

P R O S P E R I T A S

EUGEN KLEIN REAL ESTATE BROKERAGE & MARKETING SYSTEMS

NOVEMBER 2003

■ Pre-market Listings!

■ Top Story: Selling A Business: Part II

■ Inside:

Investment

Opportunities

Editorial



Here is the second in a series of articles following the process of transacting a business. Featured in this month's

issue: "Complexity of the Selling Process".

We will be adding a new 'resource' section to our website, and as this series continues, you will be able to download previous issues from our website including additional resources. Only our subscribers will be able to download the newest PROSPERITAS, featuring our pre-market listings. Subscription is complimentary so feel free to tell a friend.

Let me focus your attention also to my community section where I have assembled some of the best professionals in the business. They have saved me countless hours and have allowed me to offer my clients better service. Feel free to contact them should the need arise.

If you should have any questions regarding the disposition of your commercial investments or business, please call me to discuss your position at your convenience. With the increased activity in today's market an accurate estimation of value is the best place to start.

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When I am approached by owners seeking advice on selling their business, my first task is often to inject some reality into their expectations regarding the selling process. As the time nears to sell, business owners foresee the terms of sale including an all cash transaction, and anticipate a process that may take, at the most, a month or two. It is imperative that you talk to a business specialist when you are first considering the possibility of selling, rather than at the last minute when you are under time and perhaps financial limitations which can critically affect the possibility of obtaining the value you desire from the sale.

Although every real estate transaction is unique, there is without question the greatest variety of issues in business brokerage. For that reason, it is often considered the most complex channel to navigate; for that reason it is also most difficult to find qualified and experienced advisors who can pilot you through the narrows and shoals.

If you have the assistance of a qualified and experienced business broker, it may be wise to carefully evaluate the advice before making

Look Ahead

Part II: Complexity of the Selling Process

By Eugen Klein, B.Comm(UREC), CRES, ARM®, RI, FRI
Real Estate Broker

decisions. From my own experience the selling process normally takes between three and eighteen months from start to finish depending of course on the business size and type. During that time it is typical for dozens of inquiries to be made and only a few proceed to the offer stage after prequalification; this is followed by a month or two of intense negotiations after which it may become apparent that the investors are not satisfied with the internal workings of the business or acceptable terms can not be reached. For this reason, I am in the constant process of entertaining several purchasers at once, market permitting, to save my vendor time and money. This creates an emotional atmosphere of

highs and lows that can be a great stress if you have not been properly prepared to accept it.

Very often owners are reluctant to enter into longer marketing agreements. In other professions where payment is by the hour, this may seem like a prudent measure, but because brokers are paid only when they are able to arrange and complete a transaction, it is entirely within their interest to get things

(continued on page 4)

T E S T I M O N I A L S

"I wanted to write you this note to thank you personally for your support over the past 12 months as a valued member in our coaching program. It has truly been our pleasure to be of service to you ... You are someone that should not settle for anything less than greatness, and have much value to offer the world."

Richard Robbins
President and Founder
Richard Robbins International Inc.

"I have been involved in a variety of businesses: mining, nightclubs, hotels, shopping malls, buildings, and I have met and dealt with numerous people. In all of my 64 years I have never encountered nor expected to encounter a guy like him..."

I know that he devotes exactly the same care and attention to his clients' investments as he does to his own. He is a man of tremendous integrity.

I encourage you without reservation to rely upon Eugen to answer your real estate questions and your real estate needs. Or call him any time for advice, on any matter; he is always happy to give it, and it never fails to be useful. He is truly a pleasure to work with."

'Rocky' Roy Cameron
BC Lions Alumni

"I have known Eugen Klein for approximately fifteen years. I am impressed by his commitment to life and all its opportunities and challenges. By my experience he is hard working, honest, intelligent, sincere and courteous."

John Windsor, R.I.(B.C.), F.R.I.C.S.,
President
North American Property Corporation

Please visit us on the world wide web at www.eugen-klein.com

Goddard & Smith
International Realty Inc.



EAGLE RIDGE

- 20 lots available
- Lot Grizzly Lot #13
- 3.2 Acres, with view
- Osoyoos, BC
- Priority sign up
- More sites coming!



\$108,000

2. MOBILE HOME PARK LAND

Okanagan valley, 20+ acres, all services at lot line. Conforming & non-conforming uses available. 100+ pads.

3. 46 ACRE DEVELOPMENT SITE

Between I-5 & Pacific Hwy; truck stop, manufacturing, duty free potential \$4.50-\$6.50/sq.ft. · Border proximity 10 parcels, all serviced

4. FAESSLER VINEYARDS

On beautiful Serpentine River near Cloverdale, BC. Permit application pending for Winery License.

5. REVELSTOKE RESORT

18.73 Acres; Restaurant, Pub, 26 Rooms, Indoor Swimming Pool, Cabins. Strong Winter Revenues,

6. CLOTHING MANUFACTURING

Manufacturing business, growing revenues, business sale - Vancouver.

7. DOWNTOWN STRATA OFFICE

Howe Street, Vancouver. Directly across the street from B.C. Supreme Court. Perfect for independent professional. Parking space included. Excellent amenities.

8. MIXED COMMERCIAL

Aldergrove: two level; commercial lease space downstairs and residential space upstairs. Fully leased/owner occupied.

9. TRAFFIC CONTROL COMPANY

Major contracts in place with city, municipalities, and blue chip companies. 34 years in operation.

10. SPA & RETREAT DOWNTOWN

2000 sq. ft. - option on building with purchase

SHOPPING CENTRE REDEVELOPMENT

Shopping mall for redevelopment into mixed commercial/residential tower, 15 storeys. Upper floors will have exceptional view of Vancouver & Puget Sound \$13,000,000



2

Coming Soon



3

\$10,500,000



4

\$1,650,000



5

\$4,250,000



6

Coming Soon



7

\$99,500



8

\$650,000



9

\$578,000



10

Coming Soon

This communication is not intended to induce a breach of already listed properties or businesses. All information must be verified by the purchaser. Images are representative only.

COMMUNITY

My 'Community' section is dedicated to the extraordinary people who have contributed to my life with exceptional service. I would like to share my good fortune of knowing them with you. Please feel free to convey my recommendation.

BARFLY

Mr. Jesse Bannister
New Westminster (604) 519-0333

BANK OF MONTREAL

Mr. Joe Corrado & Mr. Mark Tower
Vancouver (604) 665-2682

CAPITAL WEST MORTGAGE

Mr. Daymon Eng
Vancouver (604) 899-3799

CHARTERED ACCOUNTANT

Mr. Grant Gilmour
Langley (604) 888-4200

CIBC RESIDENTIAL FINANCE

Mr. Adam Beaudin-Ball
West Vancouver (604) 981-2549

COMFORT INN

Mrs. Valerie Orr
Vancouver (604) 605-4339

COMMERCIAL MORTGAGES

Mr. Gary Khangura
Vancouver (604) 879-0235

ENGLAND PAINTING

Mr. Andrew Rabek
Vancouver (604) 377-0763

EVERGREEN PRINTING

Mr. Shaf Malek
Vancouver (604) 734-3774

12. NIGHT CLUB - FRASER VALLEY

Established club with loyal clientele. Minutes from downtown Surrey. Excellent lease 5,000 sq.ft.; Completed full renovations.

13. VANCOUVER ISLAND MOTEL

Perfect downtown sea side location; direct access to all major roads & arteries; Only 2 minutes from the Great Canadian Casino, Commercial Docks, 4 Ferry Terminals & Seaplane Terminal,

14. TACO TIME

Three locations in Greater Vancouver, Managers in place in all stores, owners retiring, franchises offered below market

15. AUTO REPAIR, DETAIL & SALES

Located on the North Shore. Building purchase option. Exceptional reputation. Owner relocating immediately!

16. WESTIN HOTEL SUITE - WHISTLER

Excellent Phase 2 Suite with all the amenities. Priced at approx \$700/sq. ft. Appreciation potential; 2010 Olympics

17. GIFT SHOP - METROTOWN

2,580 sq. ft. - Excellent exposure. Inventory extra. Priced for quick sale.

18. ENGLISH TRAINING COLLEGE

Central Location in downtown Vancouver. \$1,100,000 in annual revenue.

19. 2 OFFICE STRATA UNITS

Abbotsford, BC - Airport Executive Park - Phase I property.

20. GAS STATION LOCATIONS

Lower mainland and interior BC locations. Great stable cash flows with car washes and convenience stores.

WANTED

20,000 - 30,000 sq. ft. retail location in close proximity to downtown: lease or buy

WANTED

Industrial building; south side of Fraser River; 1.5 acre lot with building preferred.

WANTED

Buyer for distress sale of mobile home park with redevelopment potential.



\$1,950,000

TOWING COMPANY

Serving all major southern BC highways from central location

- 17 years growth
- 13 trucks
- Major contracts
- Awesome cash flow!



\$595,000



\$1,400,000



\$510,000



\$699,000

\$450,000



\$365,000



\$139,000

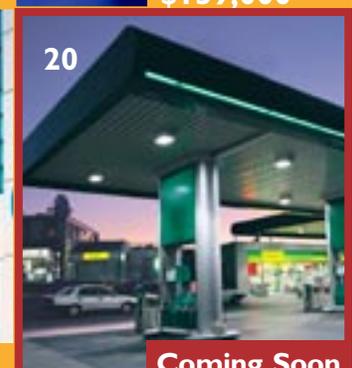


\$720,000

\$550,000



\$405,000



Coming Soon

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C O M M U N I T Y

KAL-TIRE

Mr. Paul Ouellet
North Vancouver (604) 985-4221

LA CASA GELATO

Mr. Vince Misceo
Vancouver (604) 251-3211

MAGIC TOUCH AUTO CENTRE

Mr. Reza Akhavan
West Vancouver (604) 922-6666

MAHOVLICH MARBLE & GRANITE

Mr. Frank Mahovlich
Vancouver (604) 293-0093

MCKITRICK CLARK MCLEOD

Mr. Bruce J. Preston
Vancouver (604) 736-6717

NATIONAL HOME REVIEWS

Mr. Dean Kazoleas
Vancouver (604) 681-2108

PINK LIME SALON & SPA

Mr. Youssef Jawhari
Vancouver (604) 683-7444

POPCORN CREATIVE

Mr. Simon Dabbs
Vancouver (604) 408-7767

SCOTIA MCLEOD

Mrs. Vanessa Stenner-Campbell
White Rock (604) 535-4749

VANCITY CREDIT UNION

Mr. Joe Chan
Vancouver (604) 877-8296

VANCITY VENTURE CAPITAL

Mr. Axel Christiansen
Vancouver (604) 877-6582

YALETOWN VIEWS MAGAZINE

Mr. Matthew Torren
Vancouver (604) 527-4804

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**Comfort Inn
Downtown Vancouver
Corporate Rate offer
to all my clients!**



Canucks Hockey Packages and Vancouver Getaway Packages available. Call to reserve for your Christmas or New Year's Party!

\$69 CAN ROOM ONLY

Valerie Orr, Director of Sales
654 Nelson Street
Vancouver, BC, Canada V6B 6K4
(604) 605-4339 ■

Incorporation - Revisited

A couple things that make people consider incorporating sooner rather than later are.

1. If the business is only part of their overall income then they might need the tax relief at a lower net income per owner. This is because when determining tax rate you look at the total income not just the income from that source. For example a

person with only one source of income (his/her business) might pay \$2,500 on \$10,000 of profit, whereas a person with several sources of income might pay \$4,000 on \$10,000 of profit from the business.

2. If the business uses a lot of equipment (for example a Trucking business needs trucks to operate) it will be less expensive



to buy a truck with after tax profits from an incorporated business experiencing a 17.5% tax rate than from an unincorporated business experiencing a 37% tax rate.

Grant Gilmour Incorporated
www.gilmour.ca
(604) 888-4200 ■

Call an Expert - Early!

(continued from page 1)

done as quickly as possible. To protect the business and our vendor, careful attention to the background of the purchaser and the dissemination of business information is of utmost importance. Many owners cite the advantages of being able to get out of a contract sooner if they are unhappy with the service – the trade-off is that the broker may try to rush the process. A well orchestrated marketing plan costs a broker a significant expense and usually turns up the best leads several weeks into the process. Brokers will be reluctant to make this type of effort unless they are assured of being able to recoup on their investment of time and money. Development of professional marketing materials, advertising strategies, internet marketing and old-fashioned client calls are all active processes that are taxing on funds and staff hours.

In general, when an amenable purchaser is found, the successful completion of the deal rests on an equitable apportionment of risk. Irrespective of their financial

“...active processes are taxing on funds and staff hours...”



position, purchasers will not use an all capital strategy. First, goodwill, as an asset, represents a present value consideration for future cash flow: the buyer wishes to see the goodwill of the company continue to grow. It is in the buyer's interest to hedge their risk by having the seller, in the form of a vendor-take back, finance the goodwill or at least a portion of it. This keeps the seller integrally involved in the transition of the business, and to some extent, interested in its success for a portion of time over and above the transition period. This also

has the advantage of giving the purchaser a holdback in case the vendor's promises or representations do not hold up. The vendor may also want some kind of guarantee that the debt will be honoured: a mortgage or even an escrow agreement (the shares are held in trust by a third party until the purchase price has been paid in full).

Please feel free to contact me should you have any questions about commercial investment or business brokerage. It is my pleasure to discuss with you anything about my profession. ■

INVESTMENT ■ BUSINESS BROKERAGE ■ SITE SELECTION ■ ASSEMBLY



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Please do not hesitate to call me at 604.818.5888; it is my pleasure to serve your real estate needs.

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