

DUE DILIGENCE QUESTION LIST

A. CORPORATE MATTERS

1. Furnish a list of all Company subsidiaries, affiliates, joint ventures, partnerships or other such investments of the Company, including for each such entity or investment the name, jurisdiction of incorporation or establishment, address of the principal location, and ownership of capital stock or other interests.
2. Furnish copies of these Company documents: permanent corporate and/or organizational records and business licenses, certifications, permits, or similar authorizations (including authority to use assumed or fictitious name).
3. Furnish access to (with selective copies on request) all agreements executed since 20xx pertaining to the acquisition and divestiture of material Company investments, including subsidiaries, affiliates, joint ventures and partnerships, and operating assets and liabilities.
4. Furnish a list setting forth for the Company (including for each subsidiary, affiliate, joint venture, partnership, or other investments) all states and countries in which the Company is qualified to do business.
5. Furnish copies of all press releases issued for the period 1/1/20xx (or as far back as available) through the present that were issued by the Company.
6. Identify and provide full information (including copies of any agreements) that may give rise to a finder's fee or broker's claim in respect to the contemplated transaction between the acquiring company and the Company.
7. Provide a list identifying all currently effective powers of attorney executed by the Company.

B. SECURITIES MATTERS

8. Furnish the number of shares currently authorized and the number issued and outstanding; the name and address of each shareholder of the Company, the number of shares held and any officer or director position in the Company held by such shareholder; and the extent to which outstanding shares are held by employee plans in which employees of the Company participate such as employee stock ownership plans (ESOPs).
9. Furnish copies, including amendments and exhibits, of all registration statements covering the issuance or resale of equity or debt securities or rights or options, employee stock options, bonus, purchase, or similar plans to purchase such securities.
10. Furnish access to (with selective copies on request) of all annual, quarterly, and special reports to Company shareholders and/or to corporate authority (e.g., divisional and parent company level) for any period from 20xx through the present.
11. Provide a list identifying, and furnish copies of all options (including employee stock purchase and option plans), warrants, pledges, contracts, plans, investment letters, arrangements or commitments relating to the stock of the Company, whether authorized and unissued, treasury, or outstanding.

C. TAX MATTERS

12. Furnish copies of all federal income tax returns of the Company for 20xx through the most recent year available.
13. Furnish copies of all state and local income tax, sales and use tax, real estate tax, employment tax, and other state and local tax returns of the Company for 20xx through the most recent year available.
14. Make available copies of all foreign income tax returns of the Company for 20xx through the most recent year available.
15. Furnish copies of receipts or other evidence of payments of taxes by or on behalf of the Company for all open years.
16. Furnish copies of any correspondence or other documentation since 20xx pertaining to any tax deficiencies proposed or assessed or any waivers or any statute of limitations on assessment or collection of any tax, which the Company has executed.
17. Identify and describe any pending tax audits and furnish estimated assessments with respect to such audits, including but not limited to sales tax, income tax, gross receipts tax, franchise tax, use and occupancy taxes, personal and real property taxes, payroll and unemployment taxes, workers' compensation, and customs and duty audits.
18. Furnish copies of any tax opinions received by the Company relating to the greater of all open years or since 20xx from outside advisors such as attorneys and accountants.
19. Provide full information on unemployment tax experience ratings and reserves.

D. FINANCIAL AND ACCOUNTING MATTERS

20. Furnish copies, with detail by business unit, of the Company balance sheet and year-end financial statements since 20xx, and make available for inspection all financial/accounting books, records, accounts, and journals of the Company.
21. Provide a listing of inventory.
22. Provide a listing of accrued expenses in excess of \$5000.
23. Provide a schedule of deferred revenue items in excess of \$5000.
24. Provide a listing of other assets.
25. Provide a list of journal entry payables.
26. Provide a list of insurance accruals by policy.
27. Provide details supporting vacation and sick pay accruals.
28. Provide a reconciliation of intangible assets.
29. Identify the sales and cost of sales by product.
30. Provide a list of all Company debt securities or instruments, notes or accounts payable, financial or performance guarantees, and loan or credit agreements involving the Company. Provide a list of all mortgages, liens, pledges, indemnifications, and UCC (Uniform Commercial Code) filing statements by or against the Company. Provide a list of charges or encumbrances of any nature whatsoever to which any of the properties or assets of the Company are subject.
31. Provide a statement of the Company's common accounting practices, including the timing of revenue and expense recognition, depreciation, inventory valuation,

- and contingency reserve policies. Provide copies of opinions and/or reports of the Company's independent auditors for the fiscal year(s) ending 20xx through 20yy.
32. Furnish a list identifying any account payable of more than \$5000 included in the Company's balance sheet that is at least sixty (60) days overdue, for which a dispute exists, or which was incurred outside of the ordinary course of business.
 33. To the extent not disclosed elsewhere, identify and describe any (a) contingent liabilities not reflected in the balance sheet, (b) monetary reserves established for specific risk situations, and (c) disagreements with the Company's independent auditors and internal auditors concerning financial statements prepared during the last three (3) accounting years.
 34. Furnish a summary of all accounts receivables and terms and provide a list identifying any account receivable included in the balance sheet that is not current and collectible or that is or may be subject to any defense or offset.
 35. Identify and describe any extraordinary charges and credits, "catch-up" adjustments, prior period adjustments, and other nonrecurring or unusual charges and credits since 20xx.
 36. Furnish a list of the names and locations of all banks utilized by the Company, including full information on the accounts maintained by the Company in each bank and the names and positions of persons authorized to draw thereon.

E. RISK-MANAGEMENT MATTERS

37. Provide a list and describe all liability and property insurance and risk-management policies and programs of the Company, which includes, but is not limited to, policies for general liability, product liability, professional errors and omissions liability, directors' and officers' liability, fiduciary liability, environmental liability, aircraft liability, umbrella liability, product recalls, workers' compensation, automobile liability, first-party property damage, business interruption, crime/fidelity, and employee medical.
38. Furnish a listing of all claims submitted under each policy/program—except under employee medical—from 20xx to the present, including all currently outstanding claims and the status thereof.
39. Provide a list and copies (or representative copies) of all warranties extended by the Company to its customers to the extent applicable to its products and services.
40. Describe the procedures used for reviewing the Company's costs and policies regarding warranties of its products and services and with respect to any pertinent costs provided for in the balance sheet.

F. ASSETS, REAL PROPERTY, AND PERSONAL PROPERTY MATTERS

41. Provide a list of all domestic and foreign facilities owned, leased, or used (including second-party facilities such as distributors) by the Company, setting forth for each such facility the following: the complete address; the type of facility and its use(s); total square feet; whether the facility is owned, leased, or otherwise used; the annual rent, operating expenses, term, and landlord if leased; the book value and annual operating expenses if owned; and the number of employees.

42. Identify any options, easements, encumbrances, mortgages, liens, zoning, or other restrictions on any of the real property used by the Company.
43. Furnish copies of all deeds, title certificates, mortgages, leases, and other material documents and agreements relating to the ownership and/or use of the real property used by the Company.
44. Furnish a list identifying and describing all items of machinery and equipment, furniture and fixtures, and other items of personal property owned, used, or leased by the Company having an original value in excess of \$15,000.
45. Identify separately any real, personal, tangible, or intangible property owned by a related party and leased or used by the Company.

G. CONDUCT OF BUSINESS MATTERS

46. Furnish a list of and describe for each of the Company's business units their currently marketed products and services, indicating for each whether it is or will be entirely performed by the Company.
47. For each of the past 3 accounting years, and through the current month of the current accounting year, furnish a breakdown of the Company's sales by major product/service line, including second-party distributions, city or county and state market, and customer segment or type.
48. For each of the past 3 years, furnish a list of the ten (10) largest customers of the Company for each of its business units, indicating the types of products/services and amounts purchased in each year by each such customer.
49. For each of the past 3 years, furnish a list of the ten (10) largest suppliers to the Company indicating the types of products/services and amounts purchased in each year from each such supplier and terms for each.
50. Provide copies of representative Company product/service catalogs, descriptions, specifications, etc., as well as any collateral promotional materials.
51. Furnish a list of the Company's principal competitors and principal potential competitors by major product/service lines, identifying for each their estimated percentage share of the applicable market.
52. For each of the last 3 fiscal years, furnish a breakdown of the Company's research and development (R&D) expenses by major development project, and provide a summary description of each current R&D project.
53. Provide copies of the Company's standard forms of contractual documents, including purchase orders, sales quotations, sales order forms, leases, and licenses.
54. Provide a list of all current open purchase orders, agreements, or commitments in excess of \$10,000, setting forth the name of the vendor, the amount of the obligation outstanding, and the date such obligation will be satisfied.
55. Make available or provide copies of all purchase orders, agreements, or commitments in excess of \$10,000; purchase orders, agreements, or commitments over one (1) year; all commitments to purchase all or any specific percentage of a vendor's output or all commitments of a vendor to sell all or a specific percentage of its output to the Company; all nonassignable purchase orders, agreements, or commitments; and all purchase orders, agreements, or commitments for any purchased services or utilities.

56. Provide for each business unit or product line a list of all sales representatives (with their names and territories, but excluding personal contact information), distributors, dealers, agents, franchisees, consignees, and service representatives of the Company and any other third parties to whom the Company pays a sales or similar commission and describe the relationship, including compensation, duties, territories, term, and termination.
57. Provide access to customer lists and provide summary breakdowns (numbers of, dollar amounts related to) of such lists (e.g., by type of product/service, market, type of customer, i.e., business or consumer list). Provide a list of all current open leases of Company property or products/services, setting forth for each type of lease the total number of such leases, the total and average value, the lease term, and any standard or nonstandard material terms. Indicate for each type of lease whether assignable. Provide access to pertinent records and documentation.
58. With respect to any of the above purchase, sale, or lease contracts or similar documents, identify any of such under which a dispute, breach, or default has occurred; is likely to occur; or is claimed to have occurred or under which premature termination is pending or anticipated or under which a loss to the Company is expected to result or on which the Company is or may become liable for penalties or assessments.

H. INTELLECTUAL PROPERTY MATTERS

59. Furnish a list identifying all U.S. and foreign patents and applications owned and/or used by the Company in the course of business, and make available or provide copies of all such patents and applications.
60. Furnish a list identifying all common law and/or registered U.S. and/or foreign trademarks, service marks or trade names, or pending applications therefor owned and/or used by the Company in the course of business, and make available or provide copies of all such trademarks, service marks, trade names, and applications.
61. Furnish a list identifying or describing all copyrights and pending applications owned and/or used by the Company in the course of business, and make available or provide copies of all such copyrights and applications.
62. Furnish a list identifying and describing all patents, patent applications, trademarks, service marks, trade names and copyrights, and applications therefor, trade secrets, know-how, rights to inventions or other proprietary information, including any and all related licenses, owned or held, directly or indirectly, by any related party or affiliate of the Company and relating to or used in the Company's business.
63. Furnish a list identifying and describing any claims made or pending from 1/20xx to the present to the effect that the Company's business or products/services infringe or dilute the rights of others or to the effect that the business, products, or services of others infringe or dilute the rights of the Company.

I. MANAGEMENT, LABOR, AND PERSONNEL MATTERS

64. Describe the management organization of the Company, listing the names and titles of all officers, directors, and key managers. Provide job descriptions where available. Provide copies of all Company organization charts (showing, among other things, reporting relationships).
65. Furnish a list of all employees of the Company, organized by business unit and departments within each. For each employee, list name, title, work location, date of hire, union membership (if applicable), and current annual compensation. Indicate separate components of compensation (e.g., base salary, bonus, commissions) where applicable. Describe employee turnover history by Company business unit and facility during each of the last three (3) fiscal years.
66. Describe any transactions between the Company and any related party or any Company transactions in which a related party has a beneficial interest, any borrowings from the Company by related parties, and any purchases by the Company of goods or services from related parties (other than in their capacity as employees).
67. Furnish copies of all written, and provide particulars on any oral, employment agreements, retirement agreements, consulting agreements, and other agreements existing or proposed between the Company and any present or former (*with some time limitation*) officer, director, shareholder, and employee.
68. Furnish a list of all collective bargaining agreements setting forth and identifying the union, bargaining unit, and expiration date of each agreement.
69. Furnish a summary of union history, if any, indicating the dates of any union elections, organizational activities, strikes, or work stoppages involving the Company in the past five (5) years and any anticipated or threatened union elections, organizational activities, and states of work stoppages.
70. Describe any instances in which the Company has been subject to any charges or investigations relating to noncompliance with labor laws since 1/20xx.
71. Identify and furnish copies of all pension, retirement, profit sharing, deferred compensation, bonus, stock savings or other savings programs, agreements or plans, or related future or contingent commitments of the Company concerning employee benefits.
72. Identify all other Company fringe benefits not set forth elsewhere, including but not limited to insurance (life, disability income, medical, dental, vision, automobile), vacation, sick pay, and company car programs. Describe how each benefit is funded (insured or self-insured) and who administers claims.
73. Furnish copies of the current Company audit reviews. Indicate the date of the last audit compliance review, if any.
74. Furnish copies of all standard Company personnel practices, procedures, and forms, such as, without limitation, hourly wage scales, salaried compensation practices, vacation and holiday policies, expense guidelines and expense account or travel/entertainment reimbursement, employment applications, relocation policies and agreements, confidentiality agreements, noncompetition agreements, avoidance of conflict of interest, assignment of inventions, grievance procedures, scheduled and unscheduled salary, and performance reviews.

J. LEGAL COMPLIANCE MATTERS

75. Furnish copies of any Company statements and standard policies and procedures relating to legal and ethical conduct, including but not limited to compliance with laws, conduct of business, gifts and contributions, investigations, entertainment, and conflicts of interest.
76. Describe fully any present and prior circumstances in which the Company or its officers, employees, or agents are making or made any payments to obtain business, domestic or foreign, and any practices, policies, or procedures relating to such payments including the manner in which such payments are or were controlled or recorded for tax and financial accounting purposes.
77. Identify and furnish copies of any Company, affiliated company, or governmental study or investigation known to Company management concerning the Company's: (i) eligibility for government contracting; (ii) use of lobbyists or consultants for lobbying purposes; (iii) payment of gratuities; (iv) time charging, mischarging, or cross charging; (v) entertainment; and (vi) other fraud, waste, and abuse issues.
78. If not otherwise provided in response to any of the preceding questions, furnish a list of all governmental permits, approvals, licenses, etc., which the Company currently holds or has applied for.
79. Describe the Company's pricing policies and procedures. Further, describe any programs of the Company for obtaining competitors' pricing information or for providing the Company's pricing information to competitors.
80. Describe the Company's policies and procedures for compliance with environmental and occupational health and safety laws, including any Company programs, policy statements, and guides thereto.
81. Describe any instances in which the Company has been, currently is, or is threatened to be the subject of any governmental inquiry or investigation concerning its compliance with environmental laws or occupational health and safety laws.
82. Identify and describe any known legal issues under past operations from 20xx to the present or under present operations or under contracts with respect to the following: (a) hazardous activities, (b) use and disposal of hazardous materials and waste, and (c) compliance with environmental laws.
83. Identify and describe any known legal issues under past operations from 20xx to the present or under present operations or under contracts with respect to the following: (a) federal or state antitrust or similar laws and (b) export and import laws.

K. LITIGATION, DISPUTES, AND CLAIMS MATTERS

84. Provide a list identifying and describing all currently pending or threatened litigation, claims, protests, actions, or proceedings, whether judicial, arbitral, or administrative, brought by the Company (or by an affiliate of the Company in which the Company is a party) or brought against the Company (or against an affiliate of the Company in which the Company is a party), which affects or may

- affect the Company's contracts, employment obligations, assets, patents and intellectual property, property, or business.
85. Provide a list identifying and describing all outstanding or prospective judgments, writs, injunctions, decrees or orders of any court, administrative tribunal, or other governmental authority against the Company.
86. Provide a list identifying and describing all outstanding or anticipated notices of any actual or alleged violation of any zoning requirement, building code, environmental, pollution control, occupational safety, or other federal, state, or local statutes, ordinances or regulations relating to the contracts, property, or business of the Company or the health and safety of its employees.

L. INFORMATION SYSTEMS MATTERS

87. Provide summary level information regarding the Company's information processing systems, operations, procedures, etc., including:
- a. General
 - 1. Copy of current Information Systems (IS) plan
 - 2. Current year and future operating budgets
 - 3. Actual expenses by category for fiscal years 20xx to 20yy
 - b. People
 - 1. Functional organization chart
 - 2. Staff numbers by job class
 - 3. Staffing level forecasts
 - c. Hardware
 - 1. Depreciation schedules of major computer and communications assets
 - 2. Lease schedules of major computer and communications assets
 - 3. List of current maintenance agreements
 - d. Software
 - 1. List of software products utilized with associated depreciation and/or lease schedules
 - 2. List of maintenance agreements in effect
 - 3. Copy of third -party license agreements
 - e. Network (voice, data, local and wide area networks)
 - 1. Network diagrams or configuration with line speeds
 - 2. Traffic volumes
 - 3. Number of telephones and terminals supported by location
 - f. Applications
 - 1. List of production systems and the associated technical environment
 - 2. Description and status of current development and enhancement projects
 - 3. Plans for future development and enhancement projects