

BHA OVERVIEW

Every year thousands of people visit their doctor for an Annual Check-Up. The practice is seen as a wise habit to help identify health problems before they become serious, and an opportunity to receive counsel on changes that need to be made to maintain health as a person ages. When an insurance company is going to underwrite someone's health they want to know how good it is before they accept the policy. It makes good sense!

Why don't we see the same practice of regularly evaluating the health of a company followed in the business world? Company leaders often find themselves surprised when changes in the business world reveal long hidden flaws in the operations of their company that threaten the survival of the company. Investors many times find their investment destroyed when unforeseen issues are revealed. If only something had been known earlier, correctional steps could have been taken and the companies health and vitality protected and enhanced.

Synogy sees a number of problems facing business leaders who want to assess the health of their company:

- ◆ Company employees are focused on their own challenges and usually do not have time to step back from bumping into trees to see the whole forest.
- ◆ Problems seen by lower level staff are often not communicated to upper level leadership until it's too late to respond strongly.
- ◆ The "difficult" questions about the wisdom or effectiveness of systems are often not asked or addressed for fear of offending leadership and endangering jobs.
- ◆ Due diligence or assessment by most outside consultants usually focus on the financial status of the company, not a holistic evaluation of all functional areas and systems of the company.

Synogy's Business Health Assessment (BHA) provides an effective answer for all of these issues. Each BHA, whether performed for a strategic internal evaluation of the company or completed as Due Diligence for an investor, provides insight into all of the key functional areas of a company's operations. A carefully developed analysis process uses a series of questions which provide insight into the health and effectiveness of each area of the company. A Basic BHA minimizes the time and expense for the BHA by focusing its assessment on input from management personnel with cursory input from line staff. A Complete BHA provides a more complete and accurate evaluation because much time is spent collecting and validating information, and analyzing the effectiveness of operational systems by spending time on the "front lines" with the staff involved in accomplishing the company's work for each functional area of the evaluation.

From this process a Business Health Report is developed to reveal areas of opportunity for improvement, growth, increased effectiveness, and expanded profitability. Many of the suggestions presented with the Business Health Report will include an estimate of the economic values that can be realized by improvements in suggested areas.

Synogy's Business Health Assessment provides company leadership, and investors, with a vehicle for determining opportunities to improve a companies effectiveness and for identifying any crisis issues that threaten the existence of the company. The BHA can provide a foundation for a healthy and profitable future. We believe a Business Health Assessment will be one of the most valuable investments made by your company.

Committed to serving you to build YOUR success...

Hank Tate CEO

OBJECTIVES

The objectives of the Business Health Assessment are to:

1. Serve business owners by:
 - Helping clarify the vision and strategy for the business
 - Identifying areas that need more attention or resources
 - Being an advocate for getting the resources necessary to succeed
 - Mentoring the business owner to help learn the business of business
2. Serve investors by providing:
 - Accurate feedback on the business' strength and potential
 - Validation of information and claims in business plans
 - Awareness of potential problems
 - Identification of additional opportunities or value

AREAS REVIEWED

LEGAL/CONTRACTUAL/ RISK ISSUES

- Business structure and ownership, exit strategy
- Investor relationships
- Insurance risk & coverage
- Regulatory burdens & compliance
- Risk management

VISION AND STRATEGY

- Company's vision / mission communication
- Strategic objective
- Business plan
- Financial projections & assumptions

FINANCIAL AND TAX

- Financial statements (P/L, balance sheet, cash flow)
- Overview of accounts receivable and accounts payable
- Budgeting and planning (including capital and credit requirements and cash flow)
- Verify financial controls
- Overview of professional and banking
- Prove tax returns completed
- Facilities – own/lease, terms and cost, adequacy
- Asset reporting & management

MARKETING PLAN AND COMPETITIVE REVIEW

- Marketing plan and growth projections
- Marketing materials design & effectiveness
- Corporate image materials
- Competitive advantage
 - intellectual property (incl. patents, licenses, trademarks and copyrights), proprietary processes or software, R&D
 - distinctive operations and image
- Participation in professional organizations
- Competitive Intelligence
- Customer relations & intelligence

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|-------------------|--|
| PEOPLE | <ul style="list-style-type: none"> ▪ Culture ▪ Strength of leadership team ▪ Effectiveness of organizational structure ▪ Employee relations (including turnover, benefits) ▪ Management / staff cohesiveness ▪ Effectiveness of leadership and staff development ▪ Training systems ▪ Recruiting systems ▪ Employee orientation processes |
| OPERATIONS | <ul style="list-style-type: none"> ▪ Effectiveness of systems and process for <ul style="list-style-type: none"> ○ Marketing ○ Sales ○ Purchasing ○ Production and Delivery ○ Customer Service |
| TECHNOLOGY | <ul style="list-style-type: none"> ▪ Computer network systems ▪ Data management & security ▪ Internet use & security ▪ Telephone systems & policies ▪ Inter-staff communication systems |

TYPES OF ASSESSMENTS

Synogy recognizes that different companies have different needs in different circumstances and has developed the Business Health Assessment into a system that can be used in three ways.

CURSORY

A Cursory BHA is provided where only a brief overview of the structure, character, and operations of the company is needed, such as when an investment broker needs a first look to determine if a company is an appropriate prospect for pursuing funding. The Cursory BHA is:

- 1-2 Man days
- Upper Management only providing input
- No validation of the companies claims
- Determines existence of business data & structures
- Provides tool for collecting key documents

BASIC

The Basic BHA is the starting place for a company that wants to evaluate its health and identify opportunities to increase effectiveness and profitability, or for an investor wanting to validate a decision to invest funds into a company. In the Basic Business Health Assessment, all evaluations are based on discussions with management, a cursory review of available documents, and observation. The Basic BHA provides basic information for a fixed price:

- 10 Man days
- Input from all levels of staff
- Validation of key company claims
- Identifying major breakdowns in operations or communication
- Report reviewing results and opportunities for improvement

COMPLETE

A Complete BHA is an extension of a Basic BHA. In the Complete Business Health Assessment key company claims are directly verified. Multiple layers of management and staff are interviewed, key systems and processes are analyzed, documents are reviewed, independent market research is performed, and select customers and vendors are interviewed. The Complete BHA also provides full validation of all significant company claims for an investor.

- 10 Mandays for Basic + additional mandays (10-30) depending on:
 - Size of the Company
 - Complexity of Company Structure
 - Level of assistance from management and staff to acquire information
- All levels of management and staff participate
- Significant time spent with line staff assessing operating systems & processes
- All key documents are examined for validation
- Customers are interviewed to assess satisfaction and perceptions
- Vendors are interviewed to assess satisfaction and perceptions

COMPARISON CHART

The following chart reflects the comparative amount of time spent with each level of personnel in the company to complete each of the types of Business Health Assessment. The Complete Business Health Assessment also includes time with Customers and Vendors to assess the effectiveness of the company’s external relationships.

The bars demonstrate the relative amount of time spent and are not indicative of actual time required. The actual time will vary based on the size of the company, complexity of the company’s structure, and the level of support and assistance from management and staff.

