Investment Process

Step 1: Introduction

Direct Contact

We generally establish contact with a company founder / business owner through a targeted outreach process, introduction through a broker / financial intermediary, or owners may contact us directly to determine if Capitas Partners is interested in acquiring their company and help grow their business.

Step 2: Preliminary Review

Initial Conversations & Sharing of Information

Once we have determined that your business meets our investment criteria, we typically exchange a Non-Disclosure Agreement (NDA), so you can confidentially share the following information with Capitas Partners:

- Minimum 3 years of financial results (P&L, balance sheet, tax returns and cash flow statement if available)
- Owners Income
- Customer Information (geographical footprint, services offered, contract structure etc.)
- Break down of revenue (what % is recurring, project based, re-selling etc.)
- Basic work-flow explanation (how tickets are received, processed, resolved; process to ‘turn-up’ a new account etc.)
- Other information that is particularly relevant based on the focus of the business (for example, annual capital expenditures if required)

After reviewing this information and follow-up in person / telephone conversations, we will either confirm our interest and discuss next steps, or politely decline.

If we move ahead, Capitas Partners will typically issue a <u>Term Sheet</u> highlighting total consideration price of the business and arrange a more in depth on-site visit.

Step 3: Letter of Intent (“LOI”)

Post Visit

After a successful visit, the process becomes more involved and more formal. Additional information is exchanged, and another site visit may take place. As Capitas Partners continues to learn about your organization, and you learn more about us, further discussions regarding company valuation and transaction structure will occur. The term sheet from Step 2 may be revised and adjusted based on new findings during this stage and, eventually, lead to a formal <u>Letter of Intent</u>.

Letter of Intent

A Letter of Intent, or "LOI", is a formal, written document indicating the terms a buyer is offering a seller in a proposed transaction. An LOI states a serious intent, by both parties, to carry out the proposed transaction. Capitas Partners is very selective about issuing LOIs because they indicate that we will be dedicating substantial resources to acquiring your business under the terms outlined.

Our LOI's will typically include the following (terms subject to change based on further findings in later diligence):

- Nature of investment structure (asset vs stock / equity purchase)
- Total consideration Capitas Partners is offering
  - Amount to be paid up-front for immediate liquidity and what would be paid over the succession of the proposed, and agreed upon 'earn-out'
  - Any additional potential 'seller-financing' required
  - Potential working capital adjustment if required
- Basics around levels of non-competes for a seller
- Transitionary period required by seller to on-board a Capitas Partners Principal as day-to-day operator of entity

<u>Step 4: Diligence to Closing</u>

Due Diligence

Due diligence is a rigorous ~30-45 day review of the business and includes a detailed analysis of accounting history and practices, operating practices, customer and supplier references, management references and market reviews. The due diligence process is managed by a Principal with the assistance of third party advisors such as accountants or brokers.

Note: Diligence stage may occur concurrently to drafting of the LOI, post LOI submission, or begin before the LOI is submitted. This is a <u>case by case scenario depending on level of disclosure provided by the seller and ability to share information in a timely manner</u>.

Finalizing Purchase Agreement & Closing

The final step in the acquisition process is the legal documentation and funding step. Upon completion of the legal process (~30 days), the funds are wired to the seller and the "investment process" is complete, subject to the agreed upon terms around a potential earn-out, potential seller financing and transitionary period.