

RISK ASSESSMENT MEMO

CONFIDENTIAL RISK ASSESSMENT MEMORANDUM

To: TechCorp Board of Directors
From: Corporate Development Team
Date: December 22, 2024
Re: Risk Assessment - StartupXYZ Acquisition

This memo summarizes key risks identified in connection with the proposed acquisition as documented in the **Document: Acquisition Agreement**.

1. HIGH-PRIORITY RISKS

1.1 Customer Concentration (HIGH)

- MegaCorp represents 28% of StartupXYZ revenue
- MegaCorp contract contains change-of-control clause
- Mitigation: Obtain consent prior to closing (see **Document: Customer Consent Letters**)
- Impact if materialized: \$3.4M annual revenue at risk

1.2 Key Employee Retention (HIGH)

- 5 senior engineers critical to product development
- 2 have expressed interest in leaving post-acquisition
- Mitigation: Retention packages per **Schedule 3 - Employee Transition Plan**
- Estimated cost: \$2.5M in retention bonuses

2. MEDIUM-PRIORITY RISKS

2.1 Earnout Structure (MEDIUM)

- \$5M earnout tied to 2025-2026 performance metrics
- Metrics defined in **Exhibit C - Earnout Terms** of the Acquisition Agreement
- Risk: Disagreement on metric calculation methodology
- Mitigation: Clear definitions in agreement; third-party arbitration clause

2.2 Integration Costs (MEDIUM)

- Estimated integration costs: \$4.2M over 18 months
- Systems integration detailed in **Document: Integration Plan**
- Risk: Cost overruns of 20-30% typical in tech acquisitions

3. LOW-PRIORITY RISKS

3.1 Pending Patent Application (LOW)

- One patent pending as noted in **Document: IP Certification Letter**
- Low risk of rejection based on patent attorney's assessment

3.2 Regulatory Approval (LOW)

- HSR filing required but expected to clear without issues
- Timeline in **Document: Regulatory Approval Letter**

4. FINANCIAL IMPACT SUMMARY

Total risk-adjusted impact: \$6.2M - \$8.7M

This is reflected in purchase price negotiations per **Document: Financial Adjustments Memo**

5. RECOMMENDATION

Despite identified risks, we recommend proceeding with the acquisition. The strategic value of StartupXYZ's AI technology platform justifies the purchase price when accounting for risk mitigation costs. All findings are consistent with **Document: Due Diligence Report**.

6. NEXT STEPS

- Finalize customer consent process
- Execute retention agreements
- Complete regulatory filings
- Prepare for closing per **Document: Closing Checklist**