

P R O S P E R I T A S

EUGEN KLEIN REAL ESTATE BROKERAGE & MARKETING SYSTEMS

DECEMBER 2003

■ Pre-market Listings!

■ Top Story: Selling A Business: Part III

■ Inside:

Investment

Opportunities

Editorial



To begin, I would like to extend to you and your families our very best wishes for the holiday season and for the New

Year. With a record year behind us and so much on the horizon for 2004 we are excited and eager to begin; thank you for your business in 2003. Land development and business sales are expected to be strong again for at least the first half of 2004. Having attended the Toronto Real Estate Forum earlier this month, I anticipate the prime rate will remain low into the spring. Our developers are eager for opportunities in many parts of Vancouver - areas previously considered speculative are now of interest.

Contained within this month's Prosperitas is the third in a series of articles following the process of transacting a business: "What is Value?"

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 2004 approaching we anticipate a 50% increase in our inventory over last year. As always, it is my pleasure to help in any way I can.

Eugen L. Klein
B.Comm (UREC), CRES, ARM®, RI, FRI
eugenklein@shawcable.com
Tel. 604.818.5888
Tel. 1.800.818.8599 ■



What is value? This is not an easy question to answer. "An amount, as of goods, services, or money, considered to be a fair and suitable equivalent for something else." Seems like a reasonable definition, but begs the question "considered fair" by whom?

The first thing that must be understood is that in general, value is wholly subjective. During the course of a transaction, the real skill of a business broker is to make the buyer's and seller's value agree. Often the question of goodwill is the hinge on which a deal turns. A set of contacts that has been a goldmine for the vendor may be of dubious use to a purchaser who does not share in the same personal relationships or guarantees that some or all of them will continue to provide the income the goodwill defines.

The valuation of business assets is not always easy to gauge; I advise clients where necessary to bring in a professional appraiser; equipment, machinery, inventory, raw materials, and vehicles should all be evaluated by an appraiser; especially in the scenario where these represent a large majority

What is Value?

Part III: Selling a Business - Valuation

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

of the assets. There is usually room for flexibility in valuing assets. Most of the time the overall price paid for a business or its assets reflects how eager the parties are to make a deal, not how much each item is worth. The allotments of value to each of the major assets occur after the fact. Obviously, these allocations have tax significance to both parties — but especially to a buyer.

a patent right. This is reported to the Canada Customs and Revenue Agency by both parties when they file their tax returns. In the event either Bob or Sue is audited, they can produce a report from the appraiser backing up their allocations.

Example: Bob Buyer purchases 'Power Hot Rods' from Sue Seller for \$100,000. After hiring a business appraisal expert, they agree to allocate the purchase price as follows: \$40,000 for inventory, \$20,000 for machinery, \$10,000 for goodwill and \$30,000 for

(continued on page 4)

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

"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

"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

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

Goddard & Smith
International Realty Inc.



REGAL RIDGE

- 20 lots available
- 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



Coming Soon



\$10,500,000



\$1,650,000



\$4,250,000



Coming Soon



\$99,500



\$650,000



\$578,000



Coming Soon

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

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.

C O M M U N I T Y

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

CYPRESS INSPECTIONS LTD.

Mr. Noel Murphy
West Vancouver (604) 312-8606

ENGLAND PAINTING

Mr. Andrew Rabek
Vancouver (604) 377-0763

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. GRANVILLE STRIP RESTAURANT

Located in the bustling heart of downtown Vancouver. Exceptional reputation. Call to register for package!

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. DEVELOPMENT LAND GVRD

Parcels for Mixed Use Commercial/ Residential - Inquire Today

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



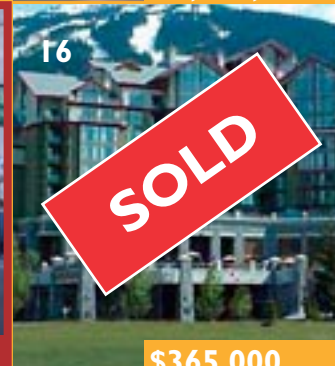
\$1,400,000



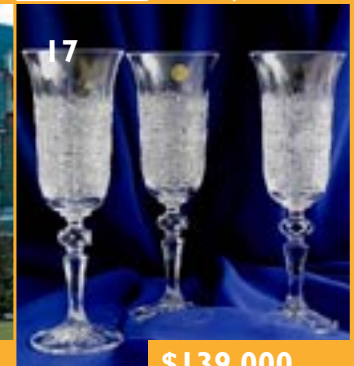
\$510,000



Coming Soon



\$365,000



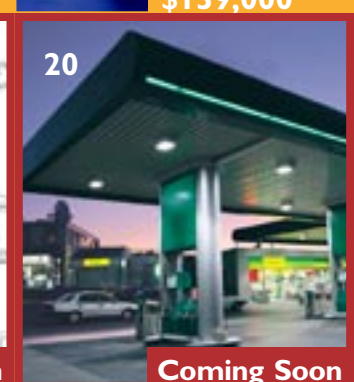
\$139,000



\$720,000
\$550,000



Coming Soon



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.

C O M M U N I T Y

EVERGREEN PRINTING

Mr. Shaf Malek
Vancouver (604) 734-3774

FLOWFORM DESIGN GROUP

Mr. George Verdolaga
Vancouver (604) 321-8008

LA CASA GELATO

Mr. Vince Misceo
Vancouver (604) 251-3211

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

ICX.CA Launched!

Canadian Real Estate
Association launches
National Commercial
Information Exchange



On December 2, 2003, the National Commercial Council launched the rebranded ICX.CA commercial information exchange website at the annual Toronto Real Estate Forum. It is the first *national* database for commercial properties under organized real estate in the world!

The website in its infancy as CLS.CA recorded 25,000 Canadian commercial listings as of December 2002 and grew to 33,200 listings by October 1, 2003. By August 2003 the site was recording over 105,000 unique visitors!

To view the national commercial listings, feel free to visit www.icx.ca ■

Productive Design

by George Verdolaga, Commercial & Residential Design

Want to get know how you can get one to two more hours of productive office time from your employees and less downtime from work-related illness? Invest in good quality adjustable office chairs with adequate lumbar support. Buy desks with enough work surface space to spread out papers and files. Make sure that there are enough storage bins and cabinets within easy reach. Investing in good ergonomic design enables people to get more work done, with greater accuracy and less interruptions.

Rethink your office real-estate strategy. Fewer and fewer private offices are found in the 21st century, as these cannot be re-used once you move to a different address. Instead, more cost effective and extremely flexible open plans that consist of lightweight furniture and work stations are being set-up, dismantled or re-configured quickly to accommodate rapid changes in personnel and location.

If you want to be extremely cost-efficient consider sharing



boardrooms, pantry areas and receptionist services with other companies on the same floor. Requiring people to schedule their use of the boardroom and even work station space allows you to buy less furniture than necessary and enables you to lease a smaller office space.

George Verdolaga
Flowform Design Group Ltd.
(604) 321-8008 ■

Establishing Value

(continued from page 1)

Professional appraisals are a good idea — especially if the price of the business purchased is over \$100,000. If you are ever audited, the Canada Customs and Revenue Agency (C.C.R.A.) may question the asset valuations. If the numbers are not supportable, the C.C.R.A. can reallocate values. This usually results in your having longer depreciation periods assigned to the assets, which decreases your annual depreciation deductions. You will no doubt get an audit bill for the C.C.R.A.'s efforts.

A buyer and seller should agree on the allocation of the purchase price to the assets as part of negotiating the agreement to purchase the business. Because there is almost always flexibility in valuing assets, the buyer should propose the allocation of purchase price in a way that provides the most tax benefit.

Typically, a buyer will want to allocate as much of the purchase price as possible to assets with the fastest tax write-offs

“...there is almost always flexibility in valuing assets...”



— that is, those with the shortest depreciation periods. If it's at all realistic, attribute the lion's share of the price to business equipment. Usually equipment and fixtures can be depreciated over three, five, seven or ten years. Assign smaller values to intangible assets, because they have a longer tax write-off period. Commercial real estate (the buildings only), with the longest depreciation period, also means a long time to write off your costs. If the business has been a loser, you are likely buying its tangible assets only; there won't be any goodwill or an intangible asset allocation

to worry about. The inclusion or purchase of the liabilities/losses of the business can offset future incomes.

Work with a commercial investment specialist who specializes in business brokerage and can thoroughly detail a company's position. A good business broker who knows the market well provides an understanding not only whether a particular business is a sound investment, but how it compares against other businesses in the same genre and against businesses in other genres. ■

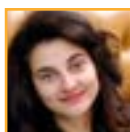
INVESTMENT ■ BUSINESS BROKERAGE ■ SITE SELECTION ■ ASSEMBLY



Eugen L. Klein

B.Comm (UREC), CRES, ARM®, RI, FRI
Broker

Email: eugenklein@shawcable.com
Cell: 604.818.5888
Toll Free: 1.800.818.8599
Direct: 604.691.6622
Fax: 604.691.6688



Dina Jabsheh

B.Comm (GMT)
Business Development
Unlicensed

Email: dinajabsheh@shawcable.com
Direct: 604.691.6610
Fax: 604.691.6688



Michael Mustard

B.Sc(Hons)
Information Systems Manager
Unlicensed

Email: mustard@goddard.ca
Direct: 604.691.6660
Fax: 604.691.6688

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

Goddard & Smith
International Realty Inc.

