data to Payroll and HRIS systems (unless covered by the ECS Workday team).
 - To a large extent, the scope of this work stream is not impacted by potential outcomes from the separate global initiative that acquirer is currently planning.
 - Target's job and compensation data is complete, readily accessible, and requires minimal editing or validation.

Actual Client Work Stream Scoping - Job Leveling & Compensation Consulting



Job Leveling & Compensation Consulting (cont'd)	
Activities	Deliverables
<ul style="list-style-type: none"> • Partner with acquirer to finalize project plan and for ongoing management. • Lead data collection efforts and develop side-by-side comparison of acquirer and acquired company's pay programs. • Map acquired company jobs to acquirer using existing job documentation from both companies. • Assist in facilitating review sessions with acquirer and acquired company management to validate job mappings. • Analyze implications of new job mappings and corresponding assignment of jobs to acquirer grades/ranges. • Draft and deliver employee communications explaining any changes to job title, pay and/or opportunity (programs) for final review/approval by acquirer. 	<ul style="list-style-type: none"> • Project plan for tracking and managing key work stream activities. • Mapping of acquired company jobs, corresponding salary grades and ranges to acquirer jobs. • Documentation of acquired company pay programs with comparison to acquirer programs including summary of key differences and recommendations for change based on acquirer overall guidelines/objectives for compensation. • Pay program recommendations based on overall guidelines/objectives provided by acquirer. • Analysis of the implications for acquired company employees of new job mappings and salary ranges (below minimum, above maximum, position in range). • Employee communications documents.

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