

DUE DILIGENCE CHECKLIST

The following information is typical of what may be requested by the Buyer or the Buyer's advisor. The information requested is exclusively for the use of the Buyer and subject to the Non-Disclosure Agreement that should have been executed by the Buyer and Seller.

- ◆ A company profile describing competitive positioning, strengths, weaknesses, opportunities and threats.
- ◆ Copies of all certificates of incorporation and certificates of change of name relating to the company.
- ◆ A current copy of the Articles of Incorporation of the company.
- ◆ Minutes of the Board Meetings and Annual Meetings of the company for the last five full financial years and the current financial year.
- ◆ A functional organization chart of the company showing numbers of staff in each position, but not their names.
- ◆ List key managers, provide brief job descriptions, and their bios.
- ◆ Staff listing with names, position, wage or salary (including specification of bonus plans), functional area (Jim Green --\$150,000--20% bonus, Sr. Project Manager).
- ◆ Job descriptions (if available).
- ◆ Sales compensation plans (if applicable) - sales compensation plan MUST include salary, commission, guarantees and the commission formulas by individual.
- ◆ Proceedings currently being brought by any former or current employee in excess of \$15,000.
- ◆ Audited Profit and Loss Statement, Cash Flow Statement and Balance Sheet for each of the last three (3) years.
- ◆ Gross margin in dollars (\$) and percentage (%) for SERVICES by type (if separately tracked) for the most recently completed quarter and the last two years.
- ◆ Gross margin in dollars (\$) and percentage (%) for PRODUCT (if applicable) for the most recently completed quarter and the last two years.
- ◆ Describe in detail the key terms and conditions you offer, including credit offerings, delivery, etc. If you have performance charts for these key items, please provide those for the past 12 months.

- ◆ List your top ten customers (over the past 12 months) showing dollars and percentage of revenue:

Example:

Customer	Dollar Sales	GM \$	% of Total Sales

- ◆ Breakdown services, showing category, dollars of revenue, and percent of total.

Example:

Service	Dollar Sales	% of Total Service Sales
Other		

- ◆ List your suppliers in descending order of volume (over the past 12 months) making sure to total 100% of COGS:

Example:

Supplier	Purchase Dollars	% of Total COGS
Other		

- ◆ List the product lines (if applicable) that represent 95% of your revenue in descending order showing dollars and percentage of total product sales:

Example:

Vendor	Sales in \$000	% of Total Product Sales	% of Total Product Sales

- ◆ Accounts receivable detail, including 30 / 60 / 90 day aging and applicable reserves.
- ◆ For software, designs and models and any other intellectual property rights which can be protected by intellectual property law: date of creation; place of creation, place of first use or first publication; names of the natural persons who participated in their creation; capacity of these natural persons vis-à-vis the company and a copy of the contracts linking them to the company (employment contract, agreements, etc.).
- ◆ Copy of all contracts to which the company is a party which concern any one of these intellectual property rights.

- ◆ Copies of any contracts to which the company is a party and which have as their object the creation, development or improvement with a third party of any intellectual property right.
- ◆ Describe any outsourcing arrangements, and provide a copy of any documentation.
- ◆ Lease(s) and floor plan(s) of facility(ies).
- ◆ Descriptions and photographs of facility(ies) - exterior, and representative shots of interiors, etc.
- ◆ Detailed listing of fixed assets including but not limited to vehicles, furniture, fixtures, equipment, leasehold improvements, etc.
- ◆ Detailed listing of any and all credit lines, revolving credit agreements, or other credit arrangements.
- ◆ Policies and procedures manual.
- ◆ Description of various systems (accounting and operational).
- ◆ Supply details of all insurance policies (including product liability insurance and errors and omissions policies) effected by the company. Please confirm that all premiums due have been paid and that the policy issuers are not aware of anything which could void any of these policies.
- ◆ In relation to the company, supply:
 - the name and address of its tax advisors;
 - its State and Federal sales tax, and other taxation registration numbers;
 - the date to which tax returns for the company have been made; and
 - the date to which tax returns for the company have been settled.
- ◆ Are there any matters in dispute or under discussion with any Revenue authorities?
- ◆ To what date has tax deducted under the State and Federal sales tax provisions been accounted for and paid over?
- ◆ Provide details of the title and nature of any litigation (civil or criminal) or arbitration to which the company or any subsidiary is party.
- ◆ Provide copies of any forward looking marketing or other business plans you may have.
- ◆ Ten (10) copies each of your company brochures, standard marketing materials and / or other materials that includes descriptions of your company capabilities.
- ◆ Names, fax and phone numbers for your CPA and attorney.