TABLE OF CONTENTS

For

WILLBROS GROUP – ACQUISITION INTEGRATION TEMPLATE

INTERNAL OVERVIEW

WILLBROS GROUP – ACQUISITION INTEGRATION TEMPLATE

INTERNAL OVERVIEW

Bruce Dodds
Manager of Capital Projects

April 2010

I. OVERVIEW

Willbros' goal was to optimize the value of every acquisition. In the current financial environment, acquisitions are no longer justified solely on the functional efficiency gains but instead on meeting strategic goals of expanding markets, adding customers, and increasing margins and revenues. Investors assume both cost efficiencies are achieved. Because of this, Willbros focused on actions that would achieve the requisite cost efficiencies expected in any acquisition and aggressively initiated key strategic initiatives to drive revenue growth.

Willbros' focus was to create a single operating company – **"one Willbros"** – as described by the CEO, by fully bringing the operations, intellectual capital, and talent of the newly acquired company into the Willbros team. Through the acquisition and integration process, Willbros desires to present a:

- A compelling argument for the value of safety (for all staff)
- A compelling story for the achievability of earnings (for all investors)
- A compelling vision for the future of integration (for all business units)

II. PRE-ACQUISITION

Research indicates that the Integration Team should mobilize during the due diligence process's final stages or at least two months before the acquisition closes. Late mobilization of the Team places a strain on personnel resources of both Willbros and the acquired company, as well as competing for personnel assigned to the Merger & Acquisition (M&A) Team.

Recommendation: Early mobilization allows the Integration Team to understand Willbros' management strategies behind the acquisition, such as expanding the customer base into new markets/regions, capitalizing on Willbros' expertise and applying it to the new business segment, and potentially increasing Willbros' market diversification.

The Integration Team was formed one month after closing. This led to delays in organizing the Integration Team, clarifying the strategic initiatives, establishing team roles and responsibilities, developing an implementation schedule, and consolidating business development initiatives. These delays impacted early revenue generation derived from the acquisition.

III. ORGANIZATION

Integration projects should be considered the most critical projects within an organization's portfolio. The project team infrastructure should support flexibility and speed while bringing discipline to the effort. The company's future depends on effective integration and seamless cultural integration that supports Willbros' company values. A strong leader should manage the Team with sufficient authority to execute the project efficiently and effectively. The integration Project Director (IPD) must report to the company's Executive Leadership Team (ELT) level and be viewed as a key team member.

Recommendation: Integration of any acquisition, especially one that nearly doubles the company's size, can be a conflict-ridden business. The goal is to identify conflicts early and resolve them amicably to the extent possible. Understanding the existing organizational structure of the acquired organization, with an outline of the future organizational structure, helps execution within both organizations, keeps participants engaged, and boosts morale. Employees are affected by conflicting objectives and loyalties without clear lines of authority and a clear understanding of where they fit within the new organizational structure. This organizational and personal uncertainty drains the new entity of the energy it needs to overcome the losses in productivity.

The Executive Leadership Team (ELT) elected to execute the InfrastruX integration project as an independent project, managed by a Senior Project Manager (SPM), appointed as Integration Project Director (IPD), who had not been involved in M&A activities and had little knowledge regarding the critical acquisition drivers (see Lessons Learned #1 regarding the assignment of this position). The IPD had minimal staffing to support systematic planning and execution activities instead of relying on existing company personnel as their schedules allow. The IPD reported to the ELT; however, ready access to the CEO, CFO, and COO must be prioritized as a sounding board for implementing strategic and functional activities. The IPD should be able to make decisions within the integration portfolio and be supported by the ELT.

The InfrastrucX integration organizational structure was comprised of, in descending order of authority, the Board of Directors, the Executive Leadership Team (ELT), the Integration Project Director, the integration

Steering Team, the Functional Team Lead, the ELT Strategy Sponsor, and the Strategy Team Lead/Deputy. Please refer to Appendix I for the Integration Project organization chart and the associated Roles, Responsibilities, and reporting requirements.

IV. FUNCTIONAL INITIATIVES

Functional integration initiatives are associated with Back Office or Leveraged Services. These initiatives support the Operational day-to-day business. Functional teams, consisting of personnel from both Willbros and InfrastruX, were established before the acquisition closing.

The functional integration teams included:

- HSE
- Human Resources
- IT & JD Edwards
- Compliance
- Legal
- Risk Management
- Procurement
- Operations
- Internal Audit
- Tax
- Treasury
- Corporate Secretary

Each functional Team defined tasks and their anticipated activity completion dates, which were reported on a spreadsheet and progressed twice monthly during update status calls held by the Functional Team Lead. Each task had both an assigned weighting and a percent complete. The combined percent complete enabled the Functional Team Lead to determine whether the respective Team's tasks were on schedule. Progress was reported to the ELT monthly.

Recommendation: The spreadsheet worked well in documenting the individual tasks to be undertaken by each respective Team. The Functional Team Lead was to develop the monthly progress report. However, the Functional Team Lead must be vigilant in holding semi-monthly updates as team members' follow-through can waiver due to competing priorities. The team leaders must establish the individual task weightings and update the percent complete reporting monthly to the Functional Team Lead. Delays were experienced in completing certain activities attributable to the InfrastruX management change in December, necessitating the re-assignment of all functional activities.

V. STRATEGIC INITIATIVES

Strategic integration initiatives were classified as Value Creation. These initiatives focused on the strategic goals of expanding markets, adding customers, and increasing both margins and revenues. Strategic integration teams, consisting of personnel from both Willbros and InfrastruX, were established after the acquisition closed. These initiatives included, in rank order:

- High Priority
    - Midstream – Marcellus and Others
    - Pipeline Services – Premier (InfrastruX company)
    - HDD/Specialty Equipment (InfrastruX company)
    - Industrial Services – UtilX (InfrastruX company)
    - “one Willbros” Culture
    - Company Investor Relations
    - Corporate Branding
- Low Priority
    - EPC Transmission
    - Company Cross-Selling
    - Company-wide Communications

Value Creation initiatives were developed and forced rank by the Executive Leadership Team (ELT) at the July 2010 meeting. The ELT focused on several key strategic initiatives to pursue synergy opportunities aggressively. In August, the complete listing was shared with over one hundred Willbros and InfrastruX managers to present the results and enlist their support. Over the next three weeks, the Strategy Team Descriptions and Guidelines document was distributed to seven assigned teams. A draft charter for each initiative was developed, team leadership needs were defined, and a path for implementation was established.

In September, a meeting was held with the ELT to finalize the strategic integration of Team Leads/Deputies/Sponsors and finalize the draft charters (as received from the August team meetings), which addressed the goals for each initiative, as directed by the ELT. During the September meeting, the ELT decided to focus on the higher-priority items (due to limited internal resources) and leave the remaining initiatives for later development. The charters were updated based on the ELT meeting and issued to the strategic initiative Team Leads and Deputies that same month. Each Team Lead was responsible for assembling his Team and commencing work toward implementing the initiative.

Recommendation: Releasing the strategic initiatives to the Team Leads/Deputies requires management involvement to ensure that team members prioritize them correctly. This should include full-time support and personal resource commitment from the Business Segment Presidents.

VI. PROCESS

1. Studies indicate that the acquiring party should clarify the acquisition drivers and confirm alignment between all parties. The goal is to communicate a shared vision for value creation. Identify the acquisition value drivers, set goals for financial growth, create a shared vision by both parties and succinctly describe/communicate the logic. This should be memorialized in the acquisition documentation and used to focus both the functional and strategic integration teams.

   Recommendation: In confirming alignment between Willbros and future acquisition targets, it is critically important to identify and agree on what each party will contribute to the combined operation, where there are overlaps or gaps in offerings and/or staffing, which markets to target and who has strategic market leadership, where cost-efficiency in shedding components may exist, and where there is value in combining strengths.

   Willbros and InfrastruX management outlined the following key drivers for the acquisition:

- InfrastruX
  - Synergies with Willbros Business Units
  - Value in Willbros Operating Company perspective
  - Access to financial and intellectual capital
- Willbros
  - Expand customer base into new markets and new regions
  - Increase capacity to pursue “small pipe” projects in midstream markets
  - Open new business (mid-stream gas projects in the various Shale plays
  - Increase annual revenues derived from recurring MSA & M&M contracts
  - Capitalize on Willbro's "linear transportation construction management" experience by applying it to the electric energy sector
  - Diversify into large Electric Transmission and Distribution

2. Set an aggressive integration schedule. Integration efforts must proceed with a sense of urgency. Mark an end date and work diligently toward that

date. Six months is usually sufficient for most integration efforts to set the more significant, longer-term strategic initiatives in motion.

Recommendation: As soon as the closing date is set, initiate the formal integration process. At this point, Team Leads should be contacted, and their roles and responsibilities should be outlined in detail. The integration process should be accelerated to the point of overload and discomfort to all on an integration team. If everyone is comfortable with the pace, you must move the process along faster. Studies indicate that speed is to be valued above perfection[2]

Completing the functional components of the integration process as soon as possible is essential. Acquisitions can no longer be justified on cost-efficiency gains—investors assume these benefits will be achieved and penalize any company that does not, so it is important to complete the functional integration quickly, efficiently, and effectively.

Also important is the prioritization of the strategic initiatives, which requires input from the ELT. During the first 90 days, get everyone to focus on 20% of the goals, which can yield 80% of the economic value[3]. Manpower limitations should be assessed, and personnel should be assigned to the highest-priority strategic initiatives.

3. Initiate an Organizational Culture Assessment as soon as M&A activities allow. Research indicates that company culture differences are the most significant obstacle and hindrance to integration.

Recommendation: As a part of the final M&A due diligence, an organizational culture survey will identify any acquisition 'deal-killers' where differences in cultures cannot be mitigated and accelerate the integration Team's effort in getting to actual value creation, which is the heart of strategic integration. It will also begin to define the behaviors – e.g., collaboration, cooperation, sharing, risk inclination, outcomes, compliance, and inclination to explore new business opportunities – needed to achieve any acquisition's strategic value creation goals. The culture survey should begin when the acquisition close date is established or at least six weeks before the formal financial close, whichever is earlier. Cultural integration is essential to future performance.

Mercer was employed to perform the culture survey for this acquisition. One hundred seventy leaders across Willbros/InfrastruX operating companies replied to the survey. Interviews were conducted with twenty-seven key leaders across both organizations. Key interview themes emerged from the interviews and the survey responses. Similarities were found that helped to accelerate the integration effort. Four key challenges to be addressed were (refer to Appendix IV).

- Questions as to whether there is an integration strategy (versus a punch list);
- InfrastruX leaders perceive the process as ill-informed and invasive;
- Non-negotiable elements are not clear (what will and might be integrated are confusing);
- Compliance requirements (DOJ, SOX) may be inhibiting synergy capture.

4. Hold an offsite meeting for the Senior Leadership of Willbros and the acquired company to outline the rationale behind the acquisition. Specifically, address areas of commonality and complementary services. This meeting aims to initiate the process of identifying synergies between the two entities.

Recommendation: Produce a catalog of service offerings from each Willbros business segment and the acquired company. Within Willbros, this catalog should be maintained and updated each quarter to assist with onboarding new hires and integrating newly acquired companies into the Willbros operation. Equally important is updating business unit sales literature.

A combined Managers Meeting was held in Rockwell, Texas, approximately five months after the closing. Both organizations distributed business unit catalogs, and tables (a total of 17) were set up to allow each business to present its capabilities. Personnel were rotated every hour to learn about the various business units. After the conclusion of the round-robin table presentations, the group reconvened. Each table was requested to spend one-hour identifying potential synergies between their respective business unit and the other groups that presented that day. One member from each table presented the possible opportunities to the entire group. This information was captured for later use by the Integration Steering Team members.

A second benefit of the combined meeting was to mine the understanding of the organizational leaders assembled for additional value-creation opportunities. The group divided into teams to address seven specific strategic strategies (refer to Appendix III):

- EPC Transmission
- HDD/Specialty Equipment
- Industrial Services/UtilX

- Midstream
- Pipeline Services/Premier
- Cross Selling
- Branding

5. Initiate project development on high-value strategic initiatives immediately. The highest value opportunities tend to be in operations and business development, i.e., expanding customer base into new markets and regions or increasing annual revenue derived from recurring Master Service Agreements (MSA) and Manage & Maintain (M&M) contracts.

   Recommendation: Even with a very high-value opportunity, there is an inherent limit to the resources available for its development. Therefore, the ELT should prioritize the strategic initiatives regarding the capability to quickly add value and then identify where the shedding of non-core business segments should be considered and acted upon.

   The Team Leads/Deputies assigned to the higher-priority strategic initiatives were not relieved of their daily job requirements, causing support for the initiative to become a lower priority typically. Additionally, the InfrastruX management team limited access by the Integration Steering Team to the Team Lead/Deputy, adding yet another level of interference. The recommendation is that the highest priority strategic initiatives have one person assigned full-time (Team Lead), and their daily work responsibilities are temporarily re-assigned to others.

Another early priority is identifying where value exists in combining strengths of opposite/different business segments. In concert with the respective Business Unit President, the ELT should quickly decide which segment should be combined based on the similarity of business objectives.

6. Initiate a company-wide Communications Plan. Articulate the strategic purpose of the integration and continuously reinforce the message. This requires involvement from all of Willbros' executives and senior leadership, as the message is more potent when it comes from the organization's top. Studies indicate that employees and managers at all levels lose a minimum of 15% of personal effectiveness due to rumors, misinformation, and worry[5]. Research suggests that three shock waves affect each employee – first, employees wonder about the future of the newly combined company; second, there is a drop in the level of trust; and third, employees take steps to protect themselves[4]. Good communication from management can address each of these employee concerns.

Recommendation: The following outlines a proposed plan and timeline for implementing a communications plan for a typical integration project:

Plan Outline and Timeline

Phase I: Research Timeline – One Week

1. Review results of the most recent employee survey
2. Review key drivers for the integration strategy
3. Map all Stakeholders
4. Interview key Stakeholders
5. Conduct essential communications audits (identifying existing and needed communications tools, determining how employees communicate in the field, etc.)
6. Develop message platforms (new letter, memo from CEO, etc.)

Phase II: Immediate Objectives Timeline – Weeks 2-3

1. Communicate "nuts and bolts" of the integration plan and status to employees through regular, scheduled communications.
2. Maintain communications with the Steering Team
3. Ensure that communications with managers flow weekly
4. Support communications with the ELT

Phase III: Near-term Objectives Timeline – Weeks 3-6

1. Continue Phase II tactics above
2. Establish two-way communication vehicles to promote employee feedback
3. Develop talking points for face-to-face engagements
4. Conduct engagement training for managers
5. Conduct Face-to-Face meetings
    a. Town Halls
    b. Small Group meetings with the Supervisor
    c. “Mini” City Tours

Phase IV: Longer-term Objectives Timeline – Weeks 6-10

1. Regular, scheduled written communications
2. Electronic communications (e.g., email)
3. Face-to-Face communications

Phase V: Metrics of Communication Plan Timeline – Weeks 11-12

1. Talent retention
2. Ongoing employee feedback
3. Follow-up employee survey
4. Willbros stock price after the acquisition

It is impossible to overcommunicate! Tell everyone involved—employees, Board Members, senior management, suppliers, investors, financial analysts, everyone—what's going on inside the company with the Integration Steering Team to the point that you're just about sick of hearing yourself talk, then tell them some more. That will almost be enough times!

VII. LESSONS LEARNED

The lessons learned should be reviewed with the Executive Leadership Team (ELT) and updated for use on future acquisitions, as applicable.

1. **Pre-acquisition Activities**—The delay in forming the Integration Teams forced the Integration Project Director (IPD) to rely on initial support from the active M&A team. However, the M&A team was focused on functional rather than strategic activities. The ELT meeting held in July addressed the change in focus for the Integration Steering Team (from functional only to a combination of functional and strategic). This meeting clearly outlined the ELT path going forward. The recommendation is to hold this meeting before closing on the acquisition.

   The Integration Project Director attended weekly ELT meetings. However, the IPD's ability to effect change and drive the functional/strategic Integration Teams was, at best, implied authority. The recommendation for future integrations is to assign the COO as the head of the integration process and, if a second in command is required, promote that individual from within the organization additionally, when the individual who had facilitated the initial efforts before the acquisition was removed caused concerns with the various teams, especially with the management team of InfrastruX.

2. **Organization** – The Integration Project Director was supported by the Integration Steering Team (IST). The IST was initially comprised of the following members:
   - Integration Project Director
   - InfrastruX President/CEO
   - InfrastruX COO
   - Willbros M&A Director (was removed once the acquisition was consummated)
   - Willbros HSE Director
   - Willbros, Director of Business Development

- Consultant to the Integration Project Director

The Integration Project Director needed to be more knowledgeable of the InfrastruX management team members, which limited access to the 'right' person within their organization. The IPD did not make this issue known to Willbros management such that corrections could be implemented early in the effort.

Allowing the President of InfrastruX to be on the IST and the ELT was an error. This granted the InfrastruX President two opportunities to influence decisions at the highest levels within the organization.

Equally important is the early definition of the organizational structure after integrating the two organizations into "one Willbros" and establishing roles and responsibilities for all positions.

3. **Value Creation Vision** – The vision should identify value sources, set financial growth and synergies goals, be embraced by both entities and communicate broadly and frequently. The Executive Leadership Team (ELT) clearly articulated the strategic and functional rationale for the merger. Still, the Integration Steering Team (IST) did not communicate this rationale to the integration teams and the organization. The goal of what the merged companies could/would become was not well defined. This is attributable to the late release of the strategic charters to the individual teams, and the Team Leads/Deputies not setting near-term priorities for integrating systems, people, and processes.

   Stretch targets for post-acquisition financial growth and synergy capture must be adequately outlined or implemented. The Willbros goals fell into what may be categorized as 'minimum requirements’ and were not used as 'stretch goals.'

   The 'minimum' requirements included rationalizing functional back office costs, increasing capacity to pursue 'small pipe' projects, expanding the customer base into new markets and regions, and increasing annual revenue derived from recurring MSA and M&M contracts (defined below).

   - The rationalization of functional back office costs was underway at closing, and cost savings were realized. However, this effort stalled when the InfrastruX corporate office was closed and migrated to the Willbros office.
   - The upstream business segment embraced the opportunity to increase capacity to pursue 'small pipe' projects by absorbing B&H and developing a 2011 Strategic Tenet to open regional offices.

- Expansion into new markets and new regions could have been a success. This could be attributable to a lack of feedback to the Integration Steering Team regarding opportunities and 'wins' from cross-selling the new organization. The IST could not establish a system that adequately tracked, reported, and quantified cross-selling 'wins' for the ELT.
- The following year, the benefits derived from recurring MSA and M&M contracts were moved to the yearly business Strategic Tenets. This effort needed to be faster in developing.

The 'stretch' goals included opening new businesses (mid-stream gas projects) in the shale oil plays, capitalizing on Willbros 'linear transportation construction management' by applying it to the electrical energy sector, and diversification into large electric transmission and distribution projects.

- The Upstream business segment addressed shale plays in their 2011 Strategic Tenet. However, efforts did not materialize.
- Capitalizing on Willbros processes and procedures for 'linear transportation construction management' and applying them to the UT&D business segment has yet to progress.
- Diversification into larger electric transmission and distribution projects was lowered in priority, and minimal efforts were made to promote this initiative.

The value creation vision must be embraced by both entities and communicated well across the organization. The vision was communicated solely through releases via the company intranet, to which InfrastruX had no access. Therefore, the communications effort fell woefully short at the InfrastruX management and the general Willbros public levels.

4. **Identify Value Creation** – The July Executive Leadership Team (ELT) meeting focused on value creation. The first issue addressed was what Willbros would need to preserve to create value. The Oncor work, under contract by Chapman, was identified as critical to the acquisition's success. Likewise, Hawkeye was viewed as a key to the future success of the acquisition. Priorities were established to address synergy capture from other InfrastruX groups as well. One issue not fully addressed was what Willbros would be prepared to relinquish to increase investment returns. Defining where to redesign, create, adopt, or eliminate (by segment, organization, process, or geography) was not thoroughly investigated until each business segment developed the 2011 Strategic Tenets.

The next issue addressed the approach and structure used for the merger. The ELT was clear that InfrastruX would be integrated into Willbros, resulting in "one Willbros ."The ELT also indicated that they intended to apply the best practices of both organizations to the combined entity. Willbros appeared to have more expertise in this area; however, in specific areas, InfrastruX employed upgraded capabilities (JD Edwards and IT applications), which would benefit the Willbros organization. The integration approach intended to harmonize rather than homogenize the two organizations.

The next issue to be addressed is integration leadership efforts. The integration organization is discussed above. The issue of how Willbros will keep current business segments operating smoothly while integrating InfrastruX and concurrently realizing synergies is critical. As proposed earlier, the COO should lead the integration process, allowing Willbros management to maintain the current business activities and entrusting the integration to be executed by other participants. Synergy capture was intended to be integrated and completed by other participants. Synergy capture was intended to be fast-paced and stretch the organization, although the pace was considered slow. Decision-making was to be centralized, with the decisions reverting to the ELT members.

The final issue to address is the staffing requirements. The decision model used was a form of a "top-down" approach. The ELT reviewed and approved decisions, including the individual business segment Presidents. Cultural differences were addressed through the use of Mercer, as described above. Retaining key personnel was viewed as critical, and a more active approach was employed for certain employees.

5. **Value Creation Imperatives** – Several imperatives were balanced simultaneously throughout the integration process. The first was to share the ELT value vision in a format that would resonate with the employees and have actionable steps. The strategic charters provided the action plan, which established direction for each initiative. More specifically, a definition of the action required by each Strategic Team would have been beneficial. The energy and creativity to drive the implementation were to have been supplied by the Team Lead and Deputy. Again, the team leadership roles were part-time positions and did not allow sufficient time for the initiative to be fully developed and implemented.

   A second imperative is to work diligently to incorporate the two organizations, creating a single, enhanced competitor. Carefully consider the integration execution strategy, leadership member assignments, managing change, and creating the new culture and synergies of the new "one Willbros."

A third imperative is identifying the appropriate combination of short- and long-term synergies. While Willbros did not segregate strategic initiatives into short- and long-term opportunities, they did prioritize the list.

6. **Value Creation Planning** – The first challenge is determining the optimal team structure and roles, selecting the right people for these roles, and deciding to what degree to involve senior management. We segregated the teams into functional and strategic. Functional teams reported to the Functional Team Leads. A recommendation would be to consider how combining functional responsibilities will necessitate an eventual restructuring of the emerging organization.

   Strategic teams reported to the Integration Steering Team (IST), which was charged with setting the strategic course of "one Willbros" reporting to the ELT. A recommendation would be to ensure the IST is staffed with full-time employees and assign the strategic teams tasks designed to deliver specific and tangible objectives.

   As item #2 above states, further consideration should be given to involving an outside consulting firm to assist with selected integration initiatives.

NOTES

1 Refer to excerpt, "After the Merger", Introduction

2 Refer to excerpt, "After the Merger", Trust in Speed

3 Further details can be found in G Citelson, J Bing and L Laroche, "The Impact of Culture pm Mergers & Acquisitions", (CMA Management 2001), Pitfall #2: List-Making

4 Further details can be found in Price Pritchett, "The Employee Guide to Mergers and Acquisitions", Dallas, Texas 2008) pages 6-7

5 Further details can be found in G. Citelson, J. Bing and L. Laroche, "The Impact of Culture on Mergers & Acquisitions", ", (CMA Management 2001), Pitfall #1: Preoccupation

6 Further details can be found in G. Citelson, J. Bing and L. Laroche, "The Impact of Culture on Mergers & Acquisitions", ", (CMA Management 2001), Pitfall #4: Infrequent & Irrelevant communications

7 Further details can be found in G. Citelson, J. Bing and L. Laroche, "The Impact of Culture on Mergers & Acquisitions", ", (CMA Management 2001), Pitfall#5: Triangulation