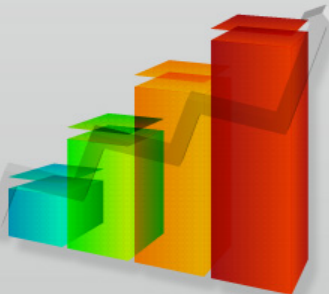


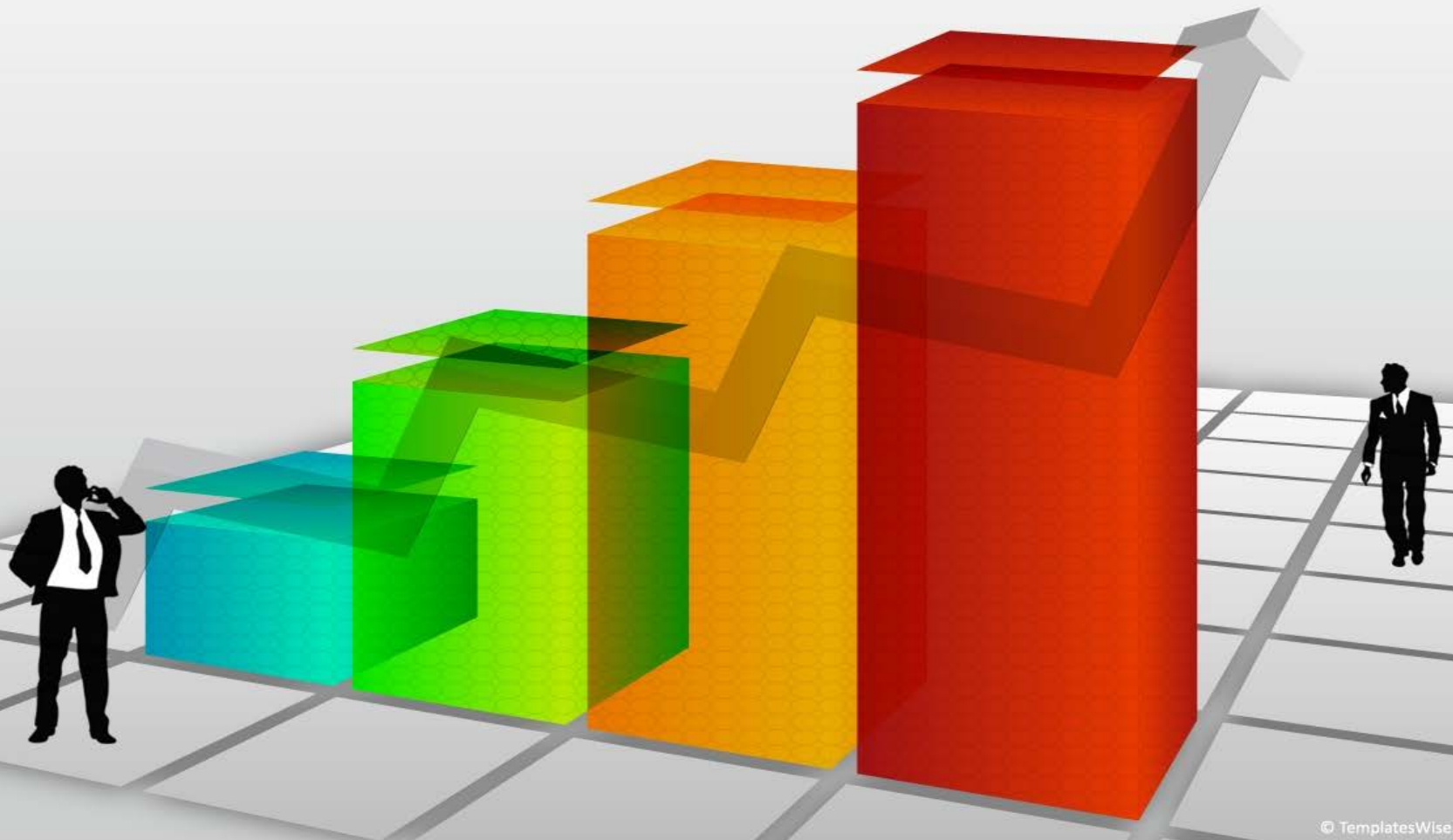


1. No **One** Individual Creates **Value** or Success
2. Attract, Develop and Retain The Best People
3. Share The Wealth – Create Significant Incentive to share A Passion for a Common Goal: 28% to 38%.
4. Recognize You – Successful.
5. Core Principals for Creating Meaningful **Value** and how to Scale to ensure Sustainable **Value**



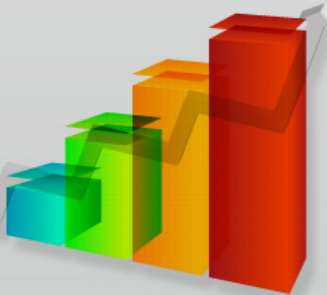
The Truth About Value Creation

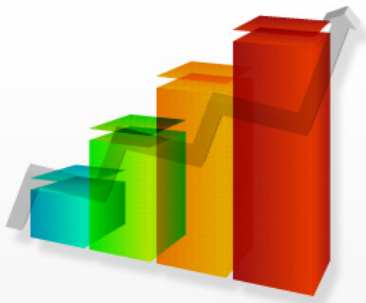
Sovren Group, Inc



Does This Really Apply To Me?

- Too small to bother with this? Been in business 15 years and doing fine thank you!
- Leave me alone can't you see I'm increasing sales and creating **value**.
- Why are CEO's paid more than the top sales people?
- How do you believe **value** for your Company is created? Who creates it?
- Do you have a **number** in mind and why should you have one?

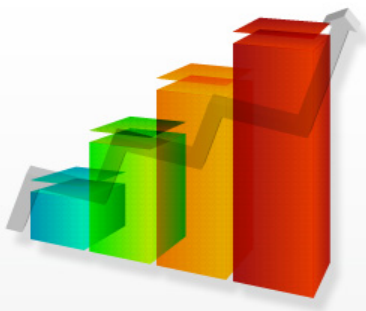




Three Ways To Get Paid

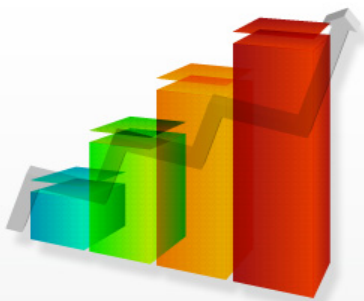


Learned as Both a Buyer/Investor and Seller



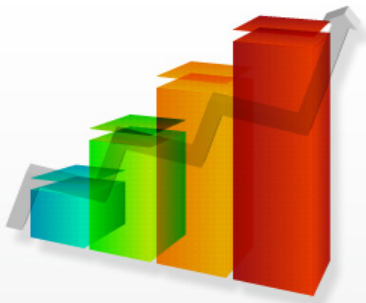
How do I determine the value of my Company?

1. EBITDA and Market Multiples (takes good will into account)
2. Multiples times Revenue
3. Add Assets such as inventory and receiveables.



Market Factors That Impact Value

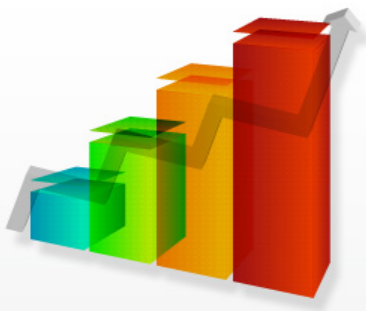
1. The Industry – High Tech vs Industrial
2. Size of sales and EBITDA – Market rewards
3. Gross and Net Margins
4. Buyer profiling and desired ROI. No dumb money.
5. Historical, current and projected growth rates
6. Recurrent revenue verses replacement revenue
7. Uniqueness of the **Value** Proposition
8. Concentration of Revenue by customer or client
9. Key people, customer and vendor retention
10. Risk profile. Lower Risk – Higher multiple.
Intrinsic factors



Where Does Value Creation Begin?

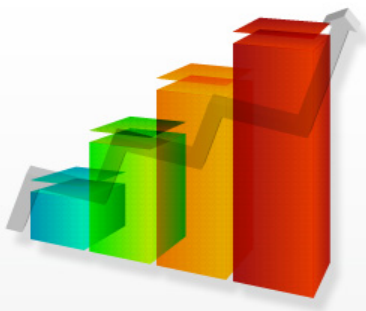


"You're close, Spencer, but usually a business plan is a little more involved!"



The Process of **Value** Creation

1. **Strategic plan** - A plan focused on **Value Creation**.
 - **Strategic**- the Value Proposition, Mission Statement, Vision Statement and Core Values and how to get there.
 - **Tactical** – strategies and tactics to execute on the strategy. CPI's, KPI's, Milestones
 - **Operational** – optimizing the processes and resources to implement day by day. **PEOPLE – Human Capital**

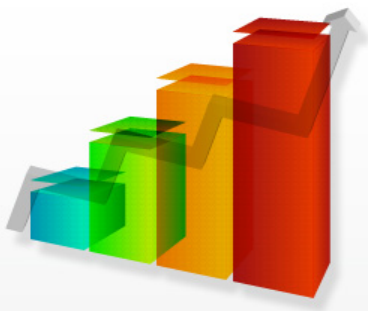


The Process of **Value** Creation

2. Accretive Sales Volume and Sustained Growth Rates
3. Sales – Optimization and Integration of Sales with Marketing.
4. Build and operate the Company so the market will assign a **premium value**. Risk mitigation.

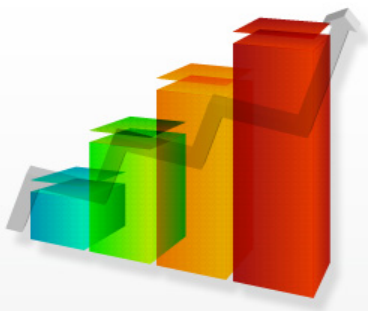
Buyers give a company with a clear and applied Mission Statement and Core Values, systems, processes, reviewed financials, longer term banking relationships, excellent financial management and a proven and experienced management team a **premium value**

5. Recurring revenue commands a higher multiple verses replacement revenue.



The Process of **Value** Creation

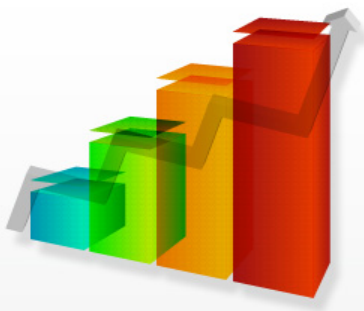
6. Gross and EBITDA margins
7. Metrics at industry or above industry standards, i.e. inventory
8. Niche products and services – mini conglomerate – risk diversification– **Sovren** Services and Products Continuum Model
9. Singular focus but best in class
10. Lack of Owner dependence - transition



Ultimate Value Creation



Microsoft Corporation, 1978



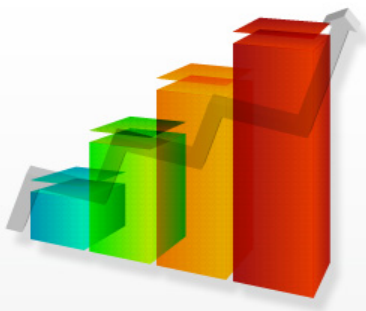
Case Study 1 – Product Continuum Model

Waste Water Purification Technology Company

- Purchased controlling interest for \$400,000 in 1998. Sold 2001 for \$16.6 million. Raised \$2.2 Regulation D capital.

Value drivers: NASA Designed Technology

1. Septic Replacement Systems – Crapper Zapper. Potable water.
 - a. Single Family – Malibu – Green/ sustainability
 - b. Sub-division developers and builders - yield
2. Product Continuum Model – Trains, Planes, Boats - \$3 mil product development contract
3. In the middle of scaling and investing – EBITDA \$1.6



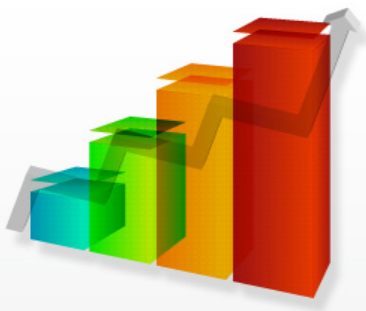
Case Study 2 - Diversified Growth Strategy

Real Estate and Facilities Services Company

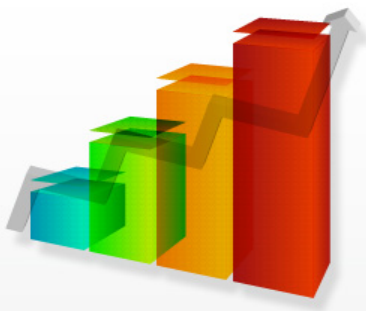
- Beginning value 1990 \$1.8 Million. Sold 1997 for \$234 million. EVP Strategic Businesses, President of Corporate and Facilities Services Division, CEO International Company

Value drivers:

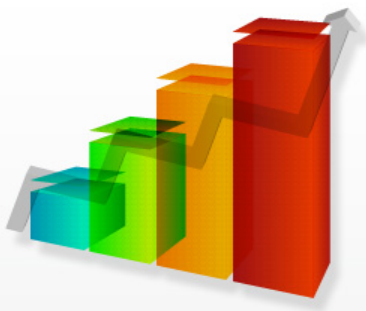
1. Organic growth refocus. Self developed to third party
2. Create a distribution system – 23 domestic and 9 International acquisitions. **Accretive earnings**
3. Service and Product Continuum Model – Five new business units – divisions formed. Corporate, Institutional, Technical



4. Private Equity – Public – Private Capitalization
5. Business plan brief cardinal rule – Best practices and best athlete
6. Scaling - Standards and Foundations Department and KOLL College.
7. Business development, sales, marketing, PR machine. Integrated and accountable through CPI's, KPI's, Milestones
8. A mantra and mind-set of growth and value creation
9. Every key manager was an stock holder. Employee profit sharing.

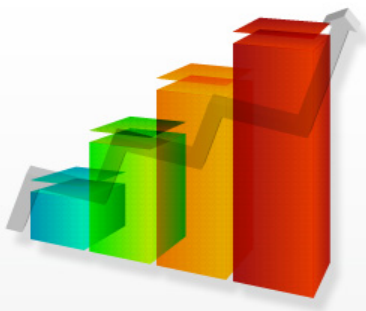


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Dunn and Bradstreet's research shows that 96% of businesses in America fail due to Managerial Incompetence.





Obstacles To Scaling Successfully

KNOWLEDGE – Don't know what you don't know so find out and do

something about it! Check your ego at the door!

- “Then we will”
- Lack of a Business and Financial Plan that is reviewed and updated annually
- Lack of knowledge in key business processes and systems, book-keeping and accounting, sales and marketing, manufacturing, scaling itself, etc - **get knowledge**
- You will eventually run out of cash if you keep flogging a dead horse i.e. investing for growth - . 95% of small business fail within the first five years due to this reason.

Conserve Cash

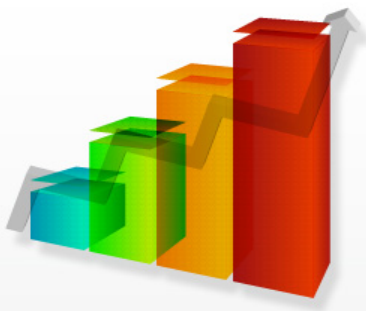
Invest Aggressively



Search for Product/Market Fit

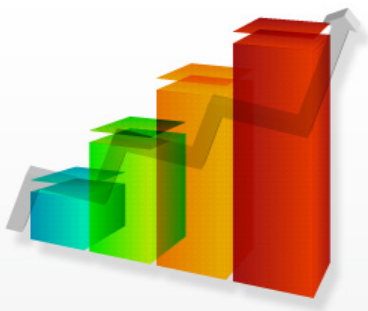
Search for Repeatable & Scalable Sales Model

Scaling the Business



How to Scale Successfully

1. Invest for growth
2. Repeatable and scalable Sales Model
3. Know when you out grow a person and make the change
4. Technology from copiers to phones to computers to software packages
5. Processes, systems, policies all need to be updated
6. Cross train leverage – Hybrid concept
7. Fractional help – Form an alliance with a temp agency
8. Cash flow projections – growth uses more cash – rolling 12 months.
9. Personal skills development
10. Know when you need help and hire the right and best help. Accept that you are not gifted in all things.



Then I will or Now I will?

