

Due Diligence Request List



- A. Corporate and Organizational
 - 1. Copies of certificate of incorporation and/or partnership agreements, as currently in effect.
 - 2. Current corporate structure chart and any subsidiaries, operating divisions and list of officers and directors.
 - 3. Copies of Board Meeting minutes and any corporate presentations for quarterly results for the past two years.
- B. Securities
 - 1. Summary shareholder profile denoting list of major shareholders and classes of stock.
 - 2. Statement of outstanding and treasury shares of common stock, preferred stock (including a complete description of the rights attaching to such preferred shares), and any other securities of the Company and each subsidiary.
 - 3. Stockholders' list giving names of each stockholder of the Company and its subsidiaries and of any voting trustees, his or her affiliation with the Company or subsidiary and the number of shares of such security currently owned by each such stockholder or trust.
 - 4. List of holders of any options or rights to purchase any securities of the Company or its subsidiaries (including warrants), giving name, number of options held, option prices, date(s) of grant, expiration dates, position in the Company or subsidiary, and number of shares owned (excluding those subject to option).
 - 5. Copies of all stockholder agreements, voting trust agreements and all other agreements with respect to securities of the Company and its subsidiaries.
 - 6. Brief overview of Company's recent stock buyback activity (to the extent applicable).
- C. Financing Documents
 - 1. All currently effective loan agreements, indentures, debt instruments, and other financing instruments, and all related material documentation, to which the Company or any of its subsidiaries is a party.
 - 2. Copies of all mortgages, liens, pledges, security interests, charges, or other encumbrances to which any property (real or personal) of the Company or its subsidiaries is subject and all related material documentation.
 - 3. Schedule of all short-term and long-term debt (including capitalized leases, guarantees, and other contingent obligations).
 - 4. All agreements pursuant to which the Company or any subsidiary has acquired securities or has issued (or may be obligated to issue) securities.
 - 5. List of guarantees or indemnity undertakings given by the Company or its subsidiaries.
- D. Financial Statements
 - 1. All annual (audited, if available) financial statements for the Company and its subsidiaries in the last three years.
 - 2. Discussion and analysis of material financial results over the past three years, particularly in the context of significant changes to sales, operating income and net income.
 - 3. All interim financial statements of the Company and its subsidiaries prepared since the date of the most recent annual financial statements.
 - 4. Name of accountants and length of relationship with accountants; indicate whether the accountants own any interest in or hold any position with the Company or its subsidiaries.

5. Brief description of depreciation and amortization policies, particularly as they relate to software.
 6. Discussion of current and anticipated situation of the Company's liquidity.
- E. Financial Projections and Strategy
1. Detailed financial projections for the next five years including overview of major assumptions and growth drivers for the Company.
 2. Briefly discuss any seasonality, if any, in the business
 3. Description of projected capital expenditures and financing needs for the next two years.
 4. An overview of the Company's strategy for 2009 and 2010, particularly as it relates to the industry, competition and current economic crisis.
 5. Detailed description of the Company's backlog.
 6. Description of the Company's strategy and plans for increasing revenue, particularly in the context of sales and marketing, new geographic areas of focus and new products.
 7. Identification and description of strengths, weaknesses, opportunities and threats posed by the sector.
- F. Customers
1. A list of the Company's primary customers and a breakdown of their contribution to revenue, gross profit and operating income of the Company over the past three years.
 2. Describe nature of current relationships with key clients and any current or anticipated material changes to these relationships.
- G. Tax Matters
1. Copies of all federal, state, local, and foreign income and franchise tax returns filed by the Company and its subsidiaries in the last three years concerning the business, assets, or income of the Company.
- H. Employee and Director Issues
1. Name, occupation, resume and biography of each key management and each director and officer of the Company.
 2. All liability insurance policies for directors and officers of the Company or its subsidiaries.
 3. Number of persons employed by the Company and by each subsidiary in terms of function (executive, sales, clerical, research, labor, or other appropriate classification).
 4. All performance bonus plans adopted by the board of directors of the Company or its subsidiaries in the last three years, including a brief description of all confidentiality, noncompetition, or similar agreements between the Company or any subsidiary and any of their present or former officers, employees, directors, consultants, or agents. If any of such agreements are in writing, furnish copies thereof.
- I. Properties, Leases, and Insurance
1. List of real estate owned, leased, or used by the Company and its subsidiaries, stating whether owned or leased (whether as lessor or lessee) and brief description.
 2. Brief description of fixed assets, machinery, and equipment (whether owned, leased, or used by the Company and its subsidiaries).
 3. List and brief description of all liens, security interests, or mortgages on the property of the Company or any of its subsidiaries.
 4. List of all insurance policies relating to the business, assets, or properties of the Company and its subsidiaries.
 5. A description of all insurance claims (over \$20,000 in amount) currently pending.

- J. Contracts and Arrangements
 1. All standard forms of agreements used by the Company and its subsidiaries.
 2. All sales agency, sales representative, OEM, VAR, distributor, dealer and service provider agreements.
 3. All supplier agreements together with a list of all significant suppliers (representing in excess of five percent (5%) of annual purchases) to the Company and its subsidiaries.
 4. A list of all contracts and commitments under which a default has occurred or is claimed to have occurred, setting forth the nature of default.
 5. Brief description of contractual or customary credit terms available from suppliers and manufacturers.
 6. Copies of joint venture or partnership agreements to which the Company or any subsidiary is a party.
- K. Litigation and Environmental Issues
 1. List and brief description of each threatened or pending claim, lawsuit, arbitration, or investigation against the Company, any subsidiary, or any of their respective officers or directors.
 2. All internal reports concerning environmental matters relating to current or former properties.
- L. Receivables
 1. Brief description of customary sales credit terms.
 2. Brief description of aging of accounts receivable, giving collections since aging date and brief statement of reasons for receivables in excess of \$25,000 past due.
 3. Names of customers owing in excess of \$25,000.
 4. Summary of all receivables from other than normal trade accounts.
- M. Inventories
 1. Detailed inventory listing by location.
 2. Brief description of inventory pricing procedure.
 3. List of major sources of supply for material dollar purchases from each in the last fiscal year, and brief description of available alternative supply sources for material items.
- N. Transactions with Officers, etc.
 1. List and statement of amounts and other essential terms of any indebtedness or other obligations of or to the Company or its subsidiaries to or from any officer, director, stockholder, or employee.
 2. List and description of assets or properties used by the Company or any subsidiary in which any officer, director, stockholder, or employee has any interest.
- O. Licenses and Intellectual Property
 1. List of all federal, state, local, and foreign governmental and corporate permits, licenses, and approvals (excluding those listed elsewhere herein) either held or required to be held by the Company or its subsidiaries for the conduct of their businesses.
 2. All correspondence, reports, and notices relating to laws and regulations administered by any federal, state, local, or foreign governmental agency for the past five years.
 3. Description of all intellectual property including any pending or issued patents and trademarks.
- P. Miscellaneous
 1. Description of any other matters that Company and its subsidiaries view as material to an evaluation of a potential transaction with Company.
 2. A list of Company's memberships in any trade groups, publications and/or websites.