

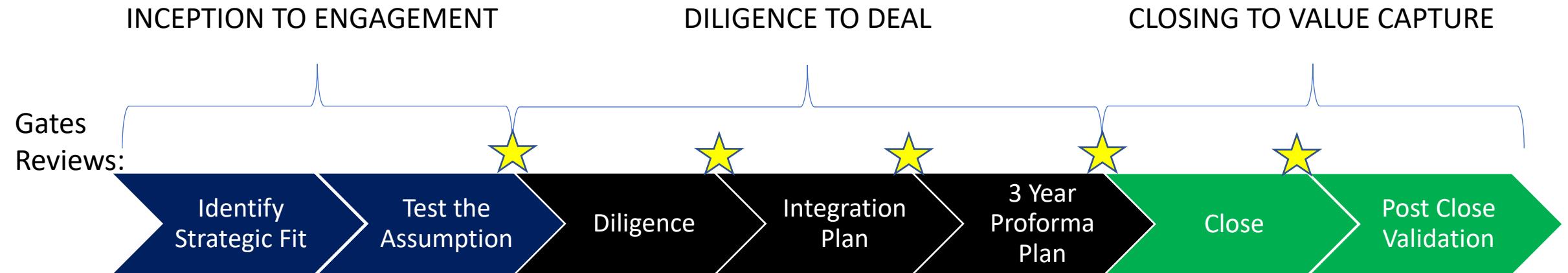
M&A Framework

January 2021

Building an M&A Framework

This document is intended to guide the team through a process to document, examine and communicate potential accretive opportunities to the University. The contents are checklists, questions and templates to support the investigation of all aspects of an external merger, acquisition and/or partnership with another institution.

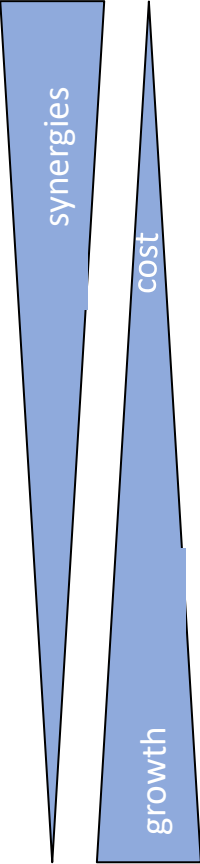
The process consists of three major phases broken down into 7 steps as illustrated below. This document will move through each step and phase considering all aspects from financial impact, resource allocation, cultural fit and strategic intersections. The goal is to use this process to properly assign and prioritize resources to deliver accretive and differentiated value for the University.



Guiding Principles for Expansion

1. Enter attractive growth markets to expand core offering – “rising tide...”
 - Steady, less volatile
2. Stick close to our core strengths – how will we win?
3. Engineering, Business, Health Sciences... how does it fit
 - Combined programs and entrepreneurship
 - Athletics and Clubs
3. Financial attractiveness – make “Clarkson” better
 - Ability to leverage one or more of: enrollment, lower discount rate, garner more donations, grants, R&D incubation, cost structure
4. Thematic fit / “Clarkson” brand leverage – “smell” test
 - Create long-term stakeholder value

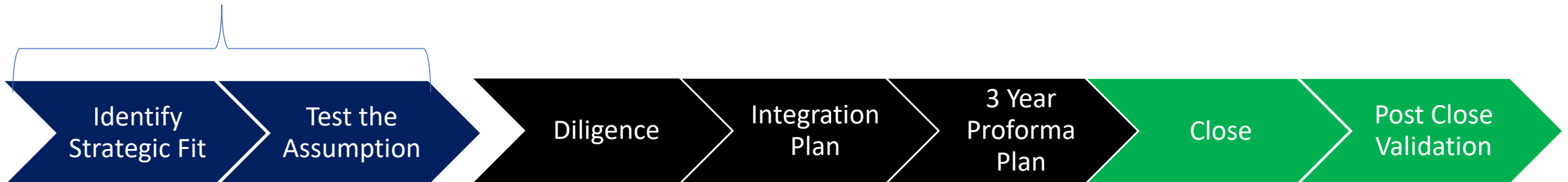
Transaction Type & Impact

	<u>Transaction Type</u>	<u>Rationale (WHY?)</u>	<u>Illustrative Examples</u>
	Open Innovation	<ul style="list-style-type: none"> • Early stage / Disruptive 	<p>“Never before seen” Programs and Ventures at/with another entity (MiSci – innovative experiential learning pedagogy and outreach)</p>
	Core Bolt-on Acquisition/ Investment	<ul style="list-style-type: none"> • Share gain or defend • Build channel / region • Extend product / technology 	<p>Beacon Trudeau UGC</p>
	Core Expansion Acquisition	<ul style="list-style-type: none"> • Leverage brand / channel • New products to same customers • Same products to new customers 	<p>UGC</p>
	Transformational / New Business	<ul style="list-style-type: none"> • Enter attractive growth markets and verticals • Exit unattractive segments • Recharge the model 	<p>Nursing School? Med School? Law School?</p>

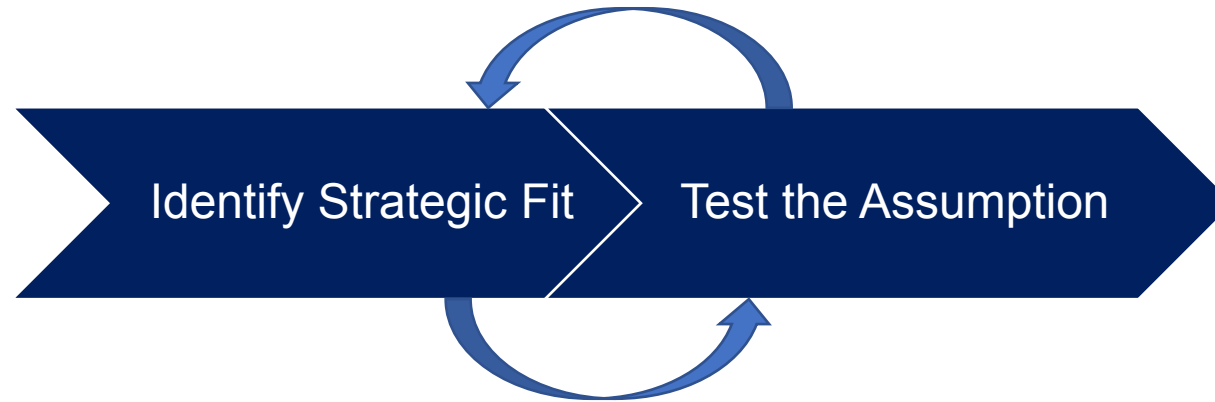
Phase 1: Scenarios for Potential Expansion

1. Refresh Strategy for the Current Landscape
2. Consider 3 External Scenarios for the Framework
 1. Full merge with another university/academic institution
 2. Partial acquisition of another university/academic institution school or program
 3. Partnership with another university/academic institution
3. Create an Idea Funnel of Potential Targets
 - Consider both opportunistic ideas (come to us) as well as inspirational strategic ideas
 - Assign a team to own the funnel
 - Monitor it regularly – create an operating mechanism to update each one at least monthly
 - The Idea Funnel will cycle inside of phase 1

INCEPTION TO ENGAGEMENT



Screening Process ... Idea Funnel

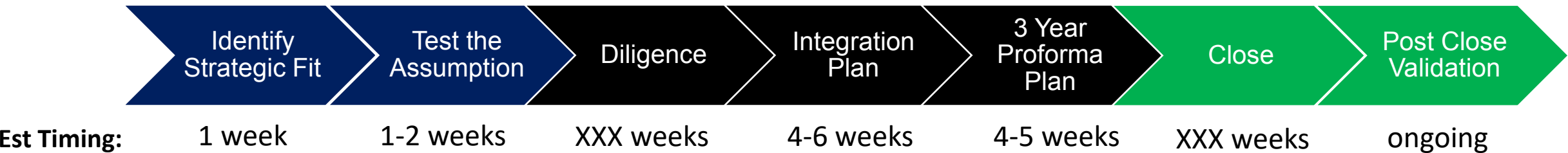


Inside the first 2 steps – Identify Strategic Fit & Test the Assumption is where your Idea Funnel lives. At this stage Board involvement is optional and in an advisory capacity at President's request.

Deeper iteration in a cyclic screening process can help to evaluate before assigning resources further:

- Think of the idea funnel as a 2 level Homework Phase (which can be cycled through more than once)
- As this is completed, there is a decision gate with three paths:
 1. Proposal to proceed to more detailed due diligence, financial modeling, integration planning (Board discussion)
 2. Interest in Idea, but further work needed to reiterate to clarify hypothesis, unknowns and risks
 3. Reject idea

Evaluation Framework Expectations



Resource Intensity ↑

Answer Why

- Brand & market analysis
- Ranking similarities
- Academic value
- Culture fit
- Rough cut financial assumption – cost & benefit analysis (ROI)
- Identify potential risks
- Board awareness (end of step 2)

Validate assumptions

- Define and quantify key risks
- Quantitative evaluation of assumptions, how to measure
- Faculty engagement & ownership
- Board buy in & members engaged
- Deep financial analysis complete
- Resource requirements defined
- Benefits estimated and planned
- Investment requirements defined with a planned return
- Detailed action and resource accountability plan for integration
- 3 Yr Financial plan measured
- Board engagement each step

Deliver accretive value

- 3 yr Financial Objectives met
 - Deliver accretive value
 - Pro forma w/, w/o
 - Synergies expected and realized
- Resource needs against plan
- Faculty Retention – unplanned attrition compared with baseline
- Reduced operational costs/student; increasing revenue/student
- Actual investment vs planned investment in step 2
- Expanding potential student base; lowering acquisition costs
- Engagement & culture survey – students/faculty
- Board Reviewed 2/yr

Responsibility Matrix

Illustrative example

This matrix will clarify the role of each participant along the process and specific expectations during the step.

R = Responsible, A = Accountable, S = Support, I = Inform, C = Consults

Step	Administration	Project Manager	Working Team	Faculty	Full Board
Identify Strategic Fit	R	A	S	C	S
Test the Assumption	S, C	R, A	S	I, C	S, C
Diligence	S, C	R	A, S	S	S, I
Integration Plan	R	A	A, S	A	S, I
3 Year Proforma	S, C	R, A	S, C	I	I
Close	A, R	I	I	I	S
Post Close Validation	A, R	S, C	S, C	S, C	S

Responsibility Matrix Definitions

Utilize the matrix to clarify the role of each participant along the process and specific expectations during the step. The team should revisit the use of a RASCI in more detailed action planning and specific cases. Each situation or opportunity may have unique factors and expertise to be considered:

ACCOUNTABLE – the task or tasks are completed accurately, on time, and on budget

RESPONSIBLE – owns the performance of the task/s

SUPPORTS – engages in guidance and input to the task progress and outcome

CONSULT – contributes information and/or resources to the completion of the task/s

INFORM – apprised of the task (status, roadblocks, findings, progress)

Identify the Strategy Approach

Phase 1 is Inception to Engagement starts with how you identify and define the strategic fit. These 2 steps reinforce defining and testing the hypothesis and strategy for it's accretive value to the University. Below are the areas which would be assumptions to test that would potentially deliver value. Use this approach to get to a go/no go decision to the next phase.

Why/how this idea would be accretive to Clarkson?

Develop the hypothesis for value creation

Basis & Considerations (Intangibles):

- Ranking/Reputation Impact
- Curriculum Alignment/New Additions
- Brand Reputation
- Regional Advantage

Tangible Benefits:

- Grow enrollment and/or reduce discount rate
- Garner additional donations, grants.
- Grow research enterprise or incubation
- Leverage back office resources (fixed) & contracts
- Financial Flexibility (acquire unrestricted, desirable physical assets, or new net revenue)

Deliverables:

- Rough cut financial assumption – cost & benefit analysis (ROI) from publicly available information
- Identify potential risks & Unknowns
- Quadrant analysis – competitive position in higher ed space – what is your differentiated value with this target versus without



Gate #1 Board Exec Comm. Review with target team

Diligence Check List

Phase 1 has been completed and you are entering into the Diligence to Deal phase. This is a series of critical steps to dive deeper into all aspects of the institution and test the assumptions. At stage 3 Diligence, the level of resources will ramp, your target team will be set & expand and the open exchange of information both public and confidential becomes the main focus.

1. Deep marketing analysis on institution rankings(competitive position) – trending 5 prior years and next 3 year projections
 - Enrollment trends/admission rate
 - Ranking agencies by type of institution (US News & World, Princeton Review, etc)
 - Placement ratings & percentage of class
 - Alumni earnings (Payscale)
2. Resource analysis
 - Leadership & administration capabilities and competencies
 - Faculty standing, research & grants, publications, student surveys regarding faculty
 - Tenure/non- tenure positions, compensation, benefit projections, etc.
 - Board & Alumni support
3. Culture fit
 - Mission and values comparison
 - Campus climate survey
 - Diversity & inclusion
4. Facility and Asset analysis
 - Building age/maintenance requirements
 - Regulatory & safety requirements and performance
 - Cash flow
 - Fund raising/development/identify key donors
5. Full financial review of operations
 - Revenue – sources such as graduate, undergraduate, grants, etc.
 - Operating costs
 - Asset evaluation, capital projects/investments
 - Debt/Line of Credit, including credit rating trend
 - Endowment composition/ restrictions
 - Cash flow
 - Fund raising/development/identify key donors
6. Operating practices
 - Policies, procedures and communications – with students, employees, local community
7. Legal review



*Recommend select Board engagement during diligence.
Gate #2: Board Exec. Comm. Review/General awareness*

Integration Plan Check List – part 1

Step 1 Diligence of the Diligence to Deal phase has been completed and your program is moving ahead. Step 2 focuses in on the Integration of the target and how that will be done, what expected outcomes are committed, who is responsible and when these actions will take place. This step is critical to the setup of the new entity and should be looked at comprehensively from all aspects of the University:

Market, Offering & Resources:

1. Test & plan new marketing roll out – message, brand, reach and timing
 - a) Retention of existing students
 - b) Impact to alumni
 - c) Plan for new student capture (including location penetration)
 - d) Impact to ranking agencies by type of institution (Pay Scale, US News & World, Princeton Review, etc)
2. Resource analysis – detailed headcount plans for all areas and targets with timing
 - a) Leadership & administration – identify overlap and expansion opportunities
 - b) Support staff evaluation and rationalization
 - c) Faculty – alignment, reaffirm and communicate tenure/non- tenure positions
 - d) Board roles and seats
3. Product rationalization (course, degree) – how does this fit the strategy and financials
 - a) Keep, modify, kill, standardize – detailed timeline to fulfill
 - b) Accreditation plans
 - c) Investment requirements/savings planned

Integration Plan Check List – part 2

Assets, Financial & Operating System:

1. Facility and Asset analysis
 - a) Building evaluation/maintenance requirements/investment or disposition plans
2. Draft of Operating Budget
 - a) Revenue – sources such as graduate, undergraduate, grants, etc. including discount rate projections
 - b) Student acquisition cost
 - c) Operating costs – synergy plans
 - d) Debt/Line of Credit, including credit rating impact
 - e) Cash flow
 - f) Balance sheet
 - g) Endowment composition/ restrictions
 - h) Fund raising/development/identify key donors
 - i) Capital projects/progress & new investments
3. Define operating practices, system & culture
 - a) Modify/adopt policies, procedures, calendars and communications – with students, employees, local community
 - b) Evaluate existing information system architecture and footprint(email, HR, purchasing, etc) – adopt, modify, build
 - c) Culture fit – mission, policies, gaps
 - d) Compliance program – audit & control mechanisms (Title XI, grants, etc.)
 - e) Legal resolution

Recommend select Board engagement during planning process.



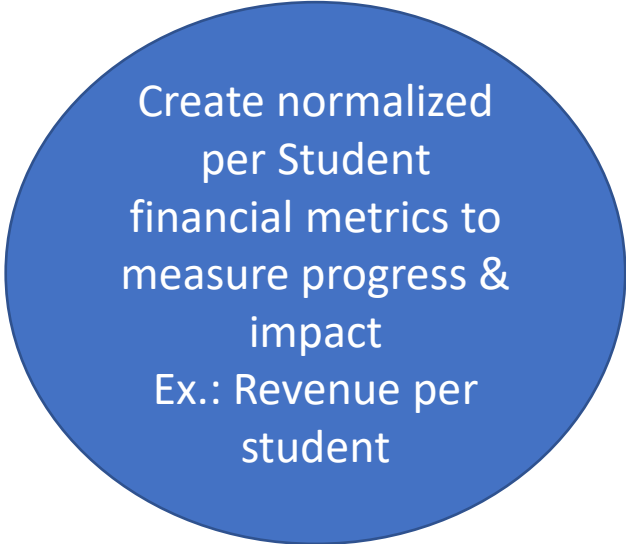
Gate #3: Full Board review at completion of Integration Plan.

3 Year Proforma Check List

Detailed 3 Year financial plan with corresponding action items and responsible individual responsible to deliver those targets. There should be a defined operating mechanism around these actions to gage progress and success. Integration plan sets the elements of the plan. The financial proforma should be shown with the target and without.

Financial review and targets by year:

1. Revenue – sources such as graduate, undergraduate, grants, etc.
 - Funding source details ie. Discount rates, room & board, activity fees
2. Operating costs
 - Salary & benefits
 - Operating expenses – maintenance, energy, food, supplies, etc
 - Cost to acquire a student – marketing, etc.
3. Balance sheet
4. Capital projects: disposition and investments
5. Debt/Line of Credit usage
6. Endowment
 - Growth or usage plans
 - Restriction trend
7. Cash flow
8. Fund raising targets
 - Donor growth plans (naming, etc)
9. Defined Audit program – compliance and controls (Grants, Title XI, etc.)



Create normalized
per Student
financial metrics to
measure progress &
impact
Ex.: Revenue per
student

Diligence to Deal Phase

Phase 2 is resource and data intensive to quantitatively examine the risks and benefits of any deal. This phase will require multiple channels of communication and sharing between the parties. All aspects of the target should be examined and assumptions challenged. After careful consideration and future planning impacts evaluated a go/no go decision is made.

Why/how this idea would be accretive to Clarkson?

Full test and financial expression of THE value creation

Basis & Considerations (Intangibles):

- Ranking/Reputation Impact
- Programs/Curriculum/Degrees
- Brand Reputation
- Regional Advantage
- Cultural Fit

Tangible Benefits:

- Grow enrollment and/or reduce discount rate
- Garner additional donations, grants, resource capability & research growth
- Financial gains(synergies, acquire unrestricted, desirable physical assets, or new net revenue)

Deliverables:

- Full 3 year financial proforma
- Integration action plan with timeline and owners
- Risk analysis and abatement plans with details and owners
- Set of normalized metrics on a per unit equivalent to measure progress: Revenue per student/ Cost of acquiring a student/Operating cost per student etc.
- Updated Quadrant analysis – competitive position in higher ed space – what is your differentiated value with this target versus without



Gate #4 Full Board Review

Templates

In this section are a number of different types of templates that can be utilized to support, manage and communicate your efforts at every phase or step of the process. Utilize as appropriate or needed.

1. **Status Template** – objective setting, assumption testing, action tracking, & RASCI ... recommend for every step
2. **Project Management Template** – goal or action item setting, specific deliverable tracking needing detail
3. **Resources Template** – organize role and responsibilities ... recommend for diligence step
4. **Quadrant Template** – a competitive positioning analysis articulating value of the potential target ... recommend for each phase

Status Template

Identify Strategic Fit		Test the Assumption		Diligence		Integration Plan		3 Year Proforma Plan		Close		Post Close Validation	
Key Status Points													
Objectives <ul style="list-style-type: none">• xxx						Key Assumptions <ul style="list-style-type: none">• Xxx• Xxxxx• Xxxxxx• Xxxxxx• Xxxxxx• Xxxxxx• xxxxx							
						Responsibility Matrix							
Deliverables <ul style="list-style-type: none">• xxxx• xxxxx• xxxx• xxxx• xxxx• xxxx• xxxx• xxxxx						Admin	Proj Mgr	Team	Faculty	Board			
						A	R	R					
						R	R	S,R		A			
						R	S,A	A,C		A			
						R		R					
						R	S	S,C		R			
						R	S	S,C					
Completion Points/Key decisions <ul style="list-style-type: none">• xxxx• xxx• xxxx						Date							
						R				I			
						R	R,A						
						R	A						

R = Responsible, A = Accountable, S = Supports, I= Inform, C= Consultants

Program Management Template

Activity Template

Problem Statement & Objective																	
Goals/Metrics	Scope																
Deliverables	Team																
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Resources Template

Resource Planning		
	Position	High Level roles and responsibility
BU Lead	BU Ops Leader	<ul style="list-style-type: none"> Helps prioritizes sequence & aspiration for the BU Drive execution & conduct program performance dialogues across the BU
	BU OPEX Leader	<ul style="list-style-type: none"> Oversees transformations across multiple plants within a BU Ensures consistency in approach & sustainability of results across all sites
Plant team	Plant Manager	<ul style="list-style-type: none"> Lead transformation, committing majority of time on the effort Be accountable for results and drive continuous improvement
	Plant OPEX Leader	<ul style="list-style-type: none"> Overall responsibility for facilitating the lean transformation Ensure the project (s) & assures timelines are met
	VS Leader/Operations Leader	<ul style="list-style-type: none"> Overall responsibility of focus area Provide input & coordinate day to day oversight of implementation
	Materials/planning Manufacturing engineering Process engineering Quality Line/cell leader Operators OLP's Other as required	<ul style="list-style-type: none"> Execute prepare, diagnose, design, implement, & sustain phases Collect data Perform analysis Design future state Drive robust communication Implement & drive sustainability
Support	Other key leaders or subject matter experts	<ul style="list-style-type: none"> Provides topic expertise (i.e. OEE, TPM, planning/scheduling, SAP, Kanban) Provide expertise on best practice deployment from other implementations Participates and help lead training sessions at the plant level

Quadrant Template

Competitive positioning analysis to help differentiate yourself from your peers on the two most important factors. Helps to articulate the value of the deal and how to not become a “me too” university.

