

FACING UP TO THE CHALLENGE OF A CHANGE IN CONTROL

Richard Cooper presentation notes, 18 October 2007

Page 1 of 4

TYPES OF CHANGE OF CONTROL

- Company is being sold to a trade or private equity buyer
- Where your company is coming to the public markets (change in shareholders)
- Where your company is acquiring another significant company
 - earn-out or new incentive scheme
 - a reverse takeover?
- Significant change in management at your company

TYPES OF CHALLENGES

- Workload
- Technical
- Political

FACING UP TO THE CHALLENGE OF A CHANGE IN CONTROL

Richard Cooper presentation notes, 18 October 2007

Page 2 of 4

1. WORKLOAD

1.1 Basic

- Proforma NDA's
- Insider lists (required under the listing rules)
- Prohibition on dealing memos (aim rule 21)
- A PR release on talks
- A PR release in case there is a leak of information
- UK, IOM or CI plcs caught by the takeover code.

1.2 Financial basics

- Work out the class test triggers
- Amount of Share capital
- Banking facilities
- Article permissions
- Prior restrictive covenants
- Share capital headroom for an all-share offer
- Current EPS
- Forward EPS

1.3 Business areas affected

- Finance
 - Legal / company secretarial
 - HR
 - IT
-
- How are the functions going to deal with extra workload?
 - Cost cutting measures?

FACING UP TO THE CHALLENGE OF A CHANGE IN CONTROL

Richard Cooper presentation notes, 18 October 2007

Page 3 of 4

1. **WORKLOAD (continued)**

1.4 **Some things to prepare in advance**

- Structure charts
 - Legal
 - People
 - Workflow
- Accounts and forecasts
- Material contracts
- Employee costs, termination costs
- Contracts requiring a change of control
- Corporate foundation documents (particularly overseas)
- Tax comps and big-issue tax correspondence
- Acquirer – financial model with scope for acquisitions

1.5 **Some people issues**

- Staff holidays
- Maternity/paternity leave
- Religious absence
- Levels of stress

1.6 **Lining-up external resources**

- Translation bureaux
- Accountants for GAAP conversions
- Temporary resources (too much management)
- Specialist consultancies (bring excellence to finance teams)

FACING UP TO THE CHALLENGE OF A CHANGE IN CONTROL

Richard Cooper presentation notes, 18 October 2007

Page 4 of 4

2. TECHNICAL ASPECTS

2.1 Basics

- all key documents in electronic format
- requirement to have an on-line data room?

2.2 Accounting standards

- Translation issues
- Model in correct standard to get correctly reported and consistent EPS

2.3 TUPE

- Its application
- Overseas versions
- Briefing note to the board

2.4 Negotiation and the SPA

- What is being bought and sold? The legal entities or the trade and assets?
- Regulatory hurdles
- Working capital – neutral, sufficient, or silent?

3. POLITICAL ASPECTS

- Make yourself look good
 - Prepare internal cv (emphasise flexibility)
 - Corporate dashboard
- Protect yourself
- Look after your staff
- Understand the new culture