

## M&A DUE DILIGENCE CHECKLIST:

The following is a checklist of information and documents the acquisition target should provide to assist in the due diligence process:

### A. *Organization and Good Standing.*

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
The Company's Articles of Incorporation, and all amendments			
The Company's Bylaws, and all amendments			
The Company's minute book, including all minutes and resolutions of shareholders and directors, executive committees, and other governing groups			
The Company's organizational chart			
The Company's list of shareholders and number of shares held by each			
Copies of agreements relating to options, voting trusts, warrants, puts, calls, subscriptions, and convertible securities			
Certificate of Good Standing from the Secretary of State of the state where the Company is incorporated			

Copies of active status reports in the state of incorporation for the last three years			
List of all states where the Company is authorized to do business and annual reports for the last three years			
List of all states, provinces, or countries where the Company owns or leases property, maintains employees, or conducts business			
List of all of the Company's assumed names and copies of registrations			

***B. Financial Information.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
Audited financial statements for three years, together with Auditor's Reports			
The most recent unaudited statements, with comparable statements to the prior year			
Auditor's letters and replies for the past five years			
The Company's credit report, if available			

Any projections, capital budgets, and strategic plans			
Analyst reports, if available			
A schedule of inventory			
A schedule of accounts receivable			
A schedule of accounts payable			
A description of depreciation and amortization methods and changes in accounting methods over the past five years			
Any analysis of fixed and variable expenses			
Any analysis of gross margins			
The Company's general ledger			
A description of the Company's internal control procedures			

**D. Physical Assets.**

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
schedule of fixed assets and their locations			
All U.C.C. filings			

All leases of equipment			
A schedule of sales and purchases of major capital equipment during the last three years			

***E. Real Estate.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
Schedule of the Company's business locations			
Copies of all real estate leases, deeds, mortgages, title policies, surveys, zoning approvals, variances, or use permits			

***F. Intellectual Property.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A schedule of domestic and foreign patents and patent applications			
A schedule of trademark and trade names			
A schedule of copyrights			
A description of important technical know-how			

A description of methods used to protect trade secrets and know-how			
Any "work for hire" agreements			
A schedule and copies of all consulting agreements, agreements regarding inventions, licenses, or assignments of intellectual property to or from the Company			
Any patent clearance documents			
Schedule and summary of any claims or threatened claims by or against the Company regarding intellectual property			

***G. Employees and Employee Benefits.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A list of employees including positions, current salaries, salaries, and bonuses paid during last three years, and years of service			
All employment, consulting, nondisclosure, nonsolicitation, or noncompetition			

agreements between the Company and any of its employees			
Resumes of key employees			
The Company's personnel handbook and a schedule of all employee benefits and holiday, vacation, and sick leave policies			
Summary plan descriptions of qualified and nonqualified retirement plans			
Copies of collective bargaining agreements, if any			
A description of all employee problems within the last three years, including alleged wrongful termination, harassment, and discrimination			
A description of any labor disputes, requests for arbitration, or grievance procedures currently pending or settled within the last three years			
A list and description of benefits of all employee health and			

welfare insurance policies or self-funded arrangements			
A description of worker's compensation claim history			
A description of unemployment insurance claims history			
Copies of all stock option and stock purchase plans and a schedule of grants			

**H. Licenses and Permits.**

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
Copies of any governmental licenses, permits, or consents			
Any correspondence or documents relating to any proceedings of any regulatory agency			

**I. Environmental Issues.**

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
Environmental audits, if any, for each property leased by the Company			
A listing of hazardous substances used in the			

Company's operations			
A description of the Company's disposal methods			
A list of environmental permits and licenses			
Copies of all correspondence, notices, and files related to EPA, state, or local regulatory agencies			
A list identifying and describing any environmental litigation or investigations			
A list identifying and describing any known Superfund exposure			
A list identifying and describing any contingent environmental liabilities or continuing indemnification obligations			

**J. Taxes.**

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
Federal, state, local, and foreign income tax returns for the last three years			

States sales tax returns for the last three years			
Any audit and revenue agency reports			
Any tax settlement documents for the last three years			
Employment tax filings for three years			
Excise tax filings for three years			
Any tax liens			

**K. Material Contracts.**

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A schedule of all subsidiary, partnership, or joint venture relationships and obligations, with copies of all related agreements			
Copies of all contracts between the Company and any officers, directors, five percent shareholders, or affiliates			
All loan agreements, bank financing arrangements, line of credit, or promissory notes to which the Company is a party			

All security agreements, mortgages, indentures, collateral pledges, and similar agreements, including guaranties to which the Company is a party, and any installment sale agreements			
Any distribution agreements, sales representative agreements, marketing agreements, and supply agreements			
Any letters of intent, contracts, and closing transcripts from any mergers, acquisitions, or divestitures within last five years			
Any options and stock purchase agreements involving interests in other companies			
Company's standard quote, purchase order, invoice, and warranty forms			
All nondisclosure or noncompetition agreements to which the Company is a party			
All other material contracts			

***L. Product or Service Lines.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
List of all existing products or services and products or services under development			
Copies of all correspondence and reports related to any regulatory approvals or disapprovals of any Company's products or services			
Summary of all complaints or warranty claims			
Summary of results of all tests, evaluations, studies, surveys, and other data regarding existing products or services and products or services under development			

***M. Customer Information.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A schedule of the Company's twelve largest customers in terms of sales thereto and a description of sales thereto over a period of two years			
All supply or service			

agreements			
A description or copy of the Company's purchasing policies			
A description or copy of the Company's credit policy			
A schedule of unfilled orders			
A list and explanation for any major customers lost over the last two years			
All surveys and market research reports relevant to the Company or its products or services			
The Company's current advertising programs, marketing plans, and budgets, and printed marketing materials			
A description of the Company's major competitors			

***N. Litigation.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A schedule of all pending litigation			
A description of any threatened litigation			
Copies of insurance policies possibly			

providing coverage as to pending or threatened litigation			
Documents relating to any injunctions, consent decrees, or settlements to which the Company is a party			
A list of unsatisfied judgments			

***O. Insurance Coverage.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A schedule and copies of the Company's general liability, personal and real property, product liability, errors and omissions, key-man, directors and officers, worker's compensation, and other insurance			
A schedule of the Company's insurance claims history for past three years			

***P. Professionals.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
A schedule of all law firms, accounting firms, consulting firms, and similar professionals engaged by the Company during past five years			

**Q. *Articles and Publicity.***

	<b>Date Received</b>	<b>Not Applicable</b>	<b>Comments</b>
Copies of all articles and press releases relating to the Company within the past three years			