SAMPLE MEMO · SYNTHETIC COMPANY, FICTIONAL PEOPLE AND NUMBERS · NOT CLIENT WORK

Project Cardinal: can the organization deliver the plan?

TARGET	SPONSOR	DEAL	72-HOUR CLOCK
Cardinal Fluid Systems, carve-out from Hollis Industrial Group	Ridgeline Capital Partners	$412M EV · 8.2x LTM adj. EBITDA · IC within 30 days	Kickoff Mon 9:00 a.m. CT · Memo and readout by Thu 9:00 a.m. CT

BOTTOM LINE

The documents do not support the $6.4M year-one cost reset as modeled. About $5.47M of fully loaded people cost appears to be missing from the plan before any action is taken, and the layer removal that drives most of the target carries no restructuring cost.

Findings at a glance

People cost — RED
Compensation schedule exceeds the memo by $2.20M. Unstaffed corporate roles add $3.27M loaded. Total gap: about $5.47M.

Corporate build-out — RED
Plan assumes 41 standalone corporate roles. 23 people hold them today. Legal and Procurement have no one.

Layer removal — RED
Plan and org chart say six layers. Payroll reporting lines show ten. No restructuring cost is carried.

Headcount — AMBER
Plan treats 872 employees as 872 FTE (actual 861.0) and leaves out 31 paid contractors.

Change-in-control pay — AMBER
Memo says none identified. A draft schedule shows $1.95M gross; $1.81M is single-trigger to the buyer.

Revenue relationships — AMBER
One role owns accounts worth $102M, or 38% of FY26E revenue. $39.5M has no master agreement.

Source data — AMBER
Census and compensation extracts are four months apart. 79 rows do not match. Each conclusion states its population.

Plant leadership — GREEN
Payroll data already shows one VP of Operations with three plant managers, as the plan assumes.

Frontline spans — GREEN
Spans of 24 to 40 at team-lead level are normal for shift manufacturing and a call queue. Not a finding.

Red: the documents do not support the assumption, and it moves the model

Amber: needs evidence or a fix before IC

Green: the documents support it

What the documents show, and why it matters

Every finding names the documents it comes from and a confidence level. Findings describe roles, functions and structures, never named individuals.

01 People cost is understated by about $5.47M, fully loaded

RED · HIGH CONFIDENCE

WHAT THE DOCUMENTS SHOW
The compensation schedule totals $81,600,122 fully loaded across 878 rows. The memo carries $79.4M. Add $3.27M for 18 unstaffed corporate roles (Finding 02).

WHY IT MATTERS
About 85% of the $6.4M year-one cost reset is used up before any action is taken. The $4.3M of contract labor sits outside this figure.

QUESTION FOR THE DEAL TEAM
Which number is in the model, and has the cost reset been tested against the higher base?

Sources: Compensation Schedule (Comp Detail); Investment Memo Extract (People Cost table)

02 18 of 41 standalone corporate roles have no one in them today

RED · MEDIUM CONFIDENCE

WHAT THE DOCUMENTS SHOW
Plan: 41 corporate roles. Census: Finance 14, HR 6, IT 3. Legal, Procurement and EHS have no census rows. Gap base pay $2.505M, $3.27M at the memo's 30.4% load.

WHY IT MATTERS
Filling 18 roles, including a General Counsel, typically takes four to seven months (Portant estimate). The transition services agreement runs six months, with one three-month extension. No search cost is carried.

QUESTION FOR THE DEAL TEAM
Are these roles funded and vacant, or never funded? No open-requisition data was provided.

Sources: Operating Plan Extract (Standalone Corporate Build-Out); Employee Census (Department)

03 The structure runs ten layers deep, not six

RED · HIGH CONFIDENCE

WHAT THE DOCUMENTS SHOW
Rebuilt from payroll reporting lines, the deepest chain runs from the CEO to an assembly technician across ten layers. 647 of 903 rows sit below layer six. 11 managers have one direct report.

WHY IT MATTERS
Reaching six layers means removing four management levels, not trimming. The plan lists restructuring cost as "not separately provided," so severance and transition cost are missing.

QUESTION FOR THE DEAL TEAM
What restructuring cost and timing support a linear four-quarter realization?

Sources: Employee Census (Manager field, normalized); Org Chart As Drawn; Operating Plan Extract

04 Change-in-control obligations exist in a draft schedule

AMBER · HIGH CONFIDENCE

WHAT THE DOCUMENTS SHOW
A compensation workbook tab holds 11 executive agreements, $1,954,000 gross, not yet reviewed by counsel. The CEO's obligation is retained by the parent. Nine single-trigger agreements carrying cash total $1.81M; one double-trigger agreement is $142K.

WHY IT MATTERS
The memo states no material obligations have been identified. The plan to retain the executive team through year one depends on these terms.

QUESTION FOR THE DEAL TEAM
Has counsel received this tab, and is the exposure reflected in sources and uses?

Sources: Compensation Schedule (RetentionSched_v2_DRAFT tab); Investment Memo Extract (Open Items)

05 38% of revenue depends on one commercial role

AMBER · HIGH CONFIDENCE

WHAT THE DOCUMENTS SHOW
The SVP Commercial is owner of record on seven accounts worth $102M of $268.4M FY26E revenue. Three accounts ($39.5M) run purchase order by purchase order. No one below this role owns a revenue relationship.

WHY IT MATTERS
The plan assumes these accounts transition to a sponsor-installed leader in year one. No transition structure exists in the documents.

QUESTION FOR THE DEAL TEAM
Who owns the transition, and on what timeline?

Sources: Account Ownership file; Employee Census; Operating Plan Extract (Structural Assumptions)

People cost: memo versus documents

LINE	FY26E	BASIS
Total employee cost in the investment memo	$79,400,000	Memo, fully loaded
Total in the compensation schedule (878 rows)	$81,600,122	Schedule, fully loaded
Difference	$2,200,122	Gross
18 unstaffed corporate roles ($2,505,000 base at 30.4% load)	$3,270,000	Fully loaded, rounded
Estimated understatement before any action	**$5,470,122**	**About 85% of the $6.4M target**

Not included: $4.3M of contract labor the memo lists separately, $1.81M of single-trigger change-in-control pay, and restructuring cost the plan does not provide.

What holds

- Plant leadership consolidation is already visible in payroll data: one VP of Operations, three plant managers, no site general managers.
- Wide spans at team-lead and call-queue level fit the work. The plan's floor of eight is not at risk there.
- Three other apparent issues were checked and dismissed: two spellings of one location, a pay spread explained by geographic differentials, and one mis-keyed employee ID.

Decision implications

1. Re-base the people-cost line before IC and retest the $6.4M cost reset.
2. Request a restructuring cost estimate for removing four layers.
3. Set a corporate hiring plan against the transition services timeline.
4. Send the draft retention tab to counsel and confirm buyer exposure.
5. Name an owner and timeline for the commercial account transition.

Evidence limits

- Built from documents only: no management interviews, no system access, no contact with the target.
- The census (31 March 2026) and compensation schedule (31 July 2026) are four months apart. 79 rows do not match; they were not forced to join.
- No open-requisition data was provided, so Finding 02 is medium confidence.
- Capacity and transition assumptions have not been validated with management.

Information requests

- Open requisitions and approved budget by corporate function
- Census and compensation extracts from the same date
- Counsel's review of the change-in-control agreements
- Value of unvested long-term incentives for the SVP Commercial role

SCOPE OF THIS MEMO

This memo tests whether organizational and people-cost assumptions are supported by the deal documents. It is not a valuation, legal opinion, leadership assessment or redesign plan. Inputs: investment memo extract, operating plan extract, employee census, compensation schedule, org chart and account ownership file. Delivered with a 60-minute readout inside the 72-hour window.