

May 31<sup>st</sup>, 2021

### **Pearson Acquisition – Update**

Christine and I met with Tim and Sharon, in-person, at the HTM office in the community room on May 26<sup>th</sup>.

After some small talk, I reviewed a proposal for the acquisition of their business for their consideration. The proposal is attached – schedule A. In general terms, the proposal includes:

1. Purchase price @ 4x commission \$1,040,000
2. Retention @ 85%
3. A payment schedule over 10 years
4. Interest paid @ 2.5% on balance owing
5. Lease of the office for 2 years
6. Hiring Amanda as an agent
7. E&O Extension (claims made policy)

Initially the settlement date was in 2021, however both Tim and Sharon would like to remain working and settle in 2022. The following dates are new targets:

1. October 2021 – settle the main details – retention rate and commission multiple and address any acquisition details (buying a business, not a portfolio)
2. December 31<sup>st</sup> – 2021 premium volume is what the formula would be based on
3. January 1, 2022 – potentially hire Amanda as an HTM employee and take over Cameron fully
4. June 30<sup>th</sup>, 2022 settlement date
5. July 1, 2022 – rent their office, Sharon retires
6. December 31<sup>st</sup> 2022 – Tim officially retires

During this time-frame we will create a consumer portal, a sales website and provide agent access to our Cognition+ system for their policyholders to help with business acquisition.

Where the negotiation stands now is:

1. Tim's intel is 4 to 4.3x commission
2. Tim believes the retention rate is too low
3. Unsure as to exactly how other Assets/Liabilities work in a purchase situation