Sellers - Future Payment Assurance Package

Over 70% of M&A deals fail, with inadequate merger integration being a primary culprit. To increase the probability of successful transactions, well-organized M&A integration plans help assure success, along with the associated future payments to Sellers. Consider including our Project:100 Days™ Consulting Methodology fee, on the transaction closing statements as a form of "deal insurance" paid by Sellers, to ensure structured M&A integration launches and more successful deals.

Sellers

Depending on the M&A deal terms, contingent payments, such as Earn-Outs, Seller Notes, Claw-Backs, Escrows, Buyer Stock, etc., may be part of Sellers' proceeds. If Sellers are actively involved in the merger integration process during the critical first 100 days, they will be able to better ensure the likelihood of their receiving future payments.

PMIA's Future Payment Assurance Package Services – Fixed Fee of $25,000 Paid by Sellers

As with any project, similar to other projects that have been completed, one should not start with a blank piece of paper. Instead, the knowledge gained from previous projects should be applied to the current situation. Our approach provides the structure for clear and effective communications with all integration stakeholders to ensure that appropriate actions are taken including:

- Review of documents/files relative to proposed transaction.
- Coordination with executives – HR, IT, Legal, Financial, Marketing/Sales, Operations, etc.
- Define anticipated planned synergies.
- Coordinate PMIA's Integration Checklist 500™ task assignments.
- Identify and assign essential Day 1 activities.
- Determine the level of integration by each functional area.
- Outline 100-Day integration milestones.
- Outline intracompany communications plans.
- Identify risk factors/mitigation by functional area.
- Identify company cultural differences.
- Review the impact of IT Integration across functional areas.
- Identify Integration Team Members with roles and responsibilities.
- Review the Integration Project Budget.
- Establish procedure for weekly integration coordination meetings.
- Train Integration Team Members on project management tools for progress reporting.

We will facilitate the above actions within the first 30 days of the integration project and transfer our knowledge to improve the Integration Team Members' capabilities for a fixed fee of $25,000. However, if more support from us is needed, then we are here to help.

Sellers - Be Proactive in Merger Integration After Deal-Signing

Earn-Outs

Earn-out provisions are most often used to bridge the gap on valuation that may exist between the Seller and the Buyer and are typically tied to the future performance of the business. Earn-outs can be the trickiest of all contingent payments. The Seller is trusting the Buyer to provide necessary and accurate documentation regarding the specifics of the earn-out.

For Sellers, the best chance at influencing the earn-out occurs if they take a strong role in merger integration, ensuring the retention of key Seller employees, and remain involved with the company to have a direct impact on the earn-out metrics. From the Seller's perspective, the concern with earn-outs is that post-closing the Seller loses control over the company and decisions made by the acquirer post-closing can dramatically impact the ability to achieve the milestones tied to future payments.

Seller Notes

If a Seller agrees to accept a note, he becomes a creditor of the company, and a Buyer is therefore legally obligated to pay that note (as opposed to an earn-out, which may not have to be paid if the company doesn't meet the metrics). Sellers should make sure the Buyer's books officially record any note. Here again, it is in the Seller's best interests to provide as much influence as possible going forward so that the Buyer will succeed and future note payments will be received.

Buyer Stock

If the Seller accepted stock in a private company, the Seller's ability to sell the stock may be limited. Not only may a market not exist for the stock, but Seller may also be expressly prohibited from selling the stock even if he could find someone to buy it. Being involved in the merger integration provides the Seller the opportunity to influence the success of the company and the corresponding value of the stock.

If the stock Seller receives stock with a publicly traded company, his ability to sell stock received in an M&A transaction depends on several factors such as lock-ups, where it trades, any restrictions on selling it, and its liquidity or trading volume.

Escrows

Typically, the purpose of an escrow is to provide recourse for an acquirer in the event there are breaches of the representations, warranties or certain other events. The terms of an escrow can vary significantly and may amount up to 20% of the overall deal value for a period up to 24 months from the date of the closing.

By the Seller being involved in the post merger integration process via PMIA's services, the Seller is able to be more aware of issues concerning representations and warranties that may arise. The Seller will be in a better position to influence the outcome when these issues come up, ensuring the likelihood of the release of future escrow payments.