

August 9, 2010: How MidasNation Works

I founded MidasNation so that more companies could compete effectively in this new era of business called the Aggregation Age. This Age reflects the reality that firms around the world have evolved and learned to leverage their intellectual capital (know how) in ways that were not possible just ten years ago. Firms are aggregating their industry spaces without actually owning them. Control – not own – your sphere of influence is the mantra of this Age. Knowing how to play by the new rules in this Age can lead to substantial value creation.

Because change is now exponential, those who position themselves in front of the change wave can generate dramatic results in short periods of time. For the prior five thousand years or so before the 1990s, humanity experienced arithmetic change (1 plus 1 plus 1, etc.). Humans were the agent for change then, and we change ever so slowly. Technology is now the agent for change, and the Internet enables geometric change (3 times 6 times 9, etc.). An increasing rate of change means that a very few people can have an overly dramatic impact on their surroundings. I call these people capable of making this dramatic impact Value Architects.

The Aggregation Age follows a simple rule: incrementalism leads to more of the same; departurism can lead to financial independence. This means that we must revolutionize ourselves and our businesses in order to control our destiny.

All great movements are built on a great insight. MidasNation is built on the following: we can modify the behavior of any motivated business owner so they can become a Value Architect, thus enabling them to create substantial business value. We have learned that this behavior modification system is replicable and scalable. Can you see what this means? We can change America for the better. Together, we can change the entire ballgame.

We *mentor* because that's the only way to enforce behavior modification. You can't consult your way there. You can't talk your way there. You must show the way by drawing on people who have already reconceptualized their own behavior. Enter Midas Mentors.

Mentors have been successful business owners and managers because they understand the role of revolution in a business and market. Midas Mentors believe that if you run with the pack, you'll get a pack return. And that's just not good enough. We're 10x'ers - meaning we intend to increase the value of a business by at least 10 times from where we find it.

So how do we help owners realize a tenfold increase in the value of their businesses in just 3-4 years? We surround business owners (we call Mentorees) with 3-4 Midas Mentors and then employ an aggressive value creation process. We not only change the owner's (and their key managers) behavior, but we do this without hurting the main business. We're niche-aholics, and we help the management team identify 2-3 niches that leverage the company's intellectual capital. For the first year we build-out these niches by utilizing a Midas aggregation business model. It takes about a year for the team to learn to manage in a highly leveraged (intellectual capital, IC, not debt) model,

which uses market makers and strategies that deliver 10x results. Once behavior is modified, the management team can't imagine operating any other way. In other words, they become value architecting niche-aholics.

So how are we paid for helping to generate such a massive change? MidasNation gets a fixed fee (at cost) for creating a Company Wealth Map, which is the next generation strategic plan. The Map shows the niches, business model, strategies and tactics required to meet the value creation goal. It describes the revolution, both on a management behavioral and company change basis. Beyond paying a fixed fee, there is no further commitment by the owner or MidasNation to move to mentoring.

If, assume after the Map is presented, the company ownership and Midas agree to move forward., An agreement is then created that describes the responsibilities of the parties on an ongoing basis. This agreement also fixes a beginning value for the mentored company, and says that MidasNation (or one of its Institutes), will receive some part of the value created over some period of time, typically 3-4 years. This is typically 15% of the *new* value created over 3-4 years. The agreement states how the business will be valued over time = say 5 times recast EBITDA minus interest-bearing debt. MidasNation will never be a shareholder, nor will the business need to be sold at the end of the agreement. We'll refinance ourselves out at that time.

Why would a business owner give-up a portion 15% of the new value created in 3-4 years? Because the owner keeps 100% of the existing value of the business at the start of the agreement, and the large majority 85% of the new value created. In effect the owner realizes a substantial increase in value beyond what he/she would have ever achieved under his/her old way of doing business. For example, suppose the starting value of a mentored business is \$1 million, and after 3 years the new value is \$10 million. Midas would be paid 15% of \$9 million (the difference between \$10 million ending value and \$1 million starting value). What if no new value is created over the 3-4 years? In this unlikely case, Midas would receive nothing.

Look, it all comes down to the following: are you satisfied owning a business that likely won't create financial independence for you and your family, or do you want more from your business and life?

- Rob

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