Company X

Version 1.0

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Contents

Overview

The M&A Playbook was designed to provide a roadmap of the M&A process outlining key steps, tasks, outcomes, and responsibilities. Each major phase as outlined below has many steps. These steps are outlined in this Playbook with clear directly on who is responsible, what resources are available and what needs to happen before moving forward in the process to the next step. There are also templates to use as guidelines for many of the steps.

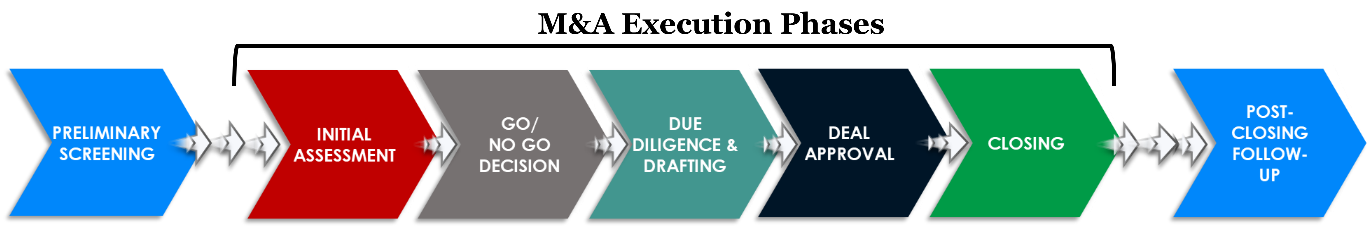
The M&A Playbook is organized in a manner that describes the M&A process in general, outlines the Preliminary Screening, Deal Execution, and highlights key aspects of the Post-Closing phase. The focus of this document is on the 5 Phases of M&A Deal Execution.

The goal of the Playbook is to create an M&A process that is effective, timely, efficient, and cost-effective. This M&A Playbook is not meant to serve as a strategic roadmap in terms of potential target industries, market segments, etc. That M&A strategy document is a separate exercise that will occur quarterly between *Company X* and *Private Equity Owner Y*.

M&A Process

Although M&A can be overly complex in terms of the individual steps and tasks involved, it is actually a fairly simple process when examined with a macro point of view. Once the preliminary screening produces applicable targets there are 5 major phases involved in the execution of a deal before moving to the post-closing activities and tracking.

The 5 major phases of deal execution are as follows:



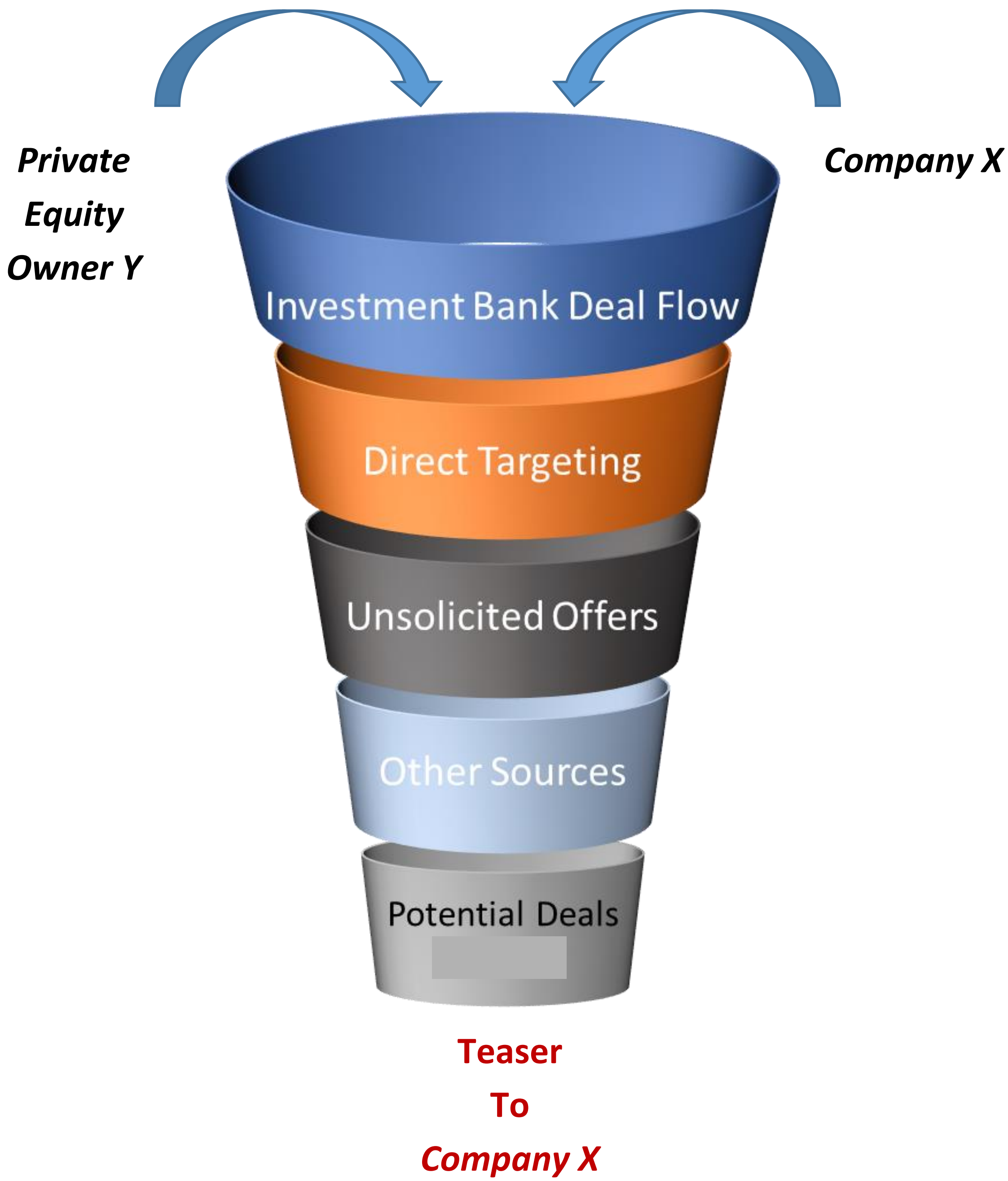
Each phase has many steps within them which is the focus of this M&A Playbook. There are also key decision-making points along the way that necessitate a pause and further evaluation of a potential deal before moving forward to the next step.

By following this Playbook, deal evaluation and completion can be done in a systematic and "templatized" manner allowing for the most effective use of both internal and external resources.

Preliminary Screening

The sources for deals come from a variety of sources. *Private Equity Owner Y* maintains a comprehensive acquisition pipeline to find and initially screen potential opportunities. *Company X* consolidates and summarizes a narrower acquisition pipeline based on deals under evaluation. Potential deals are also prioritized based on interest and timing of the process.

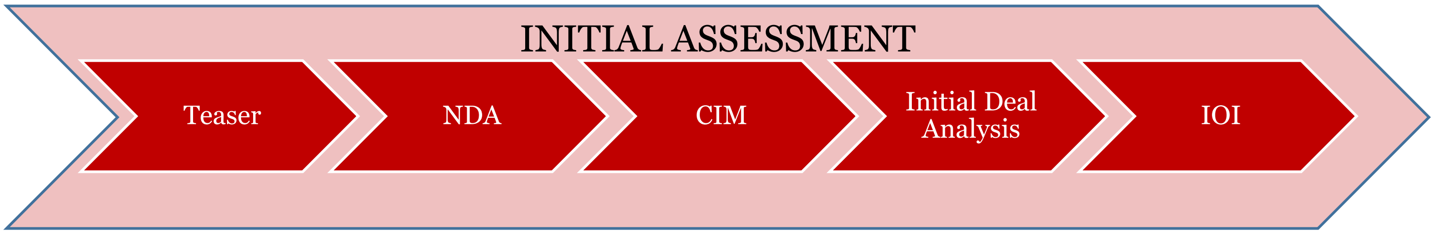
Quarterly, *Private Equity Owner Y* and *Company X* have a call to discuss acquisition strategy. The purpose of this is to clarify the strategic direction each business unit is pursuing and identify market segments, functional areas of interest, industry association and trade show and specific companies that may be of interest from an acquisition viewpoint.



Deal Execution Process: 5 Major Phases

Within each Phase, there are numerous steps are involved. Each step in the process needs to have specific personnel responsible for management and completion of that step, additional resources need to be identified, and the outcome/approval of each step should be clearly outlined. Each phase/step is detailed on the pages that follow.

PHASE I:



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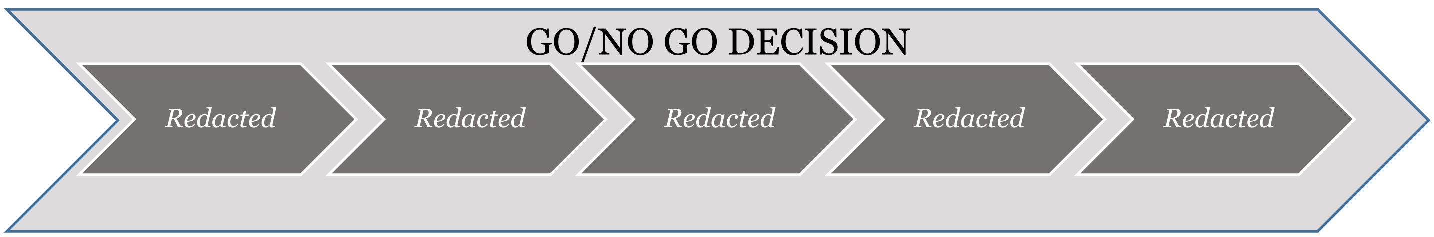
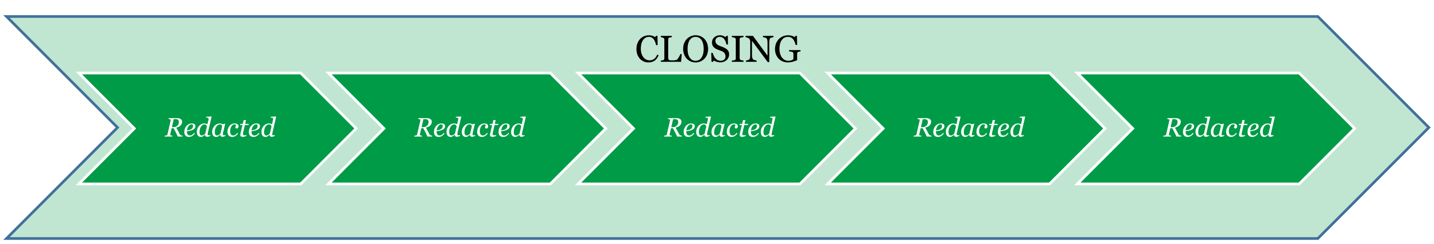


PHASE III:

PHASE IV:

PHASE V:



Deal Execution Phase I:

Initial Assessment

Teaser

Summary:

One- or two-page marketing document outlining the basic information about a company seeking to be acquired and/or seeking a capital investment.

Tasks:

Assess a potential opportunity with just information about the industry and segment of the business and minimal information about the company (and not the company name).

Outcome:

Decision on whether to continue and execute a Non-Disclosure Agreement (NDA) to receive a Confidential Information Memorandum (CIM) and additional information about the company.

Accountability:

RESPONSIBILITY	RESOURCES	APPROVAL
Redacted	*Redacted* *Redacted* *Redacted*	*Redacted*

Templates:

N/A

Next Step:

NDA

NDA

Summary:

Non-Disclosure Agreement (NDA) is a legal document between selling company and potential buyer stating that any information shared will be help in confidence and not shared. These are typically one-way stating that buyer keep any information provided from seller confidential. Sometimes a Mutual NDA will be used if both sides will be sharing information with each other about their respective organizations.

Tasks:

Any NDAs requested to be signed should be sent to *Company X* legal for review and comments. The *Company X* legal team markup and final approval is required before the NDA should be signed and executed. *Private Equity Owner Y* may also work directly with Sellers and execute NDAs.

Outcome:

Signed NDA. Fully executed version should be returned to *Company X* legal for record-keeping. Once complete, seller will send CIM.

Accountability:

RESPONSIBILITY	RESOURCES	APPROVAL	NDA SIGNATURE
Redacted *Redacted*	*Redacted*	*Redacted*	*Redacted* *Redacted*

Templates:

Typically provided by seller but can use Company X MNDA if needed.

File Name – Company X Mutual NDA.doc

CIM

CIM

Summary:

Confidential Information Memorandum (CIM) is an information document or “book” about the selling company. It contains information about the company’s operations, organization, customers, markets, competitors, investment highlights and financial performance. This is used to solicit Indications of Interest (IOI) or Bids to acquire the selling company.

Tasks:

Review of the CIM and discussion with the appropriate business unit should occur. Business Unit Lead should prepare Strategic Fit/Risk Profile assessment and provide back to Biz Dev/Corp Dev.

Outcome:

If interested, an initial deal analysis should be put together to assess value.

Accountability:

RESPONSIBILITY	RESOURCES	APPROVAL
Redacted	*Redacted* *Redacted* *Redacted* *Redacted* *Redacted* *Redacted*	*Redacted*

Templates:

N/A

Next Step:

Initial Deal Analysis

Initial Deal Analysis

Summary:

Initial deal analysis serves as first assessment of the acquisition opportunity and lays out the key information gathering in the CIM.

Tasks:

Assess the opportunity and estimate a potential purchase price range that *Company X* would pay for the company.

Outcome:

Biz Dev/Corp Dev will put together a one-page Target Tear Sheet outlining the key investment considerations, strategic fit profile and value estimate and initial recommendation. If interested in the deal, an IOI will be drafted.

Accountability:

RESPONSIBILITY	RESOURCES	APPROVAL
Redacted	*Redacted* *Redacted*	*Redacted*

Templates:

File Name – Target Tear Sheet Template.xls

Next Step:

IOI

IOI

Summary:

An Indication of Interest (IOI) is a non-binding expression of interest in purchasing the selling company. It will provide general guidance on the target company valuation, source of funds, general due diligence areas of focus and timeline to complete the deal.

Tasks:

Draft of the IOI to be created by Biz Dev/Corp Dev. May be run by legal depending on situation and desire to lock up a deal earlier by presenting more of an LOI at this stage. Coordination with *Private Equity Owner Y* and potential initial brief with financing source may occur. Financing support letters may also be utilized and provided to Seller depending on the deal.

Outcome:

The intent of an IOI is to secure a meeting with the management of the company, get access to a Virtual Data Room (VDR) and be able to get additional information about the company.

Accountability:

RESPONSIBILITY	RESOURCES	APPROVAL
Redacted	*Redacted* *Redacted* *Redacted* *Redacted*	*Redacted* *Redacted* *Redacted*

Templates:

File Name –*Company X* IOI Example.doc

Next Step: VDR Review