

Nagy - AB Memo
Operation Barkley
2022

Mike,

I want to thank you again for partnering with me on the sale of the company and for being so great to work with. We just talked about this, but I thought it best to send you an email for your records. I'm estimating a payout to me of high six figures and maybe seven figures. Aside from the normal accounting work of preparing financials, due diligence, meetings and being on call, I like to think that I earned the upcoming payment through the unique ideas that I brought to the table. I'm hoping that you think that I went "Above and Beyond, i.e., AB" (incidentally I own the domain abmemo.com if you want to buy it, ha ha). Below is a list of these ideas.

Big ideas that I originated and/or I made a major contribution to:

AB - Awards Campaign to Build Awareness

AB - Found two top investment bankers that are a great fit.

AB - Deferred Revenue Addback for Valuation, identify economics that make cash basis relevant, Increase 2021 profit by 284k.

AB - Pushed for IT review of Thinkific, Introduced Jon A. and helped uncover hot link problem.

AB - After passing on Tyton fees, I pushed back to Mike and Nick and got everyone to revisit the fees and agree to lower the first-tier success fee by .5% (3.5 to 3 and increase the top tier). This, along with \$100k retainer offset will save about \$125k.

AB – The big tax deferral idea (purposely not including details here)

AB - Uncovered that we are not getting renewals. Prepared reporting in March and again in July showing unrenewed clients and helped to get renewal campaign going in time to effect valuation. This uncovered about \$100k in revenue at the most critical time which arguably increased the valuation several million dollars.

AB - Pushed for Continuing Education and suggested a path forward that's more palatable (i.e., testing using existing content from AB and augmenting with voice, one hour lunch and learns). This will help to improve the feeling that the company can continue to grow.

AB - Pushed to have HR review and brought in Kim. She's been quick, inexpensive, and high quality.

AB - Pushed for EBITDA addbacks since prior to real talks of selling (i.e. QBO classes for R&D). Worked with Mike to set up system in QBO to tag vendor payments and created a report that includes labor addbacks.

AB - Expanded on projections and built out a financial model with assumptions. This will build credibility with the buyer and show that we are thinking about a lot of variables. The financial model is on the conservative side and helped to make sales a priority.

AB - Pushed for making sales a priority heading into July. Calls with Mike to discuss strategy. Talk with Dan to get him to back up the message that we need to push for firm sales.

AB - Encouraged Venveo to start measuring our organic ranking; Challenged the low conversion from non-branded AB ads. We went from no listing, to page five and now on page two as of 8/11/2022. I think that Venveo forgot to index the website pages initially.

AB - Financial Model. Brought to the surface that old small firms are still renewing at \$900/firm and updated projection and project list such that all renewals will go to \$1800/firm starting in the fall 2022. Pointing this out in our buyer meetings so that they know there's meat on the bone.

AB – Promoting message that there may be folks sharing logins and there could be an opportunity to increase revenue by adding more security.

AB - Worked with Mike to reframe addressable market from seats to firms. Seats for individuals but firms for firms. This dramatically increases the total market size.

AB - Uncovered that link on website homepage for major content, "Tips for Passing Exam", was broken. Found this 8/1 during pivotal time of buyers looking at our stuff and new sales needed for valuation

AB - Introductions to Brandon, Pam and Katrina (along with Jon & Kim)

Other lesser ideas/contributions:

AB - Suggested putting together a 2023 marketing plan that we can hand over to buyer. One idea is to reach out to Architecture Influencers; have them promote AB and also swap out Mike's voice on AB content for some of theirs (not to exceed 5%). This helps with promotion and engagement.

AB - Did the reporting for the company growth animation

AB – Suggested narrative on Mike's process for triangulating test questions (shows superior process) Idea - we need a team, a process for harvesting exam questions, i.e. tutors that provide feedback on exam questions; so promote Mike's team of experts, Need to preserve note but also divest from Mike. Master Class

AB - Suggested that we may be able to post to A/R a lot of invoices as of 7/31/2022 that AP and Tyler have verbal renewal commitments from.

AB - Suggested adding ticketing system and a system to log test content shared by students

AB - Idea to do marketing campaign helping to get more architects, which have opt out, certified. This increased the addressable market in the projections.

AB - Solutions for low addressable market problem added 40,000 from unlicensed. Other ideas: 1. Expanding to other countries, 2. Stat tracking so that there's less incentive to share login

Thanks again Mike! Looking forward to getting this across the finish line.

Dave