

OFFER & ACCEPTANCE THROUGH TO CONTRACTS PHASE

Following are the 'getting-ready' steps to be taken along with the standard process of an offer, acceptance of that offer and then to contracts preparation and signatures:

Your Entity & Experts Phase:

Whilst it's common for potential Buyers to start researching and inspecting management rights businesses that are listed for sale, its imperative that you establish which Industry Expert Lawyers, Accountants and Finance Broker or Bank very early in this phase!

I say this as, one day you will find "the right one". You're keen to proceed to make an offer. Then before you know it, an offer, likely after some negotiation, is accepted. Before you know it you'll have me on the phone both congratulating you and then asking for the following:-

- Your buying entity for the apartment
- Your buying entity for the business
- Your industry Lawyer
- Your industry Accountant
- Your industry Finance Broker

If you aren't ready you run the real risk of the business being sold to someone else via another Broker. Also at this point the Seller is committed and wants to see action and ***fast!***

Offer & Acceptance Phase:

The Buyer makes the offer to the Seller in writing and on an Offer & Acceptance (the offer document) form.

The offer document contains two sections, being for the management rights business and the associated real estate. The offer document shows the separate price for each component, along with a combined total.

The standard conditions of the offer document are:-

- Verification of financial records. This is normally completed by your Industry Accountant within 14 calendar days of the contract date.

- Legal Due Diligence. This is normally completed by your Industry Lawyer within 21 calendar days of the contract date.
- Bank Finance. This is where delays can come into the process and we are currently recommending a period of 42 calendar days.

At any time, the Buyer's experts, via the Buyer's Lawyer, request an extension to one or more of the conditions above, in the event that more time is required for a proper assessment to be completed.

The offer document also contains the details of the deposit, which is payable but the Buyer, at the time of signing the contracts.

When there is agreement on both the price(s) for the business and real estate along with the terms the parties have signed and or initialled the offer document. This then provides the basis for the formal sale contracts.

Sale Contracts Preparation Phase:

I have a para-legal that works for me. MR Sales utilises both the REIQ and Qld Law Society contract forms for the real estate and business respectively.

As mentioned above, we need your buying entities that you've arranged with your Industry Accountant, because life's about both return on investment AND minimising your tax!! So the right set-up from the outset is imperative. This takes time so don't put it off.

All of these entity and expert names and details form part of the management rights and the real estate contracts.

Once we have completed draft contracts, my para-legal emails the drafts to both (within the same email) your and and the Seller's lawyer for review and comment.

Any changes from the lawyers are sent back to both the other Lawyer and to Katrina. These changes are then made and again both Lawyers receive the final drafts.

They then both give their respective OK's to proceed.

The final (un-signed) contracts are either (1) sent to me for me to then meet with yourselves for signatures OR (2) that you meet and sign with your Lawyer where you can ask any/all questions about the contract wordings/ contents.

There are some components of the business contract that are definitely something that only Lawyers can answer.

The Buyer is the first to sign the contracts and when completed, these are treated as the originals. I then take these to the Seller and get their signatures.

It's at the point of the Seller signing that I then date the contract that day. This date is day one of the contract.

The contracts are then scanned by myself and sent out to all parties, including the Lawyers and your nominated Industry Accountant. The originals are sent to your Lawyer.

- From there, and within the next 14 calendar days, your Accountant visits the site and conducts his investigations for his Verification of Income report.
- At completion of that he sends the report to yourselves.
- You in turn send a copy to your Lawyer and myself for review.
- Assuming the verification comes in at the Sellers figure, then we proceed straight onto the legal due diligence phase.
- If the verification **comes in below** the Sellers expected figure, then there is negotiation, but generally the agreed multiplier in the deal, is simply applied to the new net profit figure, thus reducing the price of the business component.
- If the verification **comes in above** the Sellers expected net profit figure, then there is no change to the price of the business.
- The Seller is not advised of the higher figure, other than by me advising that the Verification process has been satisfied and that we're proceeding forward.
- The Legal DD is completed within 28 days from the contract date and runs concurrently along side of the Verification process. However, it's common that the Buyer's Lawyer, waits the outcome of the Verification, as deals fall over more on Verification than any other condition.
- Working the same way, the bank finance is to be completed within the allocated 42 days from the commencement of the contract.