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BAYBIO

geneacres15

September 25, 2007 South San Francisco, CA



Strategies for Facilities Management During M&A, Relocation, Project Shift, or Rightsizing

Sponsored by BioSurplus, Inc



Description of Session

A diverse panel representing the acquirer (a large biotech/pharma), the acquired (a smaller biotech company) and the facilitator (a service provider that assists during M&A and other major transition periods) will focus on several case studies and examine the requirements, activities, and challenges faced by life science companies during a transition period. This panel will discuss available processes, systems, services and tools to successfully manage these activities. Attendees will be provided with real-world examples and experiences of various phases of the transition, as well as lessons learned. The primary focus of the presentation will be on companies which have gone through or are going through an M&A transitional period. Panel speakers will share industry best-practices and provide real life recommendations for managing facilities and operations through major transition periods.



The Panelists

Moderator:

Maureen Wong

Director, Corporate Real Estate
Novartis Vaccines & Diagnostics, Inc.

Panelists:

Scott Korney

Director, Facilities and EH&S
Scios Inc. (a J&J company)

Steven A. Mello

Manager, Operations
Schering-Plough Biopharma

C Preston Plumb

President & CEO
BioSurplus Inc.



The Topics

- *How to Survive the Facility Impacts of Any State of Flux*
- *Organizing The Consolidation of Two Research Sites*
- *Managing Equipment during M&A and Other Transition Periods*
- *Mergers and Acquisitions – The Corporate Real Estate Experience*

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Mergers and Acquisitions

The Corporate Real Estate Experience

Maureen Wong

Director, Corporate Real Estate

Novartis Vaccines & Diagnostics





Organize Information BEFORE

- Property leases
 - Complete and accurate contracts for all properties
 - Paper and e copies (expect multiple requests)
- Summary reports (type of space, use, headcount)
- Cost reports (rent, utilities, operating costs, etc.)
- Database
- Assignment & Sublease rights/notice dates
- Options to extend, purchase, etc.



Acquiring Company's Due Diligence

- Records review: owned and leased properties
- Site inspections for major or critical properties
 - Suitability for intended use
 - Expirations
 - Market value
 - All-in facility costs (rent++++)
 - Locations
 - Condition of properties
 - Sublease/assignment rights; options to extend or purchase



Integration Planning

- Time of uncertainty, high sensitivity
- Fast, confidential evaluations needed to support business planning scenarios – closings, disposals, subleases
 - Time required
 - Financial impact
 - Accounting treatment (book value of assets, write-downs, etc.)



Post Day One

- Implement property changes decided in pre-closing planning
- Be prepared for additional property decisions 12-24 months post closing as the integration of business operations create additional impact on properties
- Getting acquainted with the new company – changes can range from obvious to subtle



Summary

- Keep good records
- Have trusted service providers
- Expect uncertainty and unclear roles
- Expect increased workload
- Expect change and surprises
- You will learn a lot



Managing Equipment during M&A and Other Transition Periods

Gene Acres – September 25, 2007

Preston “Cinco” Plumb

President & CEO

BioSurplus, Inc.



Goals & Objectives

- Maximize control and accountability
- Redeploy strategic assets
- Maximize Net ROI on surplus equipment
- Meet organization timelines (3-6 mos.)



Step 1: What Do We Have; Where Is It?

- **Inventory/catalog each item room by room**
 - ID/Barcode each item and component
 - Use web based dbase (spreadsheet for smaller jobs)
 - Capture all key information
 - Manufacturer
 - Model/Series
 - Category
 - Components
 - Location
 - Photographs
 - Asset #
 - Serial #
 - Description
 - Condition
 - Orig. Cost
 - Book Value
 - Transfer/Ship Cost
 - PO #
 - Status
- **Reconcile vs Accounting/Finance records**
 - Review database report
 - Leverage component, asset #, serial # info
 - Assign cost and accounting info



How Not To Do It

ID	Description	Purch Date	Purch Amount
5	Integrated Cellular Imaging System	05/08/00	\$47,497
23	2 Purification Safety Cabinets & Stands	05/10/01	\$12,589
31	Freezer	07/02/01	\$5,536

- Missing Manufacturer, Model, Category, Photos, Location, Serial #, etc.
- Break-out Description into separate fields
- Provide attributes (Size, Type, etc.)



Step 2: What Do We Redeploy?

- **Scientists to access dedicated site/spreadsheet**
 - Easy to find desired equipment
 - Support variety of searches (Manuf/model/category/keyword)
 - Immediate access to detailed information
 - Minimize follow-up Q&A needs
- **Schedule on site visits with scientists**
 - Set firm visitation date(s)
 - DO NOT allow unscheduled visits
- **Identify equipment to be redeployed**
 - Establish “strategic” criteria (nice-to-have vs need-to-have)
 - Physically tag/mark equipment
 - Change database status
- **Package/transport selected items**
 - Requires significant oversight
 - Collect bids from multiple providers



Step 3: Sell Remaining Equipment?

- **Maximize Net ROI – Sell Yourself or use third party?**
 - How much time do I have to sell items?
 - Sell items individually or as a lot?
 - Sell from your location or not?
 - How much time do you have to sell?
- **A Few Sample Steps for Selling equipment**
 - Research and price items
 - Organize and display items
 - Market/promote
 - Sales support/Q&A (email/phone/visits)
 - Issue quotes
 - Provide invoice & payment terms
 - Collect payment and sales tax
 - Package/ship
 - Record accounting information

ROI vs Cost/Risk/
Liability/Required
Resources

Young biotechs
often lack the
infrastructure to
sell themselves



Step 4: Reconcile Acctg Records

- **Report redeployment & payment info to acctg**
 - ID/Barcode #
 - Asset #
 - Sales price & terms
 - Proceeds received (i.e. checks, credit cards, wires)
 - Redeployed items (dept, transfer costs, book value)
- **Reconcile and resolve discrepancies**



Step 5: Take Long Vacation

- YOU'VE EARNED IT!!!



“A Failure to Plan is a Plan for Failure”

Thank You!



How to Survive the Facility Impacts of Any State of Flux

Scott Korney
Sr. Director
Facilities and EH&S

Be Prepared!

Be Prepared!

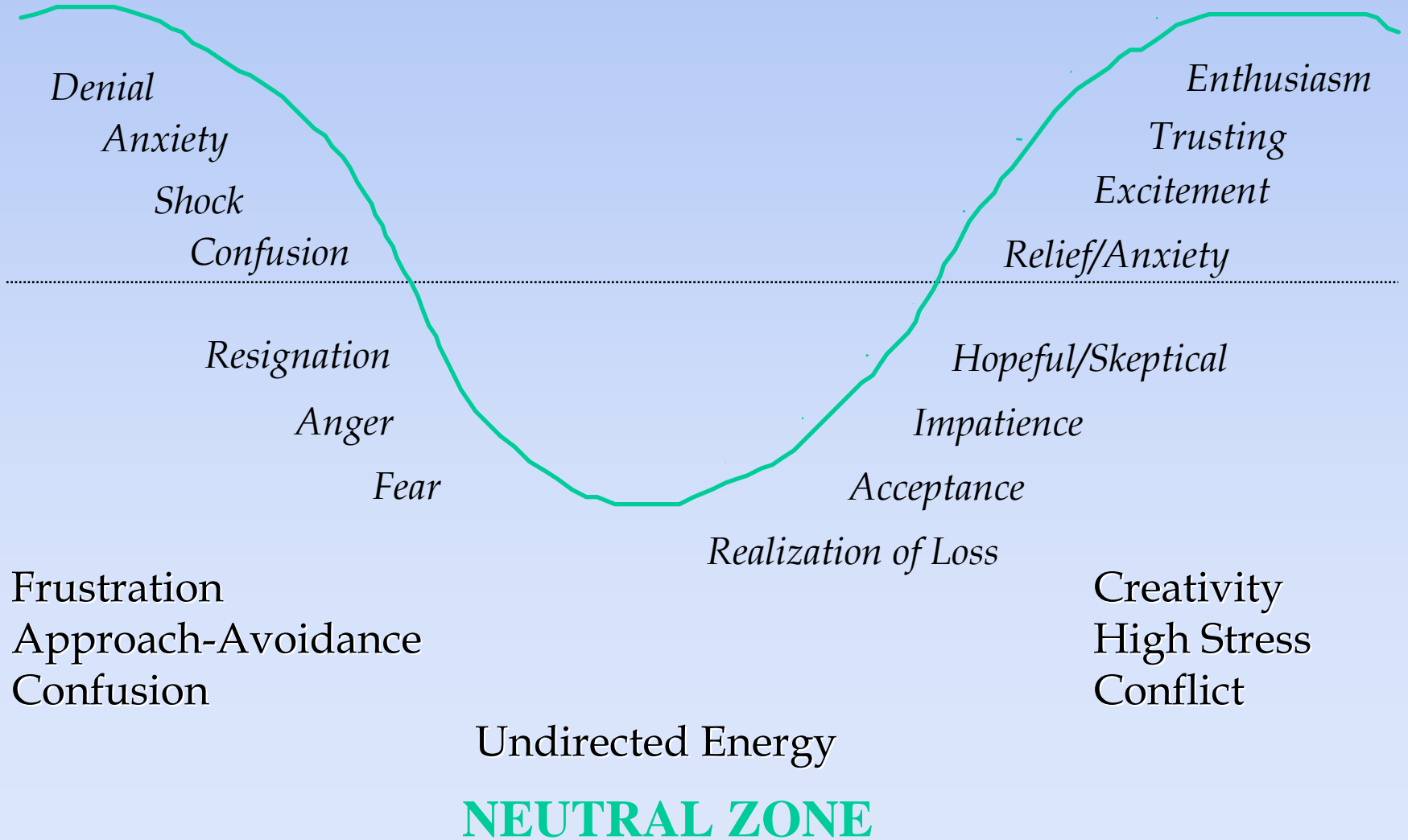
- Face the facts - it will happen to you!
- Transition/change are certain
 - Note average company life today vs. Last few decades



Three Phases of Individual Transition

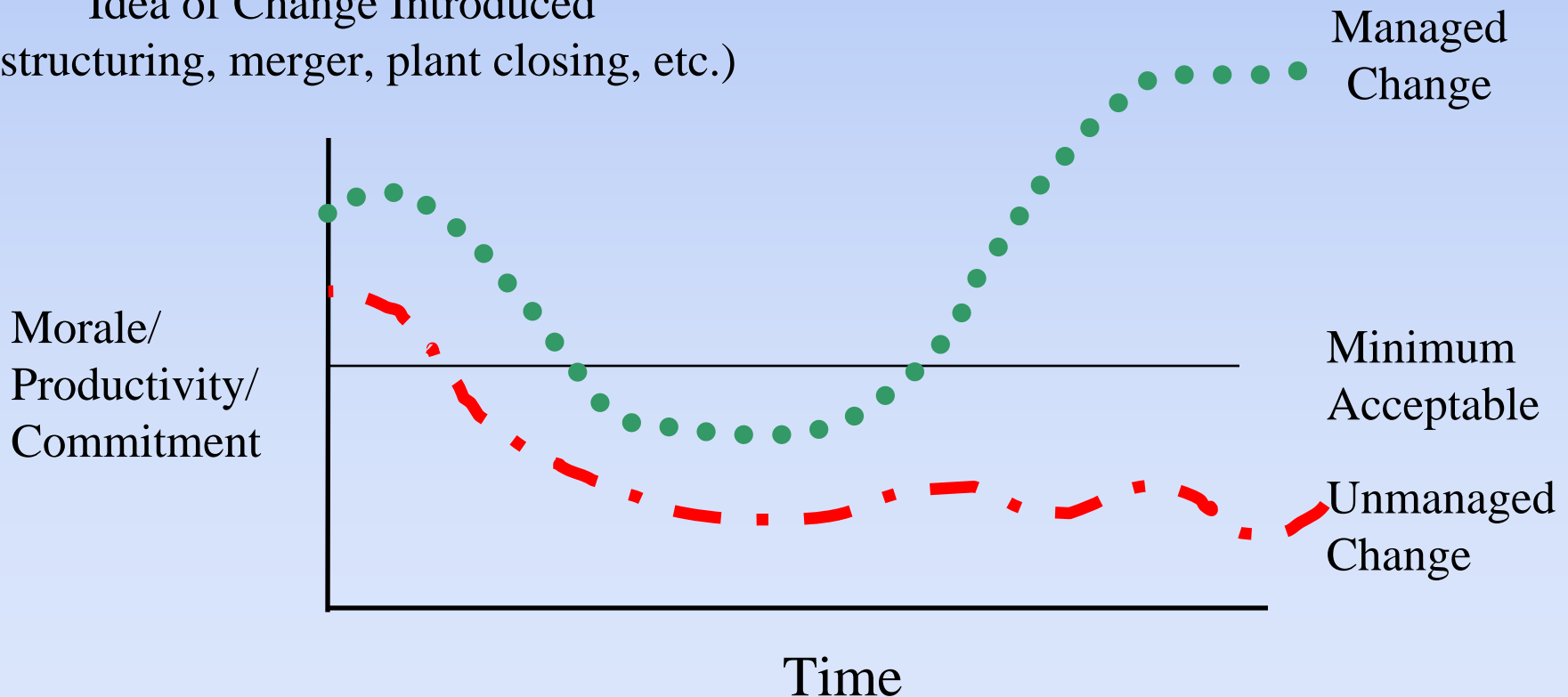
ENDINGS

BEGINNINGS



The Productivity Impact of Change

Idea of Change Introduced
(restructuring, merger, plant closing, etc.)



Include in Your Site Contingency Plan

“What if” scenarios/procedures for Site recovery

- Closure
- Acquisition
- Merger
- Downsizing
- Scale-up

Contingency Planning

Maintain control and management of:

- Business - productivity
- Resources
- Assets
- Real estate
- Regulatory compliance
- People and asset security
- Your own staff

Develop Your Diligence Check List

- EH&S site closure plan
- Leases and agreements
- CAD drawings
- Furniture and capacity info.
- Operating costs
- Asset inventory
- Utility specs
- Permits
- Compliance issues (NOVs)
- Disclosures
- Contractors and contacts

Survive the Transition Process

- Periods of uncertainty
- Staff morale
- Focus on the bottom line; Business and transactions
- Deliver transition on schedule and budget
- Learn the “transition” culture
- Find the positive and build on it
- Develop a “relationship” with the “opposition”

Do The Right Thing – **Don't Fall Into Traps**

- Staffing reductions
- Criticism and blame
- The “after shock” phases of recovery
- Legal consequences
- Disrespect/distrust of the acquirer

Handling Corporate Culture Differences

Establish Partnerships with:

- Finance
- Legal, real estate, HR
- Documentation
- Senior management (CFO)

Handling Corporate Culture Differences

Establish Partnerships with the Acquirer:

- Open channels of communication
- Step outside of your box to appreciate their drivers
- Pick your battles carefully
- Know when to push back and when to embrace
- Establish objectives with internal management

Scott Korney

26 Yrs of Property Transition Experience

- Business start-ups and supporting phases of rapid growth
- Business RIFs and closures
- Business acquisitions
- Property sales and lease terminations

Recent Experiences

- J&J acquisition of Scios - due diligence (May, 2003)
- Scios downsizing and campus closure (July 2006 to Dec 2007)