

NORTHSPAN

COMMUNITY BUSINESS ORGANIZATIONAL DEVELOPMENT

PREFERRED VALUE ACCELERATION METHOD



Whether your business is on the verge of a transition or you're just looking for a long-term plan to build its value, Northspan's preferred value acceleration method lays the groundwork to build wealth. It uses proven facilitation methods to guide clients toward clear goals and feasible, achievable action steps. While our specific scope may vary from client to client, this method drives our work.

OUR GOALS FOR YOU

1. Maximizing the value of your business
2. Ensuring you are personally and financially prepared
3. Ensuring you have planned for the third act of your life

WHEN DO YOU PLAN TO TRANSITION YOUR COMPANY?

- 13% plan to transition within 1-2 years
- 23% plan to transition in 3-5 years
- 34% plan to transition in 5-10 years
- 30% have no plans to transition and are looking to build value

Source: 2019 Nebraska State of Owner Readiness Survey

TYPES OF APPRAISAL REPORTS

- A. **Abbreviated Valuation:** Calculation of Value Engagement Report
- B. **Basic Valuation:** Short Form Appraisal Report
- C. **Comprehensive Valuation:** Formal Detailed Appraisal Report



TYPE A. Abbreviated Valuation: Calculation of Value Engagement Report

A calculation of value engagement report will have the following content:

1. Initial conversation with business owner or banker to determine purpose of valuation and type of report needed

- a. Business engagement/client correspondence
- b. Correspondence & materials collection

2. Conduct valuation using the following guidelines:

- a. Conduct financial statement spreads
- b. Research industry for comparable sales and regional economic data
- c. Research geographical location for median and officers' wages
- d. Analyze business value using the cost approach
- e. Analyze business value using the income approach
- f. Analyze business value using the market approach

3. Compile & write report(s) and assumptions

4. Final format valuation report in in design

5. Meet with client to review the business valuation report and conclusions of value, and discuss next steps based on the purpose of the business valuation report



TYPE B. Basic Valuation: Short Form Appraisal Report

The short form appraisal report presents conclusions together with brief generalized comments that has the following content:

1. Initial conversation with business owner or banker to determine purpose of valuation and type of report needed:

- a. Business engagement/client correspondence
- b. Correspondence & materials collection

2. Conduct valuation with the following actions:

- a. Conduct financial statement spreads
- b. Research industry for comparable sales and regional economic data
- c. Research geographical location for median and officers' wages
- d. Analyze business value using the cost approach
- e. Analyze business value using the income approach
- f. Analyze business value using the market approach
- g. Applicable discounts and premiums such as minority interest, control, marketability, or lack thereof
- h. Compile and calculate value of business

3. Compile & write report(s) and assumptions

- a. Initial formatting, data entry and report write-up
- b. Identify the business description, organization type, and purpose of appraisal; look up state of incorporation and other applicable information
- c. Incorporate classes of securities outstanding and a list of shareholders into report; include the effective as of date of the appraisal, the date report was prepared
- d. Note any special factors and assumptions that affected the opinion of value

4. Final format valuation report in in design

5. Meet with client to review the business valuation report and conclusions of value, and discuss next steps based on the purpose of the business valuation report



TYPE C. Comprehensive Valuation: Formal Detailed Appraisal Report

The formal detailed appraisal report is a prepared comprehensive business appraisal report that has the following content:

1. Initial conversation with business owner or banker to determine purpose of valuation and type of report needed

- a. Business engagement/client correspondence
- b. Correspondence & materials collection

2. In-depth economic research and data collection

- a. Research economic conditions affecting the business, its industry, and the general economy
- b. Trend analysis of general economy and business industry
- c. Write economic outlook description and narrative

3. Conduct valuation with the following actions and considerations:

- a. Conduct financial statement spreads
- b. Ratio/Other Financial Analysis
- c. Research industry for comparable sales and regional economic data
- d. Research geographical location for median and officers' wages
- e. Analyze business value using the cost approach
- f. Analyze business value using the income approach
- g. Analyze business value using the market approach
- h. Applicable discounts and premiums such as minority interest, control, marketability, or lack thereof
- i. The consideration of relevant data including:
 - i. The nature and history of the business
 - ii. Past results, current operations, and prospects of the business
 - iii. Past sales of interest in the business enterprise being appraised
 - iv. Any special factors that affected the opinion of value. Such factors include, but are not limited to, buy-sell agreements, restrictive stock agreements, corporate articles, bylaws and resolutions, partnership agreements, litigation, regulatory compliance, or environmental hazards.
 - v. When valuing a majority interest in a business on a "going concern" basis, consider whether the business' highest value may be achieved on a liquidation basis
- j. Compile and calculate value of business

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TYPE C. Comprehensive Valuation: Formal Detailed Appraisal Report, Continued

4. Compile & write report(s) and assumptions. A formal detailed appraisal report is a prepared comprehensive business appraisal report that has the following content:

- a. Initial formatting, data entry and report write-up
- b. Identify the business description, organization type, and purpose of appraisal; look up state of incorporation and other applicable information
- c. Incorporate classes of securities outstanding and a list of shareholders into report; include the effective as of date of the appraisal, the date report was prepared
- d. Include the definition of the standard of value that is the purpose of the appraisal; the report's assumptions and limiting conditions and the principal sources and references used by the appraiser
- e. Identify the valuation approaches and methods considered and utilized and approaches and methods rejected; the research, sources, computations, and reasoning that supports the appraiser's analyses, opinions, and conclusions
- f. Final report review updates and include certification

5. Final format valuation report in in design

6. Meet with client to review the business valuation report and conclusions of value, and discuss next steps based on the purpose of the business valuation report



APPROACH

Northspan designs an engagement scope with the prospective client and presents a proposal. If accepted, Northspan's preferred value acceleration method includes three phases:

- I. Discover
- II. Prepare
- III. Decide

PHASE I: DISCOVER | CREATING ACTION PLANS

- **Conduct Personal, Financial, and Business Assessment**
- **Determine Type of Appraisal Report and Conduct Business Valuation**
 - TYPE A. Abbreviated Valuation: Calculation of Value Engagement Report
 - TYPE B. Basic Valuation: Short Form Appraisal Report
 - TYPE C. Comprehensive Valuation: Formal Detailed Appraisal Report
- **Launch into Prioritized Business & Personal Action Plan which is conducted over 6 workshops:**

Workshop 1: Education

1 hour

Deliverable: Team educated on the Value Acceleration Method

This includes overall education on the VAM process and the expected outcomes of each workshop.

Workshop 2: Strategic Framework Consensus

3 hours

Deliverable: Historical Scan and 3- to 5-year Goals, Actions, and Outcomes Identified

This includes an environmental scanning tool to ground the 3- to 5-year plan.

Workshop 3: Focus is on the next year and first quarter

1 hour

Deliverable: 1-year and next quarter priorities

This workshop focuses on what needs to be accomplished in the first quarter.

Workshop 4: Team Alignment

Up to 3 hours

Deliverable: Opportunity Assessment

This workshop is with those who were assigned a quarterly priority. Each champion will describe their action/project using the Opportunity Assessment format.

Workshop 5: Metrics and Feedback System

1 hour

Deliverable: Individual and Company Dashboards

In this workshop, we will develop a handful of key performance metrics that will provide regular feedback.

Workshop 6: Rhythm

1 hour

Deliverable: Meeting and Workshop Rhythm which may include:

- 12, Mid-Month 1:1 Check-In Workshop with project champions, 30 minutes each
- 12, End of Month Accountability Team Workshop, 1 hour
- 4, Quarterly Renewal Workshop (Every 90 Days), 3 hours
- 1, Annual Retreat, 6-8 hours

PHASE II: PREPARE | EXECUTING & DELIVERING ON THE ACTION PLAN

- **Formalization of Master Business & Personal Action Plan and documented proof of assessment**
- **This is done internally with check-ins and is set up based on Workshop 6**
 - 90-Day Projects
 - < 90 Days Tasks
 - 30 Day Milestones
 - Deliverables/Outcomes (accomplishment of an action)
 - Get into the Rhythm



PHASE III: DECIDE | GROW OR EXIT

Exit Options Pros & Cons Workshop *90 minutes*

Keep or Sell Workshop *1 hour*

- Revisit every 90 days
- Reassess Business Valuation each year

DELIVERABLES

1. Personal, Financial, and Business Assessment
2. Initial Business Valuation & Reassessment
3. Prioritized Business & Personal Action Plan



EMBEDDED METHODS

Focused Conversations create a setting for meaningful communication.

- Provide a structure for clear dialogue and reflection
- Probe beneath the surface to the depth of a topic
- Encourage a diversity of perspectives
- Create shared awareness

Consensus Workshops lead to consensus-based group decisions that respect diverse perspectives, create joint resolve and inspire individual and group action.

- Engage all group members
- Organize the group's ideas and decisions
- Reveal the consensus in large groups
- Build effective team partnerships
- Create shared agreement

Action Planning is an approach to short-term planning for events or projects that already have group agreement.

- Visualizes the completed task
- Analyzes the current situation
- Focuses the group's commitment
- Sets up clear forms of accountability
- Develops a coordinated action timeline
- Creates commitment to action

