



THE MAIN STREET FIVE STAGE BUYING PROCESS

PACIFIC M&A AND BUSINESS BROKERS LTD.

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GENERAL OVERVIEW

MAIN STREET BUYING PROCESS - PACIFIC M&A AND BUSINESS BROKERS LTD.

Passive Main Street Acquisition Program

This is a no-fee-to-buyer-based program that is passive in nature. Under the passive program, a professional Certified Business Intermediary will meet with you to determine and understand your acquisition criteria, however your ability to find a business matching your criteria will be limited to the business listed in Pacific's inventory. This program is designed for those looking for a "Main Street" business where the buyer is non-strategic, non-synergistic, non-industry, or non-financial in scope. You will also be notified of new Main Street listing opportunities that are added to the inventory. Though the Certified Business Intermediary is working with you to match inventory opportunities that meet your general criteria, the search is "passive" in nature and process.

Pro-Active Main Street Acquisition Program

This is a fee-based pro-active program that is not limited to passive opportunity matches. Under the pro-active program, the Certified Business Intermediary takes the time to determine, in great detail, the specifics of your desired criteria, succinctly articulates it in a blind solicitation mass mail broadcast using their proprietary Client Relations Management system to confidentially expose the specifics of your criteria to thousands within their internal contacts and those of their affiliates. In addition, they orchestrate a targeted search within the specific geographical, financial, industry, and other such criteria, and explicitly solicit specific targeted potential business opportunities that are not necessarily on the market.

This program is laser-focused in its search matching criteria and designed to generate acquisition search results that are accurate and effective in both criteria match, accuracy, as well as minimizing the time it takes to find the right business opportunity.

The Main Street Five Stage Buying Process

- Stage 1 - Qualification & Understanding
- Stage 2 - Business Search Criteria
- Stage 3 - Preparing an Offer
- Stage 4 - Due Diligence & Definitive Agreement
- Stage 5 - Closing



STAGE 1

QUALIFICATION & UNDERSTANDING

The process will vary somewhat depending on the selected search strategy of passive vs. pro-active.

Due to the sensitive nature of the information, during this very initial contact with you, whether in person or otherwise, Pacific seeks to ensure your interest is serious and qualified. Serious damage to a business could result if premature disclosure is made that a business is for sale where employees, suppliers, competitors or customers of the business find out. For this reason, and as a requirement of their contractual obligation with any seller, Pacific is required to maintain full and absolute confidentiality. You will therefore be expected to execute a Non-Disclosure and Non Interference Agreement (NINDA).

The Certified Business Intermediary is also obligated to ensure that you have the financial capacity to acquire a considered specific business, and may request some financial capacity, or net worth information in order to satisfy such obligation. This information is not disclosed to anyone, not even the seller of the business prior to and without, your explicit written consent. The information is used strictly internally for the specific qualifying purpose.

As part of this initial first stage, the Certified Business Intermediary will also provide you with any known disclosures, including disclosing the type of "Agency" he or she and Pacific would have with you. Unlike traditional real estate, in many business purchase and sale transactions, it is not uncommon for the Certified Business Intermediary to be in a Dual Agency or Limited Dual Agency relationship having a fiduciary and accountability duty to both buyer and seller. Though often seen as a potential conflict, if and when such relationship is professionally maintained, and where the law of agency is strictly adhered to, it actually affords one a greater level of professional competency, ethics, openness, and responsibility, resulting in a true win-win transaction for both buyer and seller, and full disclosures on all sides.

Before the Certified Business Intermediary is able to work with you in a Dual or Limited Dual Agency however, he or she would need your consent, and as such they will be sure to have such a conversation with you to ensure that the relationship is disclosed, and that you clearly understand the meaning of the engaged and/or implied agency relationship and consent to it. An open agency relationship discussion resulting in a clear understanding of such relationship will form part of Stage One.



STAGE 2

BUSINESS SEARCH CRITERIA

This stage will vary based on whether the search program is passive or pro-active, however in order for us to successfully match a business of your desired criteria, it is important that we are clear in our interpretation and understanding of your search criteria.

During Stage Two, and in order for Pacific to successfully match a business of your desired criteria that will become a “good fit” and “no regrets” business, it is important that Pacific is clear in their interpretation and understanding of your business search criteria, wishes, and desires.

Naturally, you also need to be realistic, and hence a candid search criteria discussion will take place between you and your Certified Business Intermediary so that your needs, and desires, are clearly articulated in your profile including your goals and expectations. Naturally, this will include an assessment of your finance ability, core operational competencies relative to the type of business you desire, and more. The depth in which this information is detailed will vary between the passive and the pro-active program with the pro-active program going into greater depth of detail.

Once clear, Pacific will review available business opportunities that match your expressed criteria and where each is presented with the appropriate overview, or detailed profile based on the Certified Business Intermediary’s comfort with your qualification and interest level. These documents will contain key decision-making information from market and industry data, to financial metrics.

This search process will vary here if engaged in the pro-active program, where such will be based upon the development and direct solicitation of a specific business targets with characteristics that could potentially meet with your specific search criteria. A mass mailing to Pacific’s pool of thousands of contacts including lawyers, accountants, bankers, and affiliates, confidentially outlining the specific search criteria will also form part of the pro-active program.

Often buyers like to get much more detailed financial and competitive information at this stage but as previously articulated, for confidentiality reasons, more detailed information will be limited to the post offer due diligence stage.

Upon satisfactory review of the presented materials, and assuming your interest level remains high enough to proceed further and learn more about the business, a meeting is arranged to view the business and meet the seller. Typically, this is a discrete visit arranged after hours to preserve the confidentiality that the business is for sale.

Naturally, with the pro-active acquisition program, the search criteria is much more in depth, and greater, and as articulated in the “Pro-Active Main Street Acquisition Program” section above.



STAGE 3 PREPARING AN OFFER

Upon a satisfactory visit to the business and or meeting with the seller, should you wish to move forward, the Certified Business Intermediary will review your expectations, the material information, including a review of the business value and its value drivers from your point of view, and thereafter, assist you in negotiating and preparing an offer, or request further information if so required to prepare and make such offer. As previously stated, any reasonable request for additional information will be honoured however, due to confidentiality issues, some information may not be released by the seller until an accepted offer is in place.

A seller may restrict some of the information they are willing to provide to you until such time as they determine the seriousness of your interest through the presentation of a written offer. Your Certified Business Intermediary will be in a position to best determine the conditions of honouring any additional information requests.

Under the pro-active program, there may be an additional assessment of value step prior to any offer consideration, and your Certified Business Intermediary will be happy to go through such details with you if engaged in the program.

Any presented offer will typically be subject to many contingencies, and when prepared by a Pacific Certified Business Intermediary will adhere to our standard format to provide for your protection throughout the offer process. Your Certified Business Intermediary, will also know what is likely to be acceptable by the seller thereby avoiding much back and forth, though one should expect some typical negotiations in the offer process. An offer will also typically contain specific terms and conditions such as conditions precedent to your obligations of buying, conditions of closing, required covenants of the seller, training and transition terms, non-competition clauses, times and dates of acceptance, subject removal dates, and others.

A good faith deposit typically follows an accepted offer or counter offer within 24 to 48 hours. The deposit is then typically increased within 24 to 48 hours of the subjects an/or contingencies being removed to approximately 15% of accepted and offered price. Such deposits are held in Pacific's non-interest bearing trust account pending to the close of the transaction.



STAGE 4

DUE DILIGENCE & DEFINITIVE AGREEMENT

Due Diligence is a process whereby the buyer reviews and affirms that all the provided information is true, accurate and satisfactory. Such review will vary based upon the structure of the deal (where a share price or asset purchase or in some cases, a hybrid) encompasses all levels of information including but not limited to corporate, legal, contractual, human resources, financial, which may include verification of earnings and normalizations, IP, taxation, insurance, and much more. The level of required due diligence will vary based on one's level of comfort, trust, and risk tolerance.

Your Pacific Certified Business Intermediary will assist you and/or your advisors in the due diligence process, and management thereof.

Upon satisfactory completion of the due diligence process, comes the removal of the "subjects" or waiving of the "conditions precedent" to a buyer's obligation to firm up the offer.

The lawyer for each respective side typically now commences their work in the creation of the purchase and sale agreement, (also referred to as the "definitive agreement") which is typically drafted by the purchaser's lawyer and reviewed and commented upon by the seller's lawyer. Buyers and sellers are typically responsible for their own respective legal costs.

The Certified Business Intermediary will work with you to ensure that the lawyers and/or accountants, and any other involved advisors have all the required information to perform their work accurately and efficiently, and reflect the agreed to terms and conditions within the draft agreements that all transaction related instruments are in place, and generally, successfully and effectively managing the whole process from inception to closing.



STAGE 5 CLOSING

Where inventories are included, an inventory taking is typically performed prior to closing and is coordinated and facilitated by the Certified Business Intermediary as well as such information as pro-forma or estimated closing net working capital calculations where the sale of shares applies, and much more.

The closing of the transaction takes place once the agreement of purchase and sale as well as any other required ancillary agreement is agreed to by the parties. Once again, your Certified Business Intermediary is there every step of the way to ensure a successful acquisition and close.

You are now the proud owner of your new business.

Post-closing, the Pacific Certified Business Intermediary will also coordinate and facilitate such post-closing activities as closing financial statements, release of hold back funds, progress monitoring, etc. in order to ensure a smooth transition to your new business and a successful ownership.

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