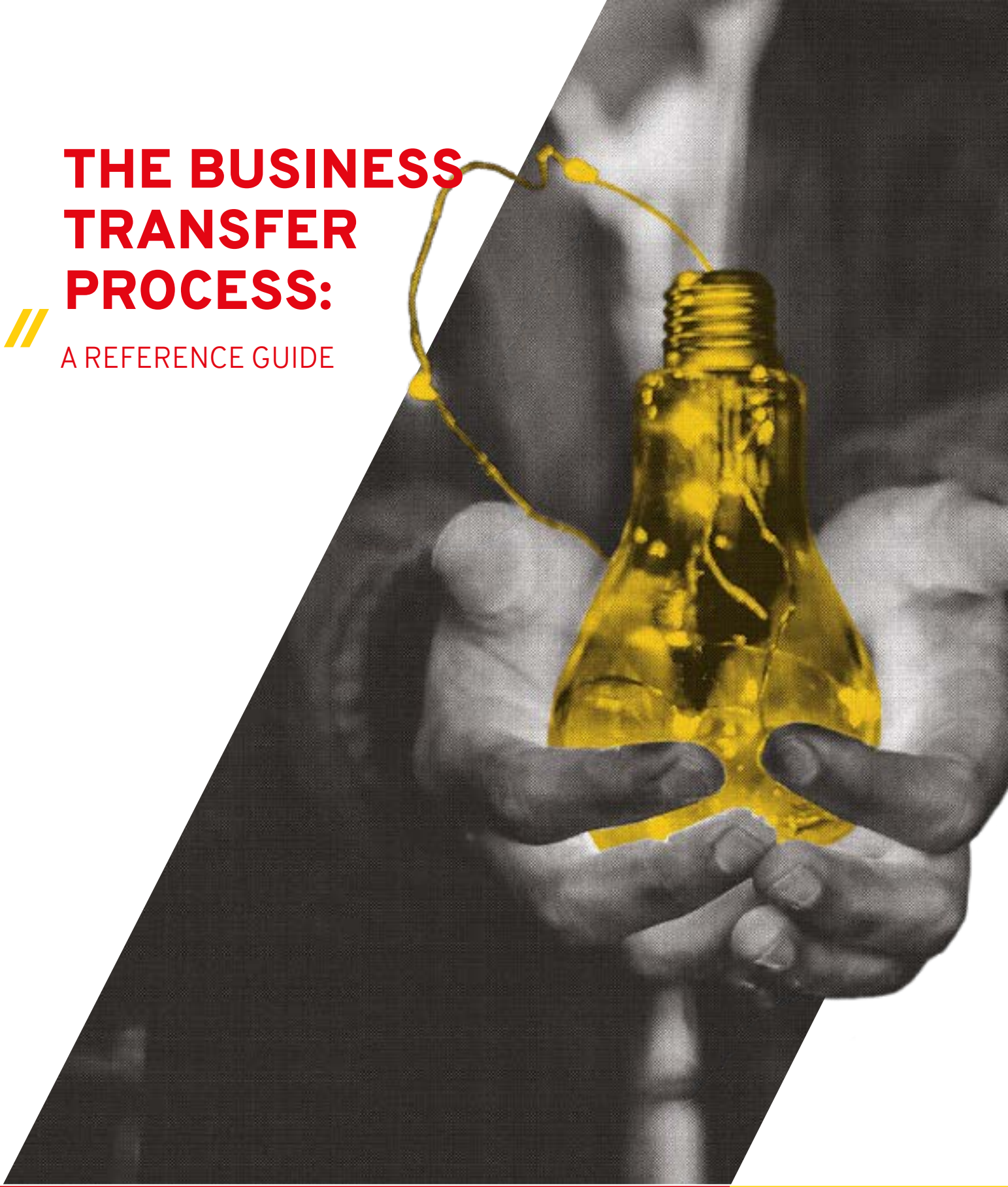
THE BUSINESS TRANSFER PROCESS:

A REFERENCE GUIDE



IG
Wealth Management
Chair in Financial Planning

UNIVERSITÉ LAVAL

PRODUCTION OF THIS REFERENCE GUIDE

Following the Table de concertation (round table event), a team was swiftly assembled to develop this guide with the support of the IG Wealth Management Chair in Financial Planning. This team is made up of a wide range of passionate industry representatives with a genuine desire to collaborate and a belief in the usefulness of this guide.

The team members (listed alphabetically below) spared no efforts developing and delivering this valuable reference guide:

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- Chambre de la sécurité financière (CSF);
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- Ordre des comptables professionnels agréés du Québec (OCPAQ);
- Chambre des notaires du Québec;
- Retraite Québec;
- Members of the steering committee for the IG Wealth Management Chair in Financial Planning at Université Laval.

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FOREWORD

This reference guide for business transfers is the product of a special collaboration among financial organizations and bodies.

This collaboration was born out of the Financial Planning Summit, presented by the IG Wealth Management Chair in Financial Planning and the Faculty of Business Administration at Université Laval (FSA ULaval), held in October 2021 in Québec City. This first ever summit was organized around the theme of business transfers, a topic that made the summit a resounding success. Over 140 participants from different sectors across Quebec were in attendance, including representatives from respected organizations like the Chambre de la sécurité financière (CSF), the Association de planification fiscale et financière (APFF), the Institut de planification financière, the Autorité des marchés financiers (AMF), the Ministère des Finances du Québec, the Ordre des CPA du Québec, the Chambre des notaires du Québec and Retraite Québec. This inaugural summit went off without a hitch, with presentations from business transfer experts, moderated panels and special guest Charles Tanguay, Vice-President, Sales and Finance, Ameublements Tanguay. The event was made possible by contributions from valued business partners such as IQPF, IG Wealth Management, the National Bank of Canada, the Chambre des notaires du Québec and the APFF.

In conjunction with the public summit, the first Table de concertation (round table event) was held for representatives from a range of professions, orders and institutions. The goal of the round table was to encourage dialogue, share ideas and develop common strategies for dealing with the major issues facing the financial planning community. From the outset, the group zeroed in on business transfers in Quebec, which quickly became the priority for this first round table.

In total, 25 industry representatives and specialists took part in the event. It was an opportunity to open a dialogue about business transfers in Quebec, discuss the challenges facing buyers and sellers, pinpoint the major issues and current challenges in Quebec and brainstorm potential solutions.

A reference guide for business transfer stakeholders quickly emerged from the brainstorming session as a project worth pursuing. No point in waiting any longer to get started!

A second Table de concertation was held in parallel to the second Financial Planning Summit in May 2022 in Boucherville. The 2022 Summit was a clear success, drawing 250 participants and featuring many seasoned presenters, including guest speaker Patrice Lamy, CEO of Verre Sélect inc., who covered a range of topics related to business transfers.

In October 2022, a third Table de concertation was held at Université Laval. There, the team behind this reference guide presented an outline of the project, and it was well received. Its release date was set for spring 2023, just in time to launch at the third Financial Planning Summit in Drummondville that April, where another round table will once again be held in conjunction with the summit.



Image: Pexels

1. INTRODUCTION

The reference guide for all your business transfer needs

This guide is meant to be a thorough reference for anyone involved in the complex world of business transfers. By pooling our partners' knowledge, we're offering you a comprehensive approach to the business transfer process.

Why create a business transfer reference guide? The goal is to help professionals and specialists who work with buyers and sellers better understand their tasks and responsibilities. By providing new insights, this guide aims to inform their actions, facilitate collaboration and lead Quebec entrepreneurs to even greater success.

The working group behind this guide had several goals:

1. To create a tool to guide professionals as they work together to better support entrepreneurs in the business transfer process
2. To educate business transfer stakeholders about their specific roles and responsibilities in an integrated business transfer process
3. To deepen stakeholders' understanding of what other experts do so that they can be accounted for in a complex, structured process
4. To ultimately help sustain the longevity of Quebec businesses

Our hope is that this guide will help to develop Quebec's economy through long-term business retention and growth. With practical content, advice and references, readers will be better equipped to tackle business transfers. It's our belief that by providing access to information, this guide could result in more takeover successes and fewer takeover failures that fizzle out and end in closures, bankruptcies and job losses.

This guide is split into three parts. The first part covers the integrated business transfer process proposed by the CTEQ, the approach recommended for the development of this guide. This first section will walk you through every step of the process for both buyers and sellers. It also covers key factors for a successful business transfer, what a coordinator does and why this role is important, and resources available to buyers, sellers and other business transfer stakeholders.

The second part paints a portrait of the complex human issues involved in business transfers and looks at the two types of transfers: transfer of management and transfer of ownership. It explains the roles and responsibilities of different stakeholders, clearly describing their areas of expertise and what needs to be done in each type of transfer process.

[...] over three quarters of small business owners are planning to exit their business within the next decade.

The last part deals with the practical aspects, namely the key ideas that business transfer stakeholders must understand in order to help buyers and sellers through the process. The main legal, tax and financial aspects of the process are covered.

Business transfers: A major challenge

According to the Canadian Federation of Independent Business (CFIB)[1], over three quarters of small business owners are planning to exit their business within the next decade. Quebec is no exception: experts expect the business transfer industry to grow by leaps and bounds over the next 10 years.

(99.7%) were SMEs[2] (small and medium enterprises, with fewer than 500 employees) in 2021[3]. Suffice to say, the business landscape in Quebec will look a bit different by 2030. Those changes are going to be a major challenge for the many parties involved.

More broadly speaking, the Business Development Bank of Canada estimates that approximately 116,000 businesses across Canada will be up for sale in the next five years[4]–not a small number.

The situation in Quebec: Recent trends in business transfers

There are two main factors that explain the growing number of business transfers in Quebec. First, Quebec's demographics: a large number of baby boomer business owners are reaching retirement age. Second, the pandemic effect: many entrepreneurs chose (whether voluntarily or not) to sell their business, begin the transfer process and make a succession plan.

According to Statistics Canada[5], the pandemic is believed to have doubled the number of planned business transfers in Quebec in 2021, a number that had already been on the rise due to aging business owners. Around 15,000 owner-managers were considering selling their business before the end of 2021.

Of these 15,000, most did not succeed in transferring their business. This has been an issue for many years—only 30% of owners successfully pass on their business to a family member, key person or external buyer. Sadly, 70% fail to find a new owner.

In Quebec, failed business transfers often have to do with financial, tax and/or protection issues, but these only partially explain why entrepreneurs struggle to transfer their businesses. Many entrepreneurs (65%) attribute their lack of success to the human side of things, specifically succession plans and other tools that help ensure a business's longevity.

According to the 2021 HEC Montréal study entitled "L'Album de familles," 43% of family businesses is in Quebec have no succession plan, while 30% are relying on an informal plan[6]. Given this, it's worth highlighting just how important it is for entrepreneurs to plan their business transfer and call upon professionals for help tackling this process in an informed and strategic manner.

Whether in Quebec or elsewhere, transferring a business is a long and complex process, often requiring several years of preparation and expertise in various subjects. This is why



Quebec businesses in 2021: Some facts and figures

- The pandemic appears to have doubled the number of owners who intend to transfer their business
- Approximately 15,000 owner-managers intended to sell their business before the end of 2021
- 30% of owners will succeed in transferring their business to a family member, key person or external buyer
- 70% of owners will fail to find a new owner
- 65% of owners attribute a failed business transfer to the human side of the process
- 43% of Quebec family businesses do not have a succession plan
- 30% of family businesses are relying on an informal plan
- Transfers of Quebec SMEs constitute one third of all transfers in Canada

Image: Pexels

entrepreneurs who are planning to sell their business and retire need to plan out every step in detail ahead of time.

In Quebec, businesses are usually transferred to a family member (family transfer), business management (or a group of key people) or a private outside buyer. A business can also be transferred to a co-op, though this occurs less frequently[7].

Finally, transfers of Quebec SMEs constitute nearly one third of all transfers in Canada[8]. There are a few key differences between transfers in Quebec and transfers in the rest of Canada. For example, Quebec has a greater number of SMEs resulting from business successions (a third, versus a quarter nationally), a higher number of transfers in rural areas (44%, versus 31% nationally), and older, more educated buyers on average.

Takeovers: an international issue

Business transfer and takeover issues aren't just limited to Quebec — they're everywhere. International studies have helped us better understand takeovers and identify the most common roadblocks and the best keys to success. According to the literature, businesses sold outside the family perform better financially, but businesses kept within the family have higher survival rates. While family takeovers may not lead to the best performance, there is often better oversight of business activities, which improves the business's likelihood of surviving.

According to the authors, this difference in performance under a family takeover is not primarily due to the family connection itself, but due to its human capital (e.g., training and relevant experience). Some authors have explained the choice for an outside buyer using an embeddedness perspective. According to this framework, family businesses, while more profitable by some measures, go into less debt, take fewer business risks and see less growth. This holds especially true when the owners are a married couple[9]. The findings are unequivocal: whether the transfer is within the family or not, receiving coaching throughout the transfer process is essential for a successful transfer and takeover.

Available professional resources and expertise

The business transfer process requires a great deal of planning and help from financial professionals specialized in business transfers. Lawyers, notaries, tax experts, chartered professional accountants (CPAs), financial planners and many other professionals are equipped with the expertise and experience to individually and collectively guide both buyer and seller through developing a succession plan and make sure the transfer is a success. These experts provide comprehensive high-quality support to business owners as they prepare for the transfer and enter into negotiations. Their end goal is a successful transfer and a long life for the business.



Image: Pexels

About the IG Wealth Management Chair in Financial Planning

The IG Wealth Management Chair in Financial Planning at Université Laval was created in 1998. Its aim is to promote and support training, research and knowledge transfer and outreach in the field of financial planning by means of a multidisciplinary group of professors, researchers and practitioners.

The Chair's main objectives include:

- Advancing multidisciplinary research in financial planning
- Assessing and improving individuals' financial knowledge
- Sharing information about financial planning
- Promoting financial planning career development
- Providing general training in financial planning

The Chair prioritizes two spheres of action in order to fulfill its mission and guide its actions to achieve its objectives.

Sphere 1: Financial education

- Efforts toward a better understanding of financial literacy, the importance of financial planning and societal issues related to savings and retirement
- Efforts to promote financial knowledge sharing, personal finance training and financial planning as a profession

Sphere 2: Savings investments

- Efforts toward a better understanding of the primary investment product options for individuals, savings and investment services and of savings and investment behaviour
- Efforts to promote research on financial planning for savers and investors

The IG Wealth Management Chair in Financial planning has an invaluable impact. It is an essential organization for financial planning stakeholders and has proven itself to be a well-informed participant in different financial planning debates.

Year after year, its contributions have grown to include:

- Developing educational tools and hosting public events to raise awareness about financial information for Quebec savers
- Conducting research that has led to financial planning advancements and knowledge sharing across Quebec and Canada
- Granting scholarships to financial planning students at Université Laval
- Organizing and holding events to encourage students and potential candidates to pursue financial planning as a profession
- Leading the way in financial planning training development
- Actively collaborating with major financial services stakeholders, including the Institut de planification financière, ÉducÉpargne and Retraite Québec

The Chairholder is Gabriel J. Power, full professor of finance in the Department of Finance, Insurance and Real Estate at FSA ULaval. He earned his Ph.D. from Cornell University and works on a number of research projects in his field with the help of master's and doctoral students in finance who are supported by Canada's major research funding agencies.

This guide and its contents will continue to evolve as we update it to reflect any legal and rule changes. Users should refer to the online version of this document.
https://chaires.fsa.ulaval.ca/planificationfinanciere/transfert-entreprise

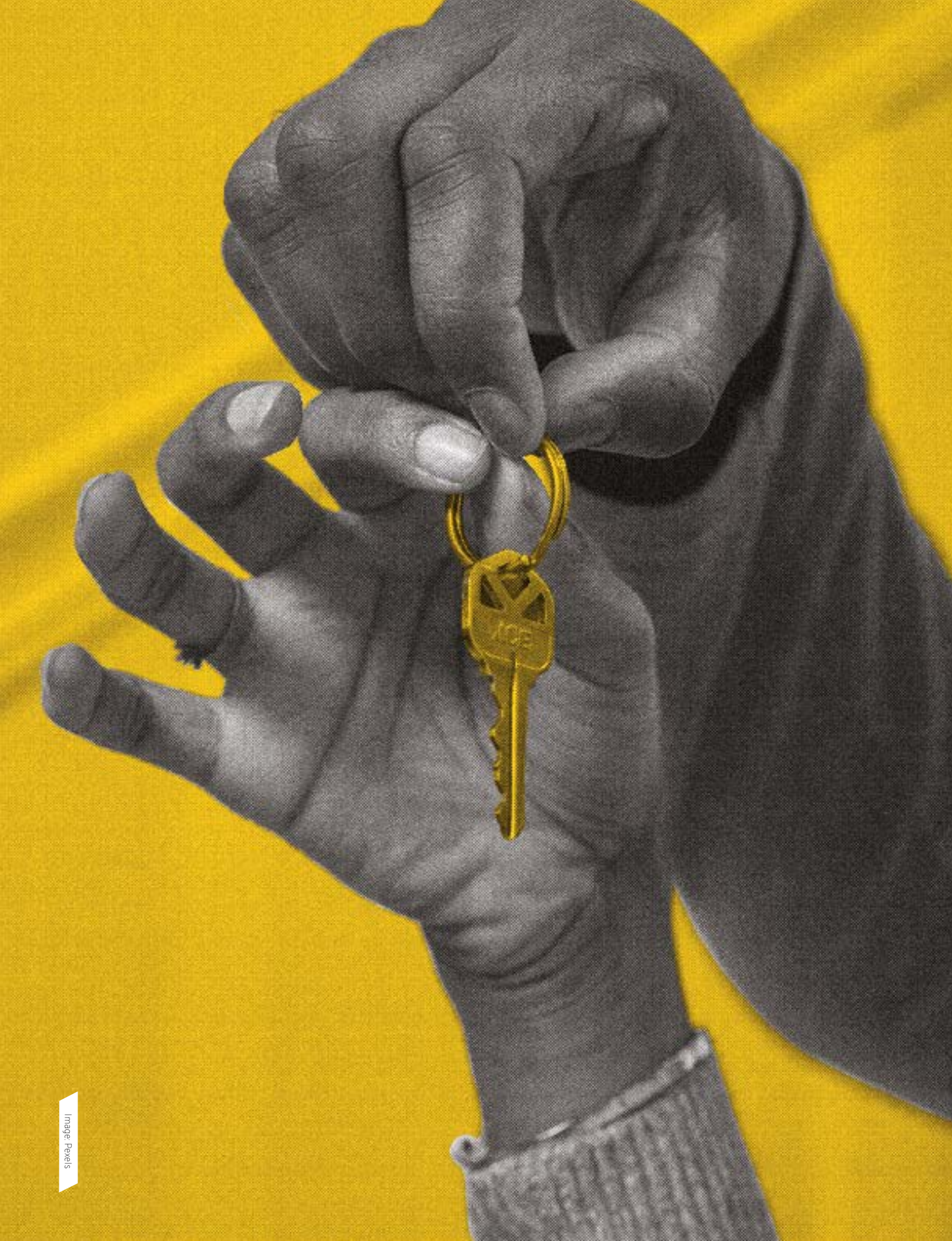


Image: Pexels

For both buyers and sellers, agility, flexibility and adaptability are some of the major keys to success in a business transfer.

2. THE INTEGRATED BUSINESS TRANSFER PROCESS

This section walks buyers and sellers through the key steps of the integrated business transfer process.

What exactly is the business transfer process?

A process is a specific series of actions or steps that lead to an expected outcome. In this case, the expected outcome is the transfer of a business from one party (the seller) to another (the buyer).

It's important to learn about each individual step in order to better understand the process as a whole. The six steps in this process are based on the steps set out by the Centre de transfert d'entreprise du Québec (CTEQ), whose approach reflects the reality on the ground for business successions in Quebec.

This process requires the involvement and collaboration of numerous experts, professionals and regional economic development partners, hence the term "integrated." The integrated nature of the process is also reflected in the steps for buyers and sellers, which must be synchronized. Both move forward in lockstep, taking the process one step at a time together.



Image: Unsplash

Slow and steady wins the race – a good motto for buyers to live by!

A step-by-step guide to the business transfer process for buyers and sellers

For easier reading and reference, the six steps of the business transfer process are presented in Table 1, which breaks down each step of the integrated business transfer process for buyers and sellers. A diagram on page 21 provides an overview summarizing the whole process.

Table 1

// Integrated business transfer process steps for buyers and sellers

		STEP 1		STEP 2
SELLER	Identifying needs and setting goals	Selling a business is not a decision a seller should take lightly. It's a very important decision and requires careful, thorough preparation from both the seller and the business. First, the seller needs to draw up a **balance sheet listing their financial assets and needs for retirement**. This step is especially important if the seller is approaching retirement. It can be helpful to speak with a financial planner to make a plan that is aligned with the seller's **financial goals**. This plan can also help sellers pursue future projects based on their anticipated income from the sale of their business and any previous investments. At the business level, sellers should pre-screen their ideal, desired **successors** and identify the qualities the business needs in a successor to meet its goals. To do this, sellers must create a **sale proposal** that the business's internal or external experts will use to establish a preliminary diagnosis of successors. This process will help to find an internal or external successor (or combination thereof) if one has not already been identified.	Action plan	After reflecting on their needs and goals, sellers should develop an action plan. The primary purpose of an action plan is to **identify the experts** needed throughout the transfer process and who will sit on the **transfer committee**. The purpose of this committee, typically made up of stakeholders and professionals, is to ensure the success of the transfer. Generally, there are many professions represented on the committee, including chartered professional accountants (CPAs), notaries and lawyers, tax experts, financial planners, HR experts and business valuators, though it depends on the situation. Members of management (MBO) also sit on the committee, and the seller and their CTEQ advisor may as well.
BUYER	Buyer profile	For buyers, the first step of the transfer process is to establish their **personal profile**. This a crucial first step that will ensure the seller is properly prepared and the process moves efficiently. Future buyers should first assess themselves as a successor. Why do they want to acquire a business? What management skills and expertise do they have? How do they lead? What are their personal and financial constraints? Which economic sectors do they know best? What are their strengths and weaknesses? Buyers should be able to answer all of these questions. Next, a buyer should ensure that they have the **financial capacity** and the **skills and strengths** needed to take over the businesses they identified in a general search. They should also be able to identify their personal **management values**. At the same time, buyers should continue to prepare and call for **sale proposals** from business transfer professionals and experts. These experts and professionals provide essential services that will help the buyer ascertain the characteristics and attractiveness of different acquisition opportunities and navigate the process with ease.	Finding acquisition opportunities	After all that prep work, it's time to take action! Once buyers have found acquisition opportunities, they are ready to get started and should **rank the opportunities** based on a long list of pre established criteria. Criteria generally include the business sector, geographic location, sale price and number of employees, and so on. At this stage, buyers must decide which **experts** will be joining them for the ride and bring them up to speed on their objectives as soon as possible. This will help the experts keep pace with the buyer and optimize their contributions to the endeavour within their own area of expertise. Financial planners are particularly invaluable experts for buyers to consult because they help buyers set long-term personal **financial goals**, a task oft neglected by buyers.

STEP 3

Business valuation

Business valuation is a crucial step for sellers. During this step, sellers and their team of experts determine the **present value** of their business and identify **how to increase its value** ahead of the transfer. A detailed plan with a timeline will help sellers get the most out of this stage.

Obviously, the best place to start is by **developing the business** so that you can increase its value and sale price. Ideally, you'd begin doing this prior to even considering selling your business. Increasing your business's value requires understanding your business's finances inside and out (e.g., value of assets owned versus debts owed), identifying your business's strengths, weaknesses and environment and envisioning future potential development.

This process lets sellers identify different strategies to maximize the value of their business. These strategies could include reducing debt, selling assets or ramping up productivity.

Business valuators are the specialists that will **determine a business's value** during this stage. Sellers can use their analyses and findings to set a realistic, attainable goal for the sale price. Business valuators can also help sellers identify the profiles of strong, worthwhile prospective buyers.

It's vital to sign a **bilateral confidentiality agreement** before moving further and sharing financial or business information with prospective buyers about the business. This agreement is typically signed ahead of the letter of intent and any discussions.

STEP 4

Transfer conditions

Sellers play a central role in this step of the transfer process. They enter into active discussions with prospective buyer(s) and attempt to reach an agreement that will result in a letter of intent from the buyer.

After reviewing the letter of intent, the seller must decide whether to accept it or, if the offer is inadequate, reject it. Accepting it will eventually lead to a **purchase offer** if the results of the **due diligence** process are satisfactory.

Project analysis

Step three is just as demanding for buyers as it is for sellers.

During this stage, buyers identify specific **business opportunities** that are of interest and meet their pre-established criteria.

When sellers express interest in an opportunity, they commit to maintaining confidentiality by signing a **bilateral confidentiality agreement** with the seller. This agreement opens the door to discussions with the seller and more information about the business in question.

Buyers decide whether they are interested in pursuing the opportunity after **discussing and communicating** with the seller and **reviewing the preliminary documents**.

Transfer conditions

In this step, buyers affirm that they wish to acquire a business and express their intent to take it over through a letter of intent sent to the seller, who can accept or reject it.

If the seller accepts the letter, the buyer, with the help of their legal and accounting experts, should conduct **due diligence** on the business. Buyers should also finish reviewing their financial capacity and finalize a **financing plan** with their funders. At the same time, buyers must also develop a **succession plan** to ensure a smooth transition in the long term.

STEP 5		STEP 6	
Transaction	Once the buyer is satisfied with the due diligence results, the seller is one step closer to reaching their goal of selling their business. This stage often consists of final **negotiations** and **accounting adjustments** in order to accurately reflect the business's finances at the time of the sale agreement and transfer. Even though the seller is exiting their business, they must be sure to develop **transfer scenarios** that support the business in the long term.	Transfer plan	To ensure the business's long-term success, the seller should be involved in the buyer's transfer plan. This plan sets out the important actions and elements for the future of the business. One essential action is creating a new **organizational structure**, with the roles and responsibilities of the main stakeholders (including the seller), from the outset. Throughout this step, the seller must also set a timeline to **transition and transfer knowledge and responsibilities**. These elements should be established and agreed upon to ensure a smooth, efficient transition from seller to buyer. Lastly, the seller also needs to establish a **communication strategy** to legitimize the buyer in the eyes of the business's employees, clients, suppliers and other important stakeholders. These considerations differ from business to business and seller to seller, depending on their main concerns. The transfer plan is of utmost importance and requires the seller to help plan and get involved. The plan must set a time limit for the transfer activities to prevent the transition from dragging on and a clear timetable for completing each activity.
Transaction	In this step, the buyer is focused on the same issues as the seller, but from their new perspective as future owner. Everything, from the desired takeover scenario and post due diligence **purchase offer** to the **final negotiations** resulting in the **acquisition or purchase agreement**, must be handled with care to reach the desired outcome: acquisition. At this stage, it is crucial for the buyer to finalize, confirm and commit to the **transfer financing**.	Transfer plan	The buyer—like the seller—wants the business to continue to succeed. To this end, the buyer should develop a transfer plan for the business with the seller (see seller step 6). Often at this stage, the buyer and seller **team up to manage the business**, a process that can go well if the previous steps were handled with transparency, attention to detail and mutual respect.

Throughout the process, sellers should go at their own pace, while making sure that their pace works well for the buyer.

Key factors for successful business transfers

There are several factors that can help ensure your business transfer is a success. Some of the most impactful include:

- Support from an impartial, qualified third party
- Help from qualified experts for the specific needs of each step of the process
- A realistic, transparent approach to finances
- Respect, honesty and patience with the other party
- A win-win mentality to avoid a situation where one party wins and the other loses
- A healthy partnership and effective coordination among stakeholders (the parties and their experts)
- Open and honest communication between the parties

How long does the business transfer process take?

There are several steps and many processes, often complex ones, involved in a business transfer. All of this takes time. That's why this is a medium- to long-term process. While it's difficult to predict exactly, a business transfer usually takes years, sometimes up to five to seven. The clock begins when the seller starts the process of looking for a successor and stops when the transaction is completed, knowledge shared and powers transferred.

However, in some cases, the process takes less time (for example, if the seller is ready and has limited personal or business preparation needed). Once the seller is ready and willing, the transfer goes even smoother when a successor is easily identified and when experts are diligent in their duties.

Throughout the process, sellers should go at their own pace, while making sure that their pace works well for the buyer. Simply put, the process must be built on mutual respect.

Lastly, we recommend completing each step before moving on to the next one. This will help the process flow better and avoid unnecessary delays that could lead to incomplete information.

Professionals and stakeholders involved in the business transfer

The Centre de transfert d'entreprise du Québec (CTEQ) stresses that qualified business experts and professionals are an essential part of a smooth transfer process. According to the CTEQ, outside specialists bring incredible expertise to a business transfer, making invaluable contributions that complement the impartial, confidential support provided by CTEQ advisors.

Depending on the specifics of the situation, outside experts are often necessary for a successful business transfer. These experts come from a wide range of fields of expertise and include chartered professional accountants, lawyers and notaries, tax experts, financial planners, business valuators, HR experts, organizational psychologists, real estate brokers, business brokers, bankers, accredited appraisers and management coaches.

Simply put, the process must be built on mutual respect.

Various federal and provincial economic development players round out the business transfer environment. Regional organizations are especially valuable to buyers and sellers as their coaching services complement CTEQ's services. These organizations often serve as a gateway to local sources of financial assistance. These sources can also guide and support entrepreneurs as they apply for financial assistance from federal and provincial bodies. They can also direct them towards the many business transfer support programs available.

The role of the coordinator and mediation

Throughout the transfer process, it is of paramount importance to coordinate efforts, as this will ensure that the transfer goes smoothly and expeditiously. Sellers often entrust the coordination role to their chartered professional accountant as soon as they consider selling their business and start thinking about it and taking the first steps. However, a neutral third party, like a CTEQ business transfer advisor, may be preferable in some cases for more impartial transfer coordination.

This role may also be entrusted to an expert chosen by the parties, but there is still an issue of neutrality. The two parties can avoid the issue by working together in a win-win mindset. Both parties want a

cooperative, win-win relationship, and mediation is the key to achieving it. Ideally, mediation begins at the very start of the process in order to make everything run smoothly. Often, mediation involves the services of lawyers, notaries and chartered professional accountants whose contributions are designed to bring the parties together and help them find mutually acceptable solutions.

Due diligence

Due diligence is a fundamental part of the business transfer process that occurs after signing the letter of intent and before making a purchase offer.

For buyers, due diligence is about getting a complete picture of the business by reviewing and identifying any and all issues: legal, financial, tax, operational, environmental, human and more. The ultimate goal of due diligence is to help the buyer see where the business actually stands and identify factors that could negatively impact the business and any risks involved (long-term viability, etc.). This lets the buyer make an informed decision before formally committing to the transaction process and confirm that the price set by the seller is fair and reflects the business's potential. Insight gained from due diligence also enables the buyer to adjust their purchase offer, if necessary, or withdraw their offer and find a new project.

Due diligence on an acquisition is generally conducted by a number of specialists who use their knowledge of the business sector, professional expertise and experience with similarly complex transactions to provide a detailed, informed portrait of the business that the buyer wants to acquire.

These specialists conduct due diligence on all facets of the business's management and environment, which typically include:

- Up to date corporate books, with the transaction duly authorized under company bylaws
- Company accounting information, including financial statements for the current and past years and detailed ratio analyses and trends
- Inventories, including quantity, quality and expiration date
- Tax information, including tax statements, GST and QST, source deductions, notices of assessment and confirmation from tax authorities that payments are up to date
- Clients and providers, with supply chain financial soundness indicators, loyalty indicators for major clients and identified potential liabilities
- Legal disputes, including risk identification and assessment related to civil, penal or criminal cases involving the business
- Funding and liabilities, including confirmation of financial agreements to ensure they remain in place
- Movable and immovable assets, including a list of assets of any kind, intellectual property held by the business and security interests in these assets
- Human resources, including review of employment contracts, active CNESST cases and risk identification related to the departure of key persons
- Environmental information, including any relevant environmental studies according to the circumstances:
  Phase 1 – Assessment
  Phase 2 – Characterization/sampling
  Phase 3 – Cleanup, if necessary
- Agreements and contracts to avoid default under any contractual agreement binding the business

The Centre de transfert d'entreprise du Québec (CTEQ) and other business transfer resources

The Centre de transfert d'entreprise du Québec (CTEQ)

The CTEQ is a leader in business transfers in Quebec. This non-profit organization (NPO) is funded by the Ministère de l'Économie, de l'Innovation et de l'Énergie. Its mission is to ensure the long-term viability of Quebec businesses. Its advisors support both buyers and sellers, guided by two unwavering principles: neutrality and confidentiality. The CTEQ is the only organization that supports yet has no personal or financial stake in business transfers, which is why Quebec entrepreneurs can benefit from using their services.

Other business transfer resources

There are a number of other business transfer resources that entrepreneurs can benefit from, such as websites that list or advertise businesses for sale. Business brokers can also be of use to some entrepreneurs.

In short, the successful transfer of a business from seller to buyer relies on an approach developed with the help of seasoned professionals.

Diagram 1

Integrated business transfer process

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
SELLER					
NEEDS AND GOALS	**ACTION PLAN**	**BUSINESS DEVELOPMENT**	**TRANSFER CONDITIONS**	**TRANSACTION**	**TRANSFER PLAN**
Assess (personally and professionally)	Develop action plan	Valuate business	Discuss with buyer	Develop transfer/ takeover scenario	Create organizational structure
Pre-screen	Identify experts	Set timeline and develop business	Receive letter of intent	Receive purchase offer	Define roles and responsibilities
Identify qualities	Assemble transfer committee	Select buyer profiles		Negotiate	Confirm succession/ management
Create proposal		Sign confidentiality agreement		Sign purchase/ acquisition agreement	Develop ownership transfer plan
Establish preliminary diagnosis					
BUYER					
BUYER PROFILE	ACQUISITION OPPORTUNITIES	PROJECT ANALYSIS	TRANSFER CONDITIONS	TRANSACTION	TRANSFER PLAN
Assess (self)	Develop action plan	Identify specific opportunities	Send letter of intent	Develop transfer/ takeover scenario	Create organizational structure
Pre-screen	Find opportunities	Sign confidentiality agreement	Analyze official documents	Make purchase offer	Define roles and responsibilities
Identify qualities	Find experts	Discuss with seller	Determine financial capacity	Negotiate	Confirm succession/ management
Research proposals		Confirm own interest	Develop succession plan	Confirm transfer financing	Develop ownership transfer plan
		Review preliminary documents	Finalize financing plan	Acquisition/ sale agreement	



Image: Pexels

3. THE HUMAN CHALLENGES OF BUSINESS TRANSFERS

Transferring a business is a complex process that can be split into two parts: the transfer of management and the transfer of ownership. As shown in Figure 1, the management transfer involves handing over decision-making powers. This transfer is complete once the seller has exited the business and the buyer has fully assumed their management role.

The ownership transfer, on the other hand, is the transaction itself (purchase of shares or assets). This transfer is complete once the buyer owns the full value of the business. These two transfers occur in parallel, but the pace and length of each transfer may differ.

Experts working on a business transfer should think about the big picture of the process to make sure that their clients are properly supported, all issues are accounted for and the transfer is a success.

While both transfers are essential to the process, anyone who has worked on a business transfer will tell you that the success of the transfer hinges on the human challenges involved. Why? Because a business transfer is an important step in a seller's life. It's not just about the business—their role as business owner is often a core part of their identity.

Reasons for a transfer

There are several reasons an owner may decide to transfer their business. Some owners reach this decision of their own accord after careful thought and consideration. Others make the decision suddenly after developing health issues or receiving a purchase offer.

Some of the most common reasons for a transfer include:

- Retirement
- Health issues or fatigue (seller or seller's spouse)
- Desire to spend time with family
- Business/sector is declining
- Job security for staff
- Sudden purchase offer

Seller's concerns

When considering a business transfer, sellers are primarily concerned about:

- Preparing and planning for the succession
- Finding prospective successors that are invested in and qualified for the job
- No longer managing the business
- Securing a fair sale price
- Ensuring that their business continues to succeed

The seller's first concern is finding one or more qualified, suitable buyers. If the current owner has children, their first thought might be family succession. However, children are not always interested in or suited for succession. That leaves management buyout or external succession. Knowing how to find and assess a successor is a primary concern.

Another major concern is how to exit the business. How and when should you leave? How should you delegate powers and share your knowledge? How should you distance yourself from the business and make room for others? This is a huge part of the business transfer.

Lastly, there's the valuation of the business. You have to understand that the business is often the family's main asset. That makes the value of the business of great concern. However, the market value may be well below what the owner hopes.

It's important to be able to manage expectations and in some cases, the seller must be patient and take the time to implement ideal conditions that will maximize the business's value ahead of the transfer.

> **While both transfers are essential to the process, anyone who has worked on a business transfer will tell you that the success of the transfer hinges on the human challenges involved.**

Types of sellers

A great deal can be learned about how the seller feels about the transfer from how it is being handled. Understanding the type of seller you're interacting with can help provide insight into the issues that could come up during the transfer. By being aware of this, you can better identify issues and develop truly customized solutions.

Researchers[10] have proposed the seller typology shown in Figure 2: the detached seller, the attached seller, the undecided seller and the constrained seller.

Detached sellers think in terms of finances. Their goal is most likely to maximize their sale value. Attached sellers are emotionally connected to their business, and their focus is instead on ensuring it continues to exist. Indecisive sellers are the most difficult to work with as they don't always seem to have their mind made up. They tend to put the business transfer off. This is a difficult situation for buyers because indecisive sellers hold on to their power, leaving little room for a successor to come on board. Lastly, there's the constrained seller, who has no choice but to transfer the business.

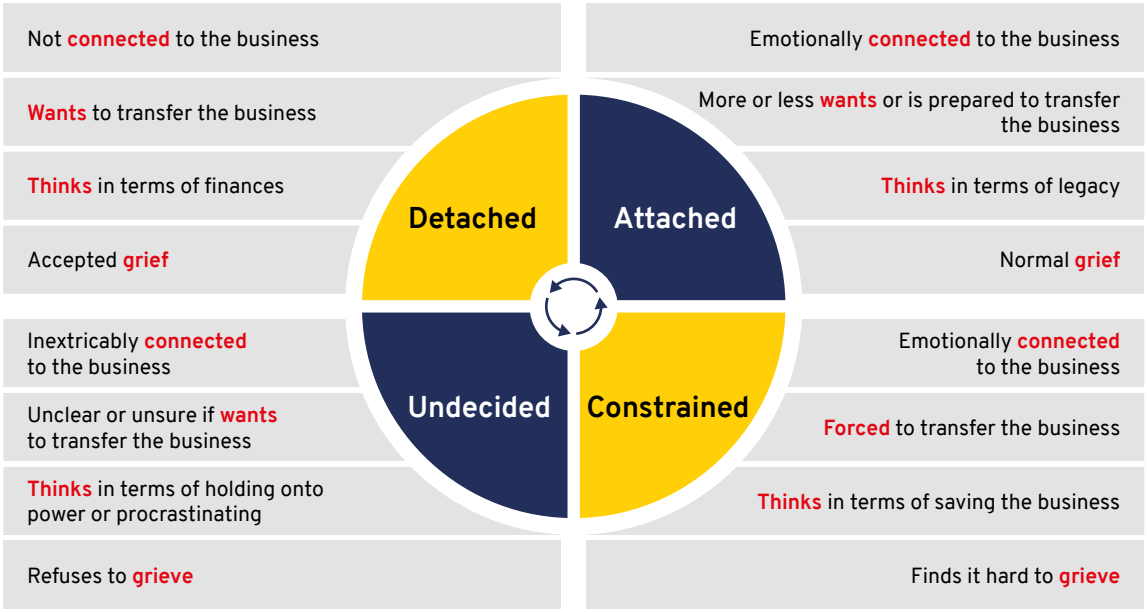
Figure 1

// The two business transfer processes



Figure 2

// Seller typology (Cadieux 2011)



Knowing when to let go as a seller

Business owners often have trouble letting go. This is because business owner-managers, many of whom are also founders, feel deeply connected to their business. Their business is the centre of their world and takes up most of their time and brain space.

Owner-managers identify with their business and draw a sense of identity from it. Once the business is transferred, what's left for them? How will they feel fulfilled? This strong attachment to being an entrepreneur leads owner-managers to hold off, whether consciously or not, on thinking about their future retirement and, as such, how they will exit (sale or transfer).

Managers often consider themselves to be permanent fixtures of their business—they have a hard time realizing that they will not be there forever and that their business may outlive them. It's obviously a sensitive subject. However, as good managers, they should plan for their exit, even if it's difficult for them. And sometimes, despite having begun the transfer process, sellers might continue calling the shots, whether consciously or not, leaving little room for their successor. However, transferring knowledge is crucial to ensuring a successful transfer.

Management transfer process

As shown in Diagram 2, there are several phases to the management transfer process. The first phases are particularly visible within family transfers. During the initiation phase, the parent runs the business, but their child is gradually initiated into the day-to-day work of the business through workplace visits or family dinners. Then, children are more formally introduced to the business, typically through a seasonal or part-time job. In other types of transfers, these phases either don't exist or move much more quickly.

Phases 3 and 4, joint rule and disengagement, are the most significant for buyers and sellers. Joint rule is a phase where both managers (buyer and seller) jointly run the business. This important transition facilitates the transfer of knowledge and reassures stakeholders (clients, providers, employees, etc.). During this phase, the seller gradually steps back from their role in the business to make room for the buyer. At this stage, it's important to clarify roles to avoid creating ambiguity and harming the buyer's credibility.

Diagram 2

// Management transfer phases



Diagram 3

// From joint rule to seller disengagement in a family succession[11]

Évolution du rôle du cédant				
Phase 3: Joint rule	**Phase 4: Disengagement**			
	Emptiness	**Reorganization**	**Acceptance**	**Distance**
Gradual period of partially working, partially stepping back	Gradually steps back completely from business management			
Gradual stepping back from role of seller	Enters a new role (e.g., president of the board of directors)			

Lastly, the seller goes through a disengagement phase, during which the seller could experience various emotions. In order to disengage, the seller must find new life projects or take on a new role in the business. Their role in the sold business depends on the situation, the buyer's vision and whether the buyer wishes to keep the seller in a decision-making role in the business. In some cases, like family successions, the seller stays on as president of the board of directors. In other cases, they continue to carry out certain tasks, but only as an employee, or they are completely removed from business activities. Diagram 3 presents an adapted version of the framework devised by Cadieux (2005).

The seller may go through a period of emptiness, feeling useless. When sellers leave their work behind, they can feel they have nothing ahead of them. That's why post-transfer planning is so helpful—but it does take time. Gradually, the seller reorganizes their life, creates a new routine, finds new ways to spend their time and feel valuable and fulfilled. This empowers the seller to accept their exit from the business and distance themselves from it, making way for their successor.

Establishing credibility as a buyer

For buyers, whether from within the family or outside of the business, their main challenge is to be accepted and seen as a credible, legitimate leader. Once they arrive, they must establish their authority, share their vision and show employees, partners and clients that they know where they are going.

The buyer must be aware that the management transfer is a major change that must be carefully navigated. They need to strike the right balance of incorporating new things and making changes while maintaining operations, culture and habits — otherwise, resistance to change could create problems for them. They should understand that taking over a business means taking over an organizational culture.

Family businesses

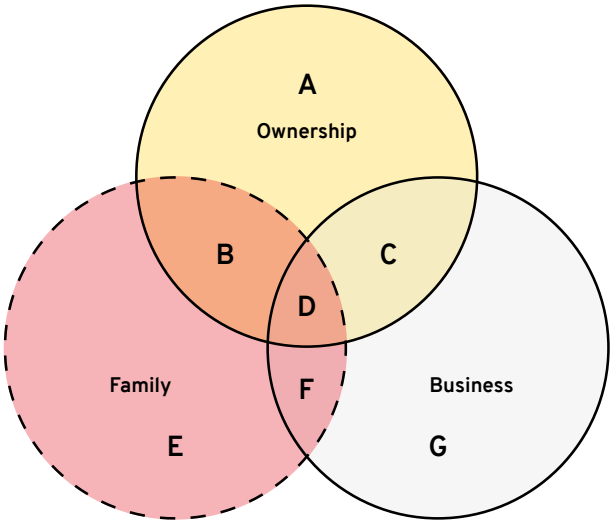
Family businesses are an important part of Quebec's economy. There are many advantages to a family transfer, but also plenty of disadvantages. Family businesses are made up of three systems: ownership, family and the business. This is what defines a family business and makes it strong—but also what makes it vulnerable.

Figure 3 below presents a three-way Venn diagram[12] depicting the different stakeholders. Depending on their position, stakeholders can have multiple roles, evidence of this complex, sensitive situation where interests and needs don't always converge.

When supporting a family business, it can help to map out the involved stakeholders onto this diagram.

Figure 3

// The three systems of family businesses



The letters in the Venn diagram refer to stakeholders in the following roles:

- **A.** Non-family owners who do not work for the business
- **B.** Family owners not employed in the business
- **C.** Non-family owners who work in the business
- **D.** Family owners who work in the business
- **E.** Family members who are not owners or employees
- **F.** Family members who work in the business but are not owners
- **G.** Non-family employees who are not owners

Identifying stakeholders' roles helps to clarify the challenges they may face and facilitates clear, transparent communication.

Family businesses are fertile ground for certain issues that could be heightened by the business transfer process, such as:

- Imposing the family hierarchy onto the business. For example, the eldest is the first pick to take the reins, but the youngest is actually the best fit for the job.
- Parents wanting to treat their children fairly, at all costs — even if not all their children are interested or qualified.
- Parents infantilizing their children, undermining their credibility as the buyer.
- Holding onto old grudges that taint interactions and discussions.
- Seller wanting to keep the business in the family when there's no real desire from the successor.

The role of experts and professionals in the process

It's not always easy for entrepreneurs—especially experienced leaders—to ask for help. Often, when the time comes to seek out information about transferring their business, entrepreneurs turn to their chartered professional accountant (CPA), who is typically a member of their inner circle, and if not a CPA, then their banker, notary, lawyer, insurance broker or financial planner. Why? Because they are primarily concerned about the value of their business.

As business leaders are less aware of the human issues related to a transfer, they rely on consultants for help with the ownership transfer (the transaction). They're less likely to use a consultant for issues related to the management transfer. However, to set the transfer up for success, leaders need support every step of the way.

Given its complexity, the business transfer process can involve multiple experts. Tables 2 and 3 below[13] give an overview of the different types of ownership and management transfer experts available and how they can help.

When sellers reorganize their lives, they have to involve their spouses, who are often concerned about the family estate and equity among their children. This means that spouses often play the role of mediator between buyer and seller and peacekeeper in the family.

These are all common issues in family businesses, and awareness is the first step in spotting them and reacting to them.

Spouses also play a key role, as the seller's new life will impact their own life. When sellers reorganize their lives, they have to involve their spouses, who are often concerned about the family estate and equity among their children. This means that spouses often play the role of mediator between buyer and seller and peacekeeper in the family.

Different consulting approaches

There are two approaches to business consulting. The first is process consulting, which focuses on providing support. This can be helpful for management transfers. Basically, the process approach aims to develop the client's problem-solving skills to help empower clients to find their own solutions.

The second is expert consulting, which focuses on solving problems. This is relied on more during the ownership transfer.

Table 2

// Specialists that may be involved in the ownership transfer

PROFESSION	AREAS OF EXPERTISE, SERVICES AND CONSULTING
Chartered professional accountant (CPA)	Prepare and verify the business's **financial statements** Prepare **personal balance sheets** for individuals Conducts a**ccounting due diligence** during sale/purchase Assesses and compares business p**erformance** Advises on **financing sources** **Valuates** the business
Tax specialist	Assesses **tax repercussions** of proposed transactions Analyzes ways to **reduce the tax burden** Implements and orchestrates the transaction, dictating how and when each step happens
Legal expert (lawyer, notary)	Conducts **legal due diligence** of sale/purchase Consults on **legal aspects** of actions taken or to be taken **Drafts contracts** (shareholder agreements, wills, protection mandates, purchases/sales, etc.) **Legal** monitoring of agreements and decisions
Banker	Advises on **financing sources** Provides **financing**
Financial security advisor	Assesses **insurance needs** for paying taxes upon death, buying back shares from a deceased partner or lowering risk levels
Financial planner	Advises on **retirement and wealth** matters Prepares **personal balance sheets** for individuals Prepares and implements integrated personal **financial planning** (IPFP)

Table 3

// Specialists that may be involved in the management transfer

ROLE	INTERVENTION OR ADVICE
Coach and mentor	**Coaches leaders** through the process (personal and professional) Establishes and maintains **good communication** between the interested parties
Management consultant	Assesses **management processes** **Advises** on business management issues
Human resources management consultant	Assesses **human resource needs** Advises on individual **compensation** Advises on **division of duties** and **staffing and hiring** procedures
Organizational development consultant	Consults on how to **make organizational changes** (introducing the prospective successor, announcing changes to employees and stakeholders)
Industrial/organizational psychologist	Identifies and evaluates prospective successors' **skills** Develops career or **training plans** for prospects
Family psychologist	Advises and works with one or more **family members** Manages family **conflicts** Fosters **communication** within the family
Personal psychologist	Supports the seller/predecessor with the **disengagement** process and the buyer/successor with their **new role**

Basically, the expert approach aims to offer solutions and tools that resolve the client's problems.

Obviously, the two approaches are complementary and can be used on a case-by-case basis.

The importance of trust

The bond of trust between a professional and their client is essential in a business transfer. Trust makes it easier for leaders to share everything a consultant needs to know (facts and feelings) to do their job well and offer tailor-made solutions.

Leaders face a number of obstacles, including:

- Knowing what skills to look for: What is the problem and what do I need? Who can help me?
- Knowing the right business transfer specialists to contact

No matter their expertise (law, taxes, psychology, etc.), there are some soft skills that all business transfer consultants should have, including:

- **Client assessment:** How to assess the organization, individuals and family, emotional state, goals and motivations, profile, strengths and weaknesses
- **Mediation and communication:** How to listen, show empathy, identify prejudices and cultural differences, interpret and manage sensitive situations, etc.
- **Identifying needs and solutions:** How to identify opportunities, set goals, develop an action plan, set deadlines, defend a client's interests, diagnose problems, anticipate future problems, etc.

Understanding the complex human issues involved in a business transfer is certainly a good starting point for building trust and providing the best help and effective support to business leaders.

The next section will take a closer look at the practical elements that will help experts and consultants develop their skills in this area.

Understanding the complex human issues involved in a business transfer is certainly a good starting point for building trust and providing the best help and effective support to business leaders.



Image: Unsplash

4. PRACTICAL ASPECTS OF BUSINESS TRANSFERS

Does your work include helping entrepreneurs transfer their businesses? Do you ever wonder whether you fully understand the key concepts behind this work? What role do other experts play in a transfer you are leading or working together on? Who does what when, and in what order?

This section will provide greater insight into the practical aspects of a business transfer. There's no doubt that a deeper understanding of these aspects will help consultants better support business owners, expertly guide them through each step and identify and implement conditions that set the business transfer up for success.

This section explains the main technical aspects of business transfers. It is not intended as an in-depth dive into each one, but rather as an overview of the elements that should be carefully considered, analyzed and documented by the professionals working on a business transfer.

First, a refresher on the basic principles of a business transfer:

- **Business transfer coaching is inherently integrated and multidisciplinary and should be approached with a client-first mindset.**

  Business transfers bring together many experts and professionals. This is typically a long-term process requiring several months (if not years) of work and a significant investment of resources (professional fees, time, expertise, etc.).

  It goes without saying that no one professional or business owner has the requisite skillset—spanning multiple fields — to conduct a business transfer alone. That's why it's a good idea to surround yourself with skilled experts who have the track record to prove that they can carry out the work required of them in a transfer. This work is typically governed by various laws or reserved for certain professional orders. That's why every professional has to understand they can and cannot do with their skills and area of expertise. A successful business transfer depends on being surrounded with the right people and choosing the best experts to recruit.

- **The experts working on a business transfer need to be in constant communication. This should be facilitated by a dedicated point person.**

  As the main channel of communication between the many members of this multidisciplinary team, the point person communicates, coordinates and ensures collaboration every step of the way in the integrated business transfer process. They also make sure the owner is making the most informed decisions possible.

- **Gaining a client's trust is the key to a successful business transfer.**

  Business transfers succeed by bringing together the seller and buyer's distinct, yet closely connected needs and goals.

  To do so, professionals must build trust with the buyer or seller they are supporting. This trust is built on the professional and other partners fully understanding the overall process, its many steps and just how important this transfer is for the owner.

  Often, transferring a business is a major life moment for the business owner, which is why it's essential to provide trustworthy professional support rooted in a strong, supportive relationship.

- **The starting point for any business transfer is always identifying the buyer's and seller's financial goals and needs.**

  Whether they're just starting out or wrapping up a long career, entrepreneurs typically have more complex finances than your typical employee. The business adds an extra layer of complexity that can blur the line between their personal needs and the resources they have to meet their needs—not to mention that the business is often the largest asset in the owner's estate.

  For these reasons, integrated personal financial planning (IPFP)[14] is an absolute necessity for any savvy entrepreneur. When entrepreneurs rely on a financial planner for comprehensive IPFP and keep their plan up to date, they are better able to identify their needs (and their spouse's, as the case may be) and meet their goals while accounting for their business, their income and their obligations.

  For both buyer and seller, starting the business transfer process with comprehensive IPFP gives them an incredible advantage: they can assess different transaction structures and clearly identify any and all potential impacts and effects. IPFP is an exhaustive examination of a wide range of situations that helps individuals and families avoid blind spots and plan out their entire financial life. IPFP may begin with discussions between the owner and their financial planner, but its success depends on help from the entire team of professionals and representatives involved in the transfer.

Initial purchase offers should be prepared with great care. If an offer is too short, it will likely not address all the essentials, which could hamper the transaction down the line.

Below is an overview of the essential practical aspects of a business transfer. These brief descriptions are meant to give professionals a concise yet comprehensive look at the many, varied multidisciplinary considerations this process entails. We hope that this overview helps professionals provide the right forward-thinking support and guidance, understand how any of these aspects could impact buyers and sellers and encourage exemplary teamwork among the professionals involved in a transfer.

Legal aspects

Business transfers obviously involve many legal issues. That's why it's so important to rely on the services of a lawyer or notary throughout the entire process. Legal experts can make sure that all legal considerations are accounted for and properly addressed to everyone's benefit.

These legal considerations include, but are not limited to:

Confidentiality agreement

An agreement that dictates how information and documents are communicated between the seller and the buyer.

Confidentiality agreements are required because information about the business is both strategic and sensitive. The buyer uses this information to get an idea about the business, figure out if they are interested in it and decide if they want to move forward with the next step, namely the letter of intent or purchase offer. The purpose of a confidentiality agreement is to protect the seller in case the transaction falls through and make sure that any confidential information shared is not used for other purposes (e.g., competition).

Letter of intent

A document that expresses the buyer's intent to consider the seller's business transfer transaction, subject to the fulfillment of certain conditions.

The letter of intent may include key pieces of information, such as the future sale price, the proposed transaction type (shares or assets), conditions of the offer, payment type, due diligence to be done, etc. The purpose of this letter is to better establish each party's expectations and open the door to business transfer discussions and negotiations.

Purchase offer / bill of sale

A document that legally binds the parties to the transaction.

The purchase offer (or bill of sale) lists a number of general clauses about the sale of the business (price, terms, conditions, guarantees, etc.). It may also list more specific clauses, such as clauses about latent defects, non-compete/non-solicitation, purchase price adjustments, and conditions for the seller's transition within the business.

Initial purchase offers should be prepared with great care. If an offer is too short, it will likely not address all the essentials, which could hamper the transaction down the line. That's why it's best to get all the details down in writing.

That's also why multidisciplinary advisors are so important at this stage for both buyers and sellers. Any considerations related to the offer should be flagged and explained in detail from the outset.

Everyone involved in a transfer must think big picture in order to plan for anything that could affect taxes, both before and during the business transfer.

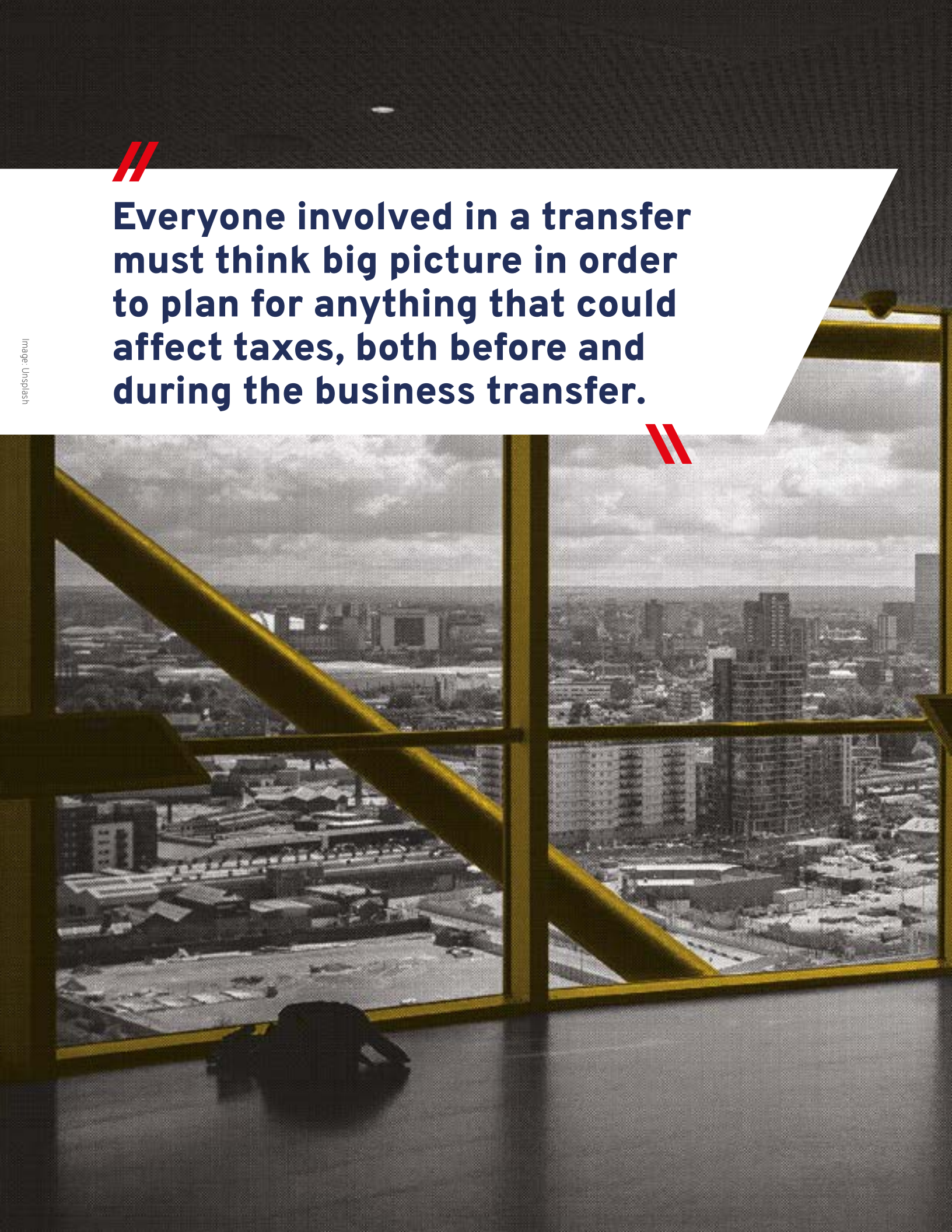


Image: Unsplash



Shareholder agreement

A document that sets out how the corporation or business is run and the relationship between the shareholders in detailed, concrete terms.

The shareholder agreement is prepared by a legal professional and tailored to fit the unique needs and expectations of a business and its shareholders. The agreement may include a number of clauses about business governance, shareholder rights and sale of shares, the procedure in the event of a shareholder's death and share transfer mechanisms, special terms and conditions (insurance, contributions, etc.), protective provisions (non compete, confidentiality, etc.), a quick valuation method for shares, etc. The main purpose of this document is to establish in advance how various situations that may arise within the business (and/or between shareholders) will be dealt with, including death, retirement, temporary or permanent disability and conflict.

Why sign a shareholder agreement if everyone gets along and believes in the project? The answer is simple: shareholder agreements establish efficient ways to resolve conflicts that may occur if relationships devolve—all while everything's running smoothly.

Far too often, business owners neglect to prepare a shareholder agreement during the transfer process. It's pushed off until something happens when they should actually be initiated as soon as possible. To maximize the business's chances of success after the transfer, it's best to make sure a group of buyers agree from the get-go on the conditions of their future partnership, roles and governance powers.

Will

A document that establishes a person's last wishes and plans for settlement of their estate.

In general, the shareholder agreement answers the question of what happens to the business after an owner's death, for example with a compulsory buy-out upon death clause, reciprocal option clause, life insurance clauses, etc. However, it's still important to come to an agreement with the business owner about their will, given how much the transfer can impact their estate.

Wills become even more important when there's no shareholder agreement, for example, when the owner is the only shareholder or is a shareholder via a management or trust company. Who will inherit the business upon their death? How can they optimize the devolution of their business to their inheritors? These are just a few questions to consider when preparing a business owner's will and succession plan.

Protection mandate or power of attorney

A document that expresses a person's wishes and plans for the protection of their person and management of their property, including their business, if they are ever declared incapacitated.

Just like a will, a protection mandate or power of attorney is an essential part of planning for business continuity and transfers. These documents provide a succession plan for management of the business in the event that the owner is incapacitated, especially if they are the sole shareholder.

The protection mandate or power of attorney helps to avoid a sudden stop in business activities in the event of an unfortunate event befalling a shareholder, such as serious illness. Even though these documents are extremely important, they are often left out of planning, which can hurt the business's long-term success.

General legal advice

The importance of legal help can't be overstated: everyone working on a business transfer needs support from an expert in corporate law, whether that's a lawyer or notary. Legal experts can provide advice on all of the legal requirements of a business transfer. They make sure that all required documentation is filled out correctly throughout the process. When the legal expert and others involved in a business transfer work in lockstep together, transfers run smoothly and efficiently.

Tax aspects

Taxation plays a major role in a business transfer as it impacts both buyer and seller. Everyone involved in a transfer must think big picture in order to plan for anything that could affect taxes, both before and during the business transfer.

The first and most fundamental step is to draw up a full assessment of the owner's situation. Their status must be identified (salaried employee, self-employed, general partnership member or private corporation shareholder); the same goes for the taxpayers linked to them, including family members, corporations, general partnerships and trusts.

A review of their tax documents will show whether they are taking advantage of all the tax breaks (like deductions and credits) available to them and whether there are other ways to reduce or defer taxation.

Integrated personal financial planning (IPFP) for business owners is central to tax planning for a business transfer. IPFP guides the process by considering the owner's goals and needs, which helps with financial planning for resources they may need to accomplish their goals—without adding to their tax burden. This means that tax and financial planning information must be reviewed and updated together to avoid any financial or tax woes.

Tax considerations include, but are not limited to:

Type of transfer

There are a couple of ways to transfer business ownership: either through the sale of the seller's shares, or through the sale of the business's assets that are used to run it.

From the very start of the transfer, it is important for both buyers and sellers to receive support from an expert in the preferred type of ownership transfer. Both types of transfer have their own advantages and disadvantages for buyer and seller. That's why the transfer type is likely to be an important part of negotiations between the parties.

In principle, the sale of shares results in capital gains, while the sale of assets may result in other forms of income. Given that capital gains are one of the least taxed forms of income in Canada, a capital gains exemption on the sale of their shares. No matter the situation, it's important to establish the type of transfer at the start of the business transfer process.

Family businesses can also be transferred as a gift. In this scenario, the seller receives no cash upon transfer; however, they must pay taxes on the capital gains of the sale (even if they received nothing in return). Sellers in this situation should seek out rigorous support to make sure that gifting their business is compatible with their financial planning and avoid any financial, tax or legal surprises.

Establishing the business's fair market value (FMV)

Fair market value (FMV) is a critical issue in tax law. Tax authorities define it as the highest price that an owner can reasonably expect to receive for the business if it was sold normally on the valuation date on the open market, at arms length and free of any pressure.

When two well-informed individuals at arm's length agree on a price, each having negotiated in their own best interest without undue pressure, the price is considered to be the FMV. However, when two people are not at arm's length, the negotiated price must be shown to be the same price that two individuals at arm's length would have negotiated. This is often the case when a family business is transferred to the next generation, which can make taxes quite complex due to this FMV transfer price requirement. If the seller sells their business to a non-arm's length buyer (in this case, a family member) for a price other than the FMV, both buyer and seller could potentially face double taxation. A fully documented independent assessment from a chartered business valuator (CBV) or another qualified professional is essential to avoid any unforeseen taxes for either party.

That said, a price adjustment clause can be included in the transfer contract to address any potential dispute over the share value agreed upon by the non-arm's length buyer and seller. This clause provides for changes to the price post-transaction in the event that tax authorities determine that the FMV of the business (or its shares) differs from the price agreed upon by the parties. Obviously, this new value must be paid (reimbursed), prior tax statements amended and, in many cases, the shares' tax attributes updated.

Everyone involved in a transfer must think big picture in order to plan for anything that could affect taxes, both before and during the business transfer.

Capital gains exemption

When disposing of business shares that are considered qualified small business corporation shares (QSBCS) under tax law, a seller may be eligible, under certain conditions, for a tax break that could reduce the taxes to be paid on the business transfer.

Sellers can claim an exemption of $971,190 (in 2023)[15] on the first million dollars of capital gains from the transferred shares. Certain conditions apply at the time of sale and in the two years leading up to it. That's why a qualified professional is needed to plan for the business transfer ahead of time so that these conditions can be met and the transfer can potentially qualify for the exemption in the future.

Deferred gains and past losses

Capital gains can be deferred for up to five years—this is what's called a capital gains reserve.

The seller can defer gains when they are not paid in full for the sale at the time of transaction, only in part. The seller pays less in taxes than if they were paid in full because they are spreading the proceeds of the sale over several years and benefitting from the graduated income tax rate for their capital gains. Because of this, their proceeds from the sale are taxed at a lower rate, rather than at a higher (or the highest) rate, as in cases where they are paid in full in a single year.

Sellers can only benefit from a capital gains reserve if the proceeds from the sale are paid out over several years (up to five). However, this delayed collection could pose a problem if the business is transferred to an independent third party: the seller must trust that the business will continue to prosper and that the buyer will be able to make all future payments. If the buyer has the seller's full trust (for example, if they are family) or if the seller genuinely agrees to a staggered payment schedule, capital gains deferral is a tax advantage that should not be ignored. If not, it's better for the seller to be paid in full by the buyer at the time of transfer to secure their assets.

A seller may also apply any capital losses incurred in past years against the capital gains made during the transfer of their business shares, which will help to reduce their taxes on the transfer.

Estate freezing

Estate freezing is a way for a seller to integrate a buyer or transfer all or part of the business to the buyer.

Estate freezes allow sellers to freeze their own participating stock, receive fixed-value freeze shares, then issue new participating stock to the buyer, who earns some or all of the future capital gains on the stock. For maximum tax benefits, the seller may then sell their freeze shares or have the business buy them back gradually, depending on its financial ability.

Both partial and total estate freezes are possible. For partial freezes, new shares are issued in the amount and under the conditions agreed upon by the parties. These new shares allow the two parties to share the income from a portion of the future profits. Additional estate freezes can be used to modify this amount or to finalize the transfer to the successor.

A major advantage of estate freezing is that the buyer needs little capital to enter the business partially or totally. Since the business's value is crystallized in the seller's freeze shares, new participating stock can be issued to the buyer at nominal value.

This means that estate freezing makes it possible for a buyer to acquire a multi-million-dollar business for just a few hundred dollars, plus any professional fees for the implementation of the freeze. As for sellers, estate freezing allows them to avoid the tax implications of selling or disposing of their shares during a transfer. However, there will be tax implications when preferred stock is sold off or bought back by the business.

In principle, shares that are bought back result in higher taxes for the seller than shares that are sold off and earn capital gains.

Income splitting

In recent years, tax rules have tightened considerably on business income splitting among family members; however, under certain conditions, it's still possible to take advantage of tax breaks from income splitting when transferring a business.

For example, family members of the seller may also be able to apply a capital gains exemption to the disposition of the business. Every member is able to use up to their own capital gains exemption limit, which results in lower overall taxes for the family than if the income was taxed as solely belonging to the seller. Income splitting can apply when family members hold shares in the business directly or via a trust.

In either case, it's important to consult a tax expert for help setting up a structure that would allow for income splitting down the road when the business is sold. This expert should make sure that the structure meets all the conditions for this tax break prior to initiating the transfer process. When laying the groundwork for income splitting, a tax expert will consider several factors, including the ages of the shareholders, the other asset types held, marital status and inheritance needs.

Income splitting conditions are very restrictive, and if they aren't all met, there could be serious tax implications for the business owner and the professional who helped the owner multiply their capital gains exemption. Failure to comply with these conditions will result in severe penalties. Income splitting requires the utmost caution.

Attribution rules

Certain tax attribution rules may apply in the event that a business is transferred to a spouse or child. That's why it's so important for the seller to pay close attention to how they dispose of the income from the transfer of their shares in order to avoid any tax surprises.

Taxes and investment structure

Growing an investment portfolio in a private corporation could negatively impact a shareholder's taxes, for example, by disqualifying them from using their capital gains deduction (CGD). That's why a full analysis must be conducted that looks at the investor's profile, the assets held by the owner(s) and any permanent insurance policies that work like investments in the corporation. It's important to account for the fact that investment income is not only subject to a temporary refundable

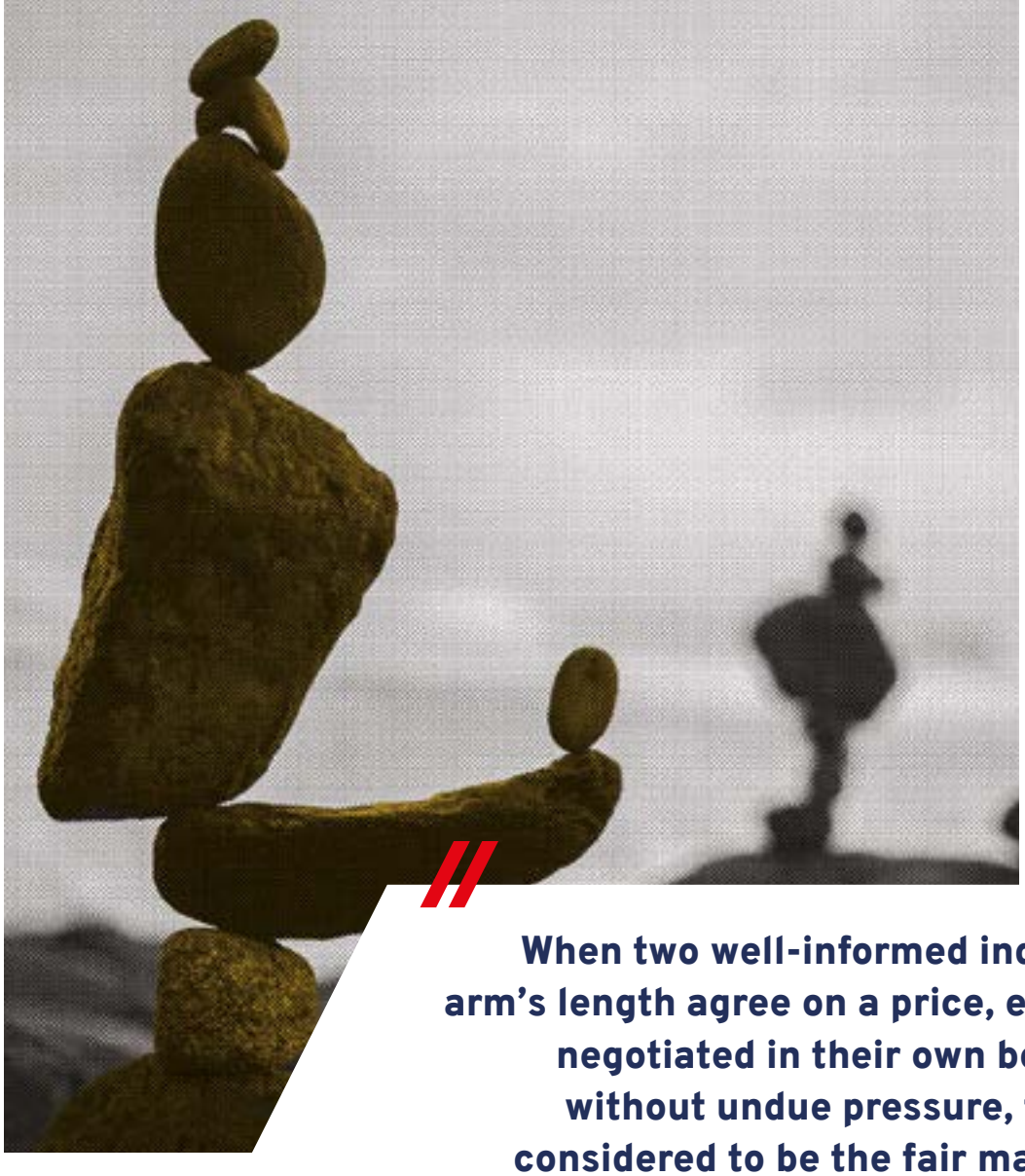


Image: Pexels

When two well-informed individuals at arm's length agree on a price, each having negotiated in their own best interest without undue pressure, the price is considered to be the fair market value.

tax, but it may also reduce the amount of income that qualifies for the small business deduction (preferential tax rate).

For personal investments, income generated from tax-free savings account (TFSA) investments is not taxable, but contribution room is limited. That means it is better to use up all of the contribution room in a TFSA before growing an investment portfolio in a corporation. This generally holds true even when a business pays an owner additional income or dividends, so they have the liquidity needed.

Taxes and shareholder compensation

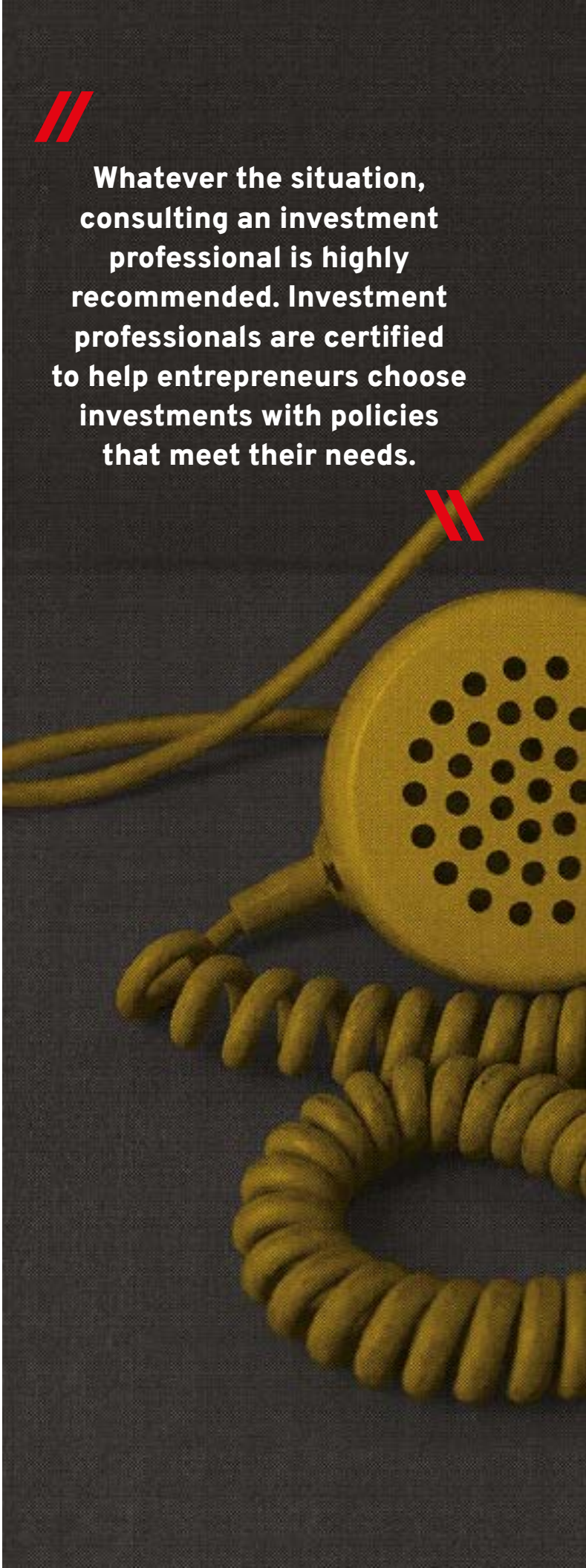
Shareholders can be compensated for their help running the business through a salary, dividends of the profits or some combination thereof.

In order to decide how best to compensate shareholders, it's worth looking at more than just how income taxes and payroll taxes for salaries compare to dividends. Why? This oversimplification fails to consider the value of the rights associated with these taxes or of earning employment or business income. A professional can help provide a clearer picture by offering expert advice on the different options available to business owners and recommending how best to optimize total compensation for shareholders.

Specific situations

Besides considering legal and tax issues that apply generally, there are also issues that have to be considered for each of the following specific situations:

Whatever the situation, consulting an investment professional is highly recommended. Investment professionals are certified to help entrepreneurs choose investments with policies that meet their needs.



Marital status

An entrepreneur's marital status and family assets are often overlooked yet can significantly impact the business transfer process.

If sellers are married, how they use their proceeds from a business transfer can rapidly impact the fallout of a potential legal separation, especially under the regime of separation as to property. Property belonging to a married seller may change status after the sale of the business depending on how the seller uses the proceeds from the sale. For example, if the business sale proceeds are used in whole or in part to acquire a secondary residence, this value could fall under family assets. The same holds true for contributing to an RRSP. If the seller is married under the regime of community of property (which is now less common), spousal consent is needed to sell the business, even if the spouse owns no shares nor assets therein, under penalty of absolute nullity. The transfer must be planned out without fail.

If a buyer is married, the regime of separation as to property is often prioritized. The regime makes it possible to avoid the pitfalls that arise from sharing a non-liquid asset, like a business. This regime can cause issues of equity between spouses if, for example, an entrepreneur puts all of their own assets into the business while their spouse is a salaried employee with an employer-sponsored pension plan. For this reason, the buyer should consider how their marital status will impact the acquisition of the business. Will the business be an acquest? This issue must be addressed prior to beginning the transfer or as soon as possible.

Finances

The rate at which the seller's investment portfolio will increase in value will vary depending on how they are paid for their business. No matter the situation, a seller would ideally entrust the management of their portfolio to an investment professional who holds a representative's certificate in mutual funds,[16] investment dealing[17] or portfolio management[18] from the Autorité des marchés financiers. Investment professionals often work in tandem with a financial planner to help the seller review their situation and draw up a full, detailed picture of their estate, assets and liabilities. Using this picture, they can identify and compare the seller's different options for using their capital, in particular by comparing borrowing costs with expected investment performance.



Image: Pexels

In general, any money not needed to pay back the seller's loans or purchase assets or a life annuity should be invested to generate income and grow capital. For sellers, this means transferring partial control of their estate to a third party, which lets them exchange previously permanent assets whose value is difficult to assess for volatile securities whose fluctuations can be tracked daily.

Buyers can use the detailed information they obtain to draw up a personal balance sheet (accompanied by detailed notes) and identify property that could serve as collateral for a lender or be converted to cash for the same purpose.

When assessing their financial situation, the seller should actively participate in calculating their own cost of living and identifying their own expenses. This makes it easier to determine how flexible they are and how able to weather fluctuating income. This is essential for assessing different funding scenarios and identifying how each scenario could impact their daily life.

Buyers might be considering using assets from their investment portfolio to fund the acquisition. This would not only reduce their portfolio's value, but it could also increase their overall financial risk and impact future projects. However, this type of risk is precisely calculated and managed based on the buyer's knowledge of the business and activity sector. If the seller uses some of their portfolio investment assets to fund the acquisition, it's important to review how the remaining assets are allocated and diversify their investments in a way that reflects their investor profile and future projects.

Whatever the situation, consulting an investment professional is highly recommended. Investment professionals are certified to help entrepreneurs choose investments with policies that meet their needs. An entrepreneur can also turn to a professional for guidance splitting their portfolio between several products or services that complement each other. These professionals include financial planners working on IPFP with the necessary certifications or a mutual funds representative and/or a broker (who may work as a team).

Protection

Throughout the business transfer process, it's essential that there be protections in place for entrepreneurs to mitigate any

There are clearly many moving parts in a business transfer. When helping a business owner, a professional must have a comprehensive understanding of the major issues involved in order to provide the proper support.

legal or financial issues arising from their own health problems, health problems within their family or an inability to take care of themselves or manage their assets and business.

The first step for both buyers and sellers is to inventory all accident and sickness insurance coverage, including coverage under the business's group insurance policy. This lets them compare their personal needs, like cost of living, with their personal coverage in order to calculate any potential shortfalls. If this analysis shows shortfalls, additional coverage is absolutely necessary to fully cover their needs in case of incapacity.

Sellers on the verge of retirement and their spouses have varying coverage needs and often, need less coverage—though sometimes they need more. For example, disability and critical illness insurance coverage can be substantially reduced and, sometimes, foregone altogether as the seller's financial resources are deemed sufficient to cover any shortfall. Conversely, sellers may need more long-term care than expected in retirement as they grow older and become less independent.

Buyers are often younger, making disability insurance a must-have. It's important to make sure that their compensation type (dividends or salary) qualifies for income insurance. As a new business owner, the buyer should take all the necessary protective measures to ensure that they can access whatever financial resources they need in the event that a key individual is absent from work, whether that key individual is themself, their business partner, a co-shareholder or a key employee. Business could suffer if the key individual is on long-term leave. When there are several shareholders or business partners, especially during the transition period, it's best to plan out how the buyer can access liquid assets to buy out the incapacitated partner's investment (shares or interest), if necessary. This protection should be considered at a personal level as it becomes a financial resource available to the buyer.

An expert in personal protection, like a financial security advisor,[19] can help an entrepreneur review their insurance needs and carefully identify the protections their business needs.

Retirement

When it comes to retirement planning, it's a good idea to divide it into two phases: accumulating assets until retirement and disbursing those assets until death. There are different planning strategies and approaches for each phase.

For sellers, a business transfer may be a sudden, substantial injection of funds that could change their life goals, including their retirement plans. The transfer structure (including terms of payment) should be reviewed as part of assessing their retirement readiness. This assessment includes assessing future disbursement based on annual and occasional financial needs during retirement and how best to use their money. These calculations and analyses account for their anticipated cash flow, both personal and corporate, and taxes on that cash. The objective is to make sure that the intended structure adequately meets the seller's long-term needs without unnecessarily increasing their tax burden.

Buyers must be informed of how necessary it is to save for retirement, and to do so, even when mustering financial resources for a business acquisition. Buyers are investing a large part of their savings and financial flexibility to grow the business or pursue new business opportunities. Once the transaction price is confirmed, this exercise helps to identify whether a gap is expected between the assessment and previous estimates.

Incapacity

Some people's strengths are other people's weaknesses. Business owners must recognize from the get-go that the best person to manage their personal affairs is not necessarily the best person

to manage their business for them, should they become incapacitated.

Consequently, when an owner draws up a protection mandate with the help of a professional, they must appoint a separate mandatary to manage their business affairs. An owner who has to step away from business operations must have a permanent or total disability that, at minimum, prevents them from doing any work. The applicable terms of the shareholder agreement should allow the incapacitated business owner to sell their interest to their partners or co-shareholders, as the case may be. This mandatory sale must be priced at a fair value. Their business partner(s) are responsible for arranging funding for the acquisition of their shares as per the terms set by the shareholder agreement. The shareholder agreement should also provide ways to prevent the representative of an unfit partner from interfering in decision making, as the representative may not have the necessary skills or experience to properly manage the business.

If a protection mandate is being written and there is already a shareholder agreement in effect, the mandate should account for the measures provided in the agreement to assess whether a separate mandatary needs to be appointed to manage the business's affairs.

"Buy-sell" disability insurance policies require the insurer to provide the funds needed to buy out a business partner's ownership interest, should they become disabled. When an entrepreneur takes out a buy sell policy, they should pay close attention to the language of the clauses that explain the access to funding.

These clauses primarily include the following information:

- The expiry of the waiting period for the disability buy sell policy must match the date on which the buy-out is triggered, as per the buy-sell agreement.
- The funding method of the buy-out set out in the agreement must be the same as the benefit payment method set out in the disability buy-sell policy (e.g., lump sum payment, recurring payments over two, three or five years, or a combination thereof).
- The purchase/buy-out mechanism provided for in the agreement must be feasible given the insurance ownership structure. In a corporation, for shareholders to directly acquire shares, they must each hold a policy insuring the other shareholders. If the corporation is both policyholder and beneficiary, insurance benefits can only be paid to shareholders through taxable dividends. That's why this type of ownership structure is appropriate for cases where the corporation is the one buying the disabled shareholder's stock.
- The term "disability" should not be defined in the agreement. Instead, the agreement should stipulate that the person's disability must meet the conditions listed in the buy-sell policy.

Death

As in the case of disability, when a business owner dies, the executor of their estate may not have the skills needed to manage the business until it can be transferred to the legatee or sold. That's why it's important to take measures to ensure the business can access the resources it needs should the owner pass. This is required for each of the shareholders or business partners and is defined in a buy-sell agreement.

To achieve this, the expert helping the business owner in this initiative can conduct a detailed analysis of the business's needs. If there are several shareholders or partners, particularly during the transition period, it's best to plan out how they can access the liquid assets needed to buy out the late owner's investment (shares or interest), for example, through life insurance policies. These protections may be taken into consideration at a personal level since they are financial resources available for the beneficiary of the buy out.

There are several possible structures for insurance policy ownership. Businesses can hold life insurance policies on shareholders, or shareholders can hold life insurance policies on other shareholders. This is important to keep in mind when drafting the shareholder agreement, which normally includes clauses that provide for buying or buying back the deceased's shares. These clauses should be reviewed by a tax specialist and incorporated into the parties' IPFP. Similarly, legal advisors for the buyer and seller should review the agreements in order to draft their wills in alignment with the agreements made by the parties.

If a business is incorporated, then the business can also plan to buy back the shares. This is possible even if the corporation is the beneficiary of the deceased's life insurance, because the net income from the life insurance (benefits minus tax cost) is recorded in a capital dividend account (CDA). This money, which can be paid as a capital dividend, is therefore not taxable.

From a tax standpoint, a mandatory offer of sale upon death is not always the best option because it prevents the shares from being indefeasibly vested in the spouse, an essential prerequisite for a tax rollover. Rollovers may be preferable for using the spouse's capital gains deduction or for avoiding capital gains on the deemed disposition of the shares upon death. The adjusted cost base (ACB) of the shares does not change and the shares may be bought using capital dividends, since there is no additional capital gain to eliminate due to death.

If a deceased shareholder wished to vest their shares indefeasibly in their spouse, the shareholder agreement must contain a reciprocal option clause. This clause gives the option to (as opposed to requiring) the deceased shareholder's spouse to force the surviving shareholders to buy the shares vested in the spouse. Once this option is triggered, the surviving shareholders have no choice but to acquire the shares.

There is also a second option: the surviving shareholders can offer to buy the shares vested in the spouse. Again, once the surviving shareholders trigger this option, the spouse has no choice but to accept. The end result is the same as a mandatory offer. However, it increases the likelihood of tax avoidance without closing the door on a tax rollover. The legal language of the reciprocal option clause should be carefully drafted to ensure it achieves the desired outcome.

When the time comes, the transaction type is chosen based on the tax attributes of the deceased's shares and the balances of the deceased's tax accounts (and of the spouse's tax accounts, if applicable). That's why the reciprocal option clause is of such great interest and benefit.

Conclusion

There are clearly many moving parts in a business transfer. When helping a business owner, a professional must have a comprehensive understanding of the major issues involved in order to provide the proper support. Because of how complex transfers can be, a professional often needs to consult with other experts to ensure that all aspects of the transaction are being handled correctly in the best interest of the buyer and seller.

Again, when helping business owners achieve success in their transfer and business, the most important conditions for success include building a relationship based in trust, understanding the issues and recognizing the role that other experts play. That is what this guide to business transfers is all about.

Links

Buying a business | Éducaloi (educaloi.qc.ca)

Shareholder agreements: in business together | Éducaloi

Letter of intent for a business acquisition | BDC.ca

What is the capital gains deduction limit? - Canada.ca

Capital gains deduction value in Quebec (French only) – 2023 and previous years – Réseau

Expert advice and resources (French only) | Ordre des CPA du Québec | Chartered professional accountants (cpaquebec.ca)

The will | Chambre des notaires du Québec

The protection mandate | Chambre des notaires du Québec

Image: Pexels

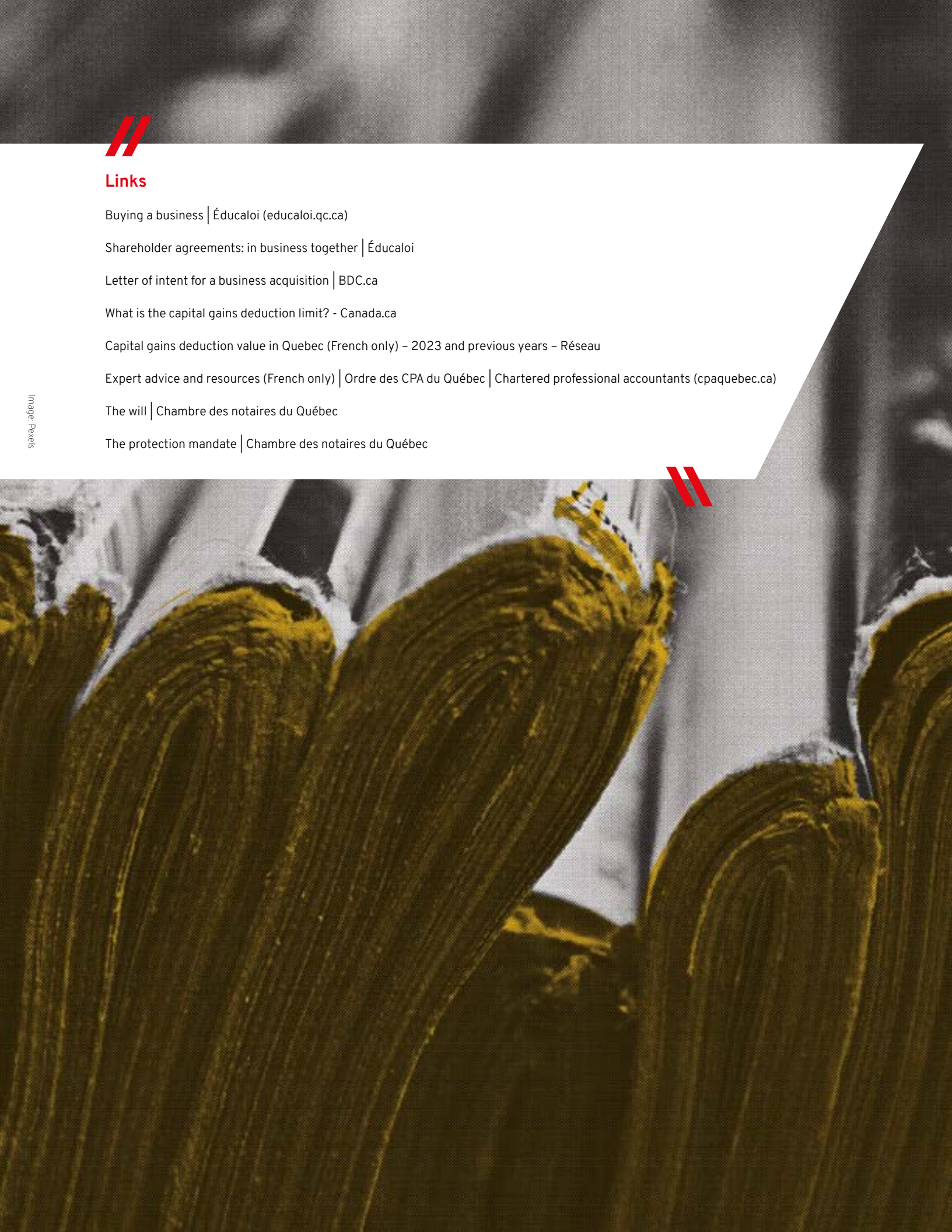




Image: Unsplash

CONCLUSION

Business transfers are a major part of Quebec's modern business landscape. The high number of transfers expected over the next decade could bring significant changes to the continued operations of these businesses and the lives of their owners.

From page one, this guide has laid out a roadmap for business transfers. As we've highlighted, transfers are complex; no two are exactly the same. They often involve — and even require — the involvement of a range of professionals and experts. For the parties involved, the only way out is through, requiring an investment of time and money. All transfers, no matter how complex they are, require careful planning and a feasible, suitable succession plan that will ensure the transfer's success and the acquired business's longevity.

Naturally, the main goal is for the business sold to continue pursuing its mission and succeed, while ensuring a peaceful transition between the parties.

This practical, concise reference guide provides business owners and professionals with the information needed to begin planning a transfer by laying out its key steps and the support available from experts who can work together or separately to help the buyer and seller. As there are many different types of experts and roles that they play, a better understanding of "who does what, when" will undoubtedly help clarify the transfer process and make the activities involved in the transfer easier to coordinate.

We therefore hope that this reference guide will help those involved in business transfers learn more about how these transfers work, what they require and what role their peers are playing. Everyone gains from learning more about the transfer process: it promotes better collaboration and increased synergy among the experts consulted and, as a result, the parties involved in the business transfer can reap the benefits of a more fluid, fruitful process. That's the whole point of this guide.

That's why we hope that this guide, born of a collective effort to address business transfer challenges in Quebec, will be widely distributed and shared, becoming an essential reference tool. Real value creation in a collaborative process is only achieved when everyone involved is on the same page. We hope that your business transfers go smoothly and successfully and lead to an even more prosperous Quebec.

ENDNOTES

1 Over $2 trillion in business assets are at stake as majority of small business owners plan to exit their business over the next decade (cfib-fcei.ca)

2 For example, see https://www.bdc.ca/en/articles-tools/business-strategy-planning/manage-business/10-things-didnt-know-canadian-sme

3 See https://www.statcan.gc.ca/o1/en/plus/1253-small-and-medium-businesses-driving-large-sized-economy and https://ised-isde.canada.ca/site/sme-research-statistics/en/key-small-business-statistics/key-small-business-statistics-2021

4 https://www.bdc.ca/en/about/analysis-research/business-acquisition

5 Statistics Canada. Canadian Survey on Business Conditions, November 2020. See https://www150.statcan.gc.ca/n1/daily-quotidien/210305/dq210305b-eng.htm

6 HEC Montréal. Survey of Quebec family businesses, January 2021.

See https://www.hec.ca/en/news/2021/family-businesses.html and the full report (French only) https://famillesenaffaires.hec.ca/album-de-familles/

7 Guillotte et al. (2021) reviews the benefits of co-operative takeovers of Quebec businesses. There have been 106 since 1980, and 96% are still in operation.

Guillotte, C. A., Merrien, A. M., Charbonneau, J., & Fouquet, É. (2021). Business succession: An opportunity to cooperate. Canadian Journal of Nonprofit and Social Economy Research, 12(2).

8 Information provided at the Sommet international du repreneuriat held in Montréal in November 2021. See https://ctequebec.com/sir-2021/ (French only).

9 Here is a selection of research literature on the topic:

Wennberg, K., Wiklund, J., Hellerstedt, K., & Nordqvist, M. (2011). Implications of intra-family and external ownership transfer of family firms: short-term and long-term performance differences. Strategic Entrepreneurship Journal, 5(4), 352–372.

Audretsch, D. B., Hülsbeck, M., & Lehmann, E. E. (2013). Families as active monitors of firm performance. Journal of Family Business Strategy, 4(2), 118–130.

Ahrens, J. P., Calabrò, A., Huybrechts, J., & Woywode, M. (2019). The enigma of the family successor–firm performance relationship: A methodological reflection and reconciliation attempt. Entrepreneurship Theory and Practice, 43(3), 437–474.

Wiklund, J., Nordqvist, M., Hellerstedt, K., & Bird, M. (2013). Internal versus external ownership transition in family firms: An embeddedness perspective. Entrepreneurship Theory and Practice, 37(6), 1319–1340.

Belenzon, S., Patacconi, A., & Zarutskie, R. (2016). Married to the firm? A large-scale investigation of the social context of ownership. Strategic Management Journal, 37(13), 2611–2638.

Several studies in this special edition: https://journals.sagepub.com/toc/etpb/40/6

10 Bah, T., Cadieux, L. (2011), "Les passages obligés du cédant : quels impacts pour le repreneur?" in L. Cadieux, B. Deschamps (eds.), Le duo cédant repreneur : pour une compréhension intégrée du processus de transmission / reprise des PME (pp. 85–98), Québec, Presses de l'Université du Québec.

11 Model adapted from Cadieux, L. (2005) La succession dans les PME familiales : Vers une compréhension plus spécifique de la phase du désengagement, Journal of Small Business & Entrepreneurship, 18:3, 343–356, DOI: 10.1080/08276331.2005.10593347

12 Three-Circle Model, initially developed by Renato Tagiuri and John Tavis at Harvard Business School in 1978.

13 Adapted from Cadieux, L. and Brouard, F. (2008). La transmission des PME: perspectives et enjeux. Presses de l'Université du Québec, 290 pages.

14 https://www.planifiez.org/le-planificateur-financier/ses-7-domaines-d-expertise/ (French only)

15 What is the capital gains deduction limit? - Canada.ca

Capital gains deduction value in Quebec (French only) – 2023 and years past – Réseau Fisconseils, avocats et experts en fiscalité (reseaufisconseils.com)

Capital gains – 2022 – Canada.ca

16 https://lautorite.qc.ca/en/becoming-a-professional/securities/mutual-funds

17 https://lautorite.qc.ca/en/becoming-a-professional/securities/investment-dealer-and-restricted-dealer

18 https://lautorite.qc.ca/en/becoming-a-professional/securities/portfolio-management

19 https://lautorite.qc.ca/en/becoming-a-professional/insurance-of-persons-and-group-insurance-of-persons



This guide and its contents will continue to evolve as we update it to reflect any legal and rule changes. Users should refer to the online version of this document.