

# The Exit Planning Questionnaire

The First Step to  
Exiting Your Business  
On Your Terms



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In completing this Questionnaire, please complete all blank spaces or indicate "NA" if "not applicable". All dollar values may be rounded to the nearest thousand.

### Personal Information

*The succession planning process begins with a thorough understanding of you, your current situation, and your objectives. Once your short-term and long-term objectives are understood, they will define the course of the Succession Planning Coach process.*

#### You and your family:

1. How old are you?	
2. How old is your spouse?	
3. Please list your children and their ages.	
4. If you have grandchildren, please list their names and ages.	
5. Do you or your spouse have any serious health issues?	
6. Do any of your children have any serious health issues?	
7. Do you, or anyone in your extended family (spouse, children and grandchildren), have any special needs?	

Please tell us about your hobbies outside of work. What do you do for fun?

--

If time and money was no object, what would you like to do:

Tomorrow?	
Next Month?	
Next Year?	
In Five Years?	

Do you have definite plans for what you will do after you retire from the company?

Yes		No	
-----	--	----	--

If yes, what are those plans?

--

**Your Professional Advisors:**

Please provide us with the contact information for your professional advisors:

Profession	Contact Information
Attorney	Name: Firm: Address: City, State, Zip: Telephone:
CPA	Name: Firm: Address: City, State, Zip: Telephone:
Personal Financial Advisor	Name: Firm: Address: City, State, Zip: Telephone:
Insurance Specialist	Name: Firm: Address: City, State, Zip: Telephone:
Tax Advisor (if different from your attorney or CPA)	Name: Firm: Address: City, State, Zip: Telephone:

Other	Name: Firm: Address: City, State, Zip: Telephone:
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**Your Goals:**

This is where we define the Who, What, and When of the succession planning process.

*The Who*

Do any members of your extended family have an interest in the business?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, describe:

--

Do any of your children or relatives have the necessary skills to run the business?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, describe who and their relationship to you:

--

Do any of your family members have strong feelings about what you should do with the business?

--

Do all of the owners agree about the possible sale of the business?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If no, describe:

--

Have you thought about to whom you may wish to transfer your business?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, does it involve a transfer to:

Family members	
Employees	
Co-owners	
Third party buyer	

### *The What*

What do you want to accomplish as part of the transfer of your business? Please rank the following in order of importance to you (1-highest, 10-lowest).

	Get full value for my business to fund my retirement or other business interests
	Transfer wealth to my children or grandchildren
	Provide benefit to my managers and employees
	Maintain the long-term viability of the business
	Minimize or eliminate capital gains taxes
	Fund charitable endeavors
	Minimize or eliminate estate taxes
	Continuing to work at the company
	Retaining a minority equity interest in the company
	Other (please describe)

### *The When*

When would you like to remove yourself from active involvement in the company?

--

When would you like to transfer ownership in the company in return for financial independence?

--

Are there any factors that could force you to sell the business in the foreseeable future?

--

### Tax Planning

<b>Tax Plan –</b>			
In the sale of a business, the critical factor is not the amount the business sells for but what you put in your pocket after taxes. Expert tax planning can substantially reduce and/or delay the amount of taxes paid from the proceeds of the sale. Once again, the maximum flexibility is achieved when tax planning occurs prior to the sale of the business.			
Have you developed a tax minimization plan for the sale of the business?	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>
Has your tax plan been updated for the most recent tax law changes?	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>

### Estate Planning

<b>Estate Plan -</b>			
Since business ownership often represents a substantial portion of an owner's estate, it is important that an estate plan be designed that takes into account all of the owner's objectives including the sale of the business. For the maximum flexibility, estate plans should be established long before a sale of the business is completed.			
Do you have an estate plan?	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>
Has your estate plan been updated in the last two years?	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>
Does the plan provide for the sale of the business?	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>
Does the estate plan include an updated evaluation of the business?	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>

### Financial Planning

We respect your privacy, but helping you determine how much you NEED (not want) to net (after taxes) from the sale of your company in order to fund your retirement or future goals is an important part of the exit planning process. If you have completed a financial plan with a qualified financial advisor to determine this, please provide us with a copy so that we can incorporate those findings into our analysis. If you have not completed a detailed financial plan, please provide us with the following information so that we can understand your current financial picture and give you with an "approximate" estimate of the amount you will need to net from your exit.

Sources of Income	
Current Salary & Benefits	
Rents	
Trust Payments	
Other Income	
Expenses	
Current Annual Cost to Maintain your Lifestyle	
Expected Annual Cost to Maintain your Lifestyle after you Exit	



Assets	Amount
Checking/Savings Account	
IRAs	
Savings Plans (401K, TDA)	
Securities (stocks, bonds, mutual funds)	
Real Estate	
Liabilities	
Credit Card Balances	
Mortgages	
Personal Loans	
Personal Guarantees	

Do your future plans call for any major capital expenditures including paying for a child or grandchild's education, buying or building a second home, buying or starting a business, or starting any other capital intensive project in the foreseeable future?

Yes		No	
-----	--	----	--

**Insurance Planning**

Do you have the following types of insurance? If so, please provide coverage amount.

	Yes	No	Coverage
Life insurance			
Disability			
Health care			
Long-term care			

Do you have a contingency plan in place for the business should you become incapacitated?

Yes		No	
-----	--	----	--

If yes, is the plan documented?

Yes		No	
-----	--	----	--

Have you and your financial advisor calculated the amount of after-tax income you will need to live on after the sale of the business? If yes, how much after-tax income will you need?

--

Do you have other sources of income besides income related to your business? If yes, describe:

--

### Your Instructions (Contingency Plan)

Despite everyone's best efforts and best wishes sometimes bad things happened to good people. There is nothing that any of us can do about it except for plan for that possibility. In the following section we will ask you a series of questions in order to develop a set of instructions that can be delivered to your family, your management team, and your team of advisors in the event that you are suddenly unable to manage your business or complete your exit plan.

Who would you like to manage your company? Please be as specific as possible about the people and the key positions that you would like them to assume. If you feel it would be important to hire out outside manager on an interim basis, please note that.

	Name	Comments
President		
Sales/Marketing		
Operations		
Financial		

What incentives, if any, should your family give key employees to stay with the company following your death or disability?

	Yes	No	Comments
Stay Bonus			
Phantom Stock			
Equity			
Raise			

Who should have oversight of the management team? We recommend having a board of directors composed of trusted family members, friend and/or advisors.

Name	Comments

What would you like your family to do with the company and within what time frame?

	Yes	No	Comments
Continue to Own			
Sell			
Close & Liquidate			

If a sale is appropriate, who do you think would be the most logical buyer(s)?

Name	Comments

If a sale is appropriate, who would you like to handle the sale of the company?

Name:	Comments
Firm:	
Telephone:	

## Company Information

<i>Basic Company Information</i>	
Company Address	
City, State & Zip Code	
State of Incorporation	
Type of Entity	
Date of Incorporation / S-Corp Election Date	
Primary SIC	
Secondary SIC(s)	
Year Company was founded	

First year of current ownership	
Number of Owners	
Number of Active owners	
Number of Inactive owners	

### Business Description

Please provide a brief summary of your business, including the niche in which you serve. Please take as much room as you feel you need to adequately provide a basic description of your business.

What is the percentage breakdown for products, services, etc.? Has there been any major change the last few years?

What is the Company's competitive edge? What is unique about the Company that distinguishes it from others?

Does the business experience seasonal fluctuations? Describe.

### Company Background

Discuss when and why the Company was founded:

Discuss when and how the present owners assumed their current ownership interest:

Are there any subsidiaries or divisions of the Company? If so, what are they and what do they do?

How long has the Company operated from its present location. If the Company relocated to its present location in the last 5 years explain the reason for the move and from where:

--

Is the Company relocatable? Discuss how this could be accomplished:

--

Has the Company been profitable since its founding? If not, since what year has the Company been profitable?

--

Has the Company made any acquisitions or been the target of an acquisition during its history? If so, please describe.

--

Have the owners attempted to sell the company in the past? If so, please provide details including when, was an intermediary used and if so whom, and what was the out come of that effort.

--

To the best of your knowledge, has the business, its principals or any affiliated business ever had any problems with any federal, state or local government regulatory agency?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Is the business required to make regular reports or filings with regulatory agencies?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If so, are all required reports/filings current?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Does the business or its principals require any specific licenses or permits (other than those normally required for most businesses or individuals) to conduct its business? If yes, please list:

--

## The Owners

Describe the present ownership of the Company and percentage owned by each owner:

Name	%	Owner age	Relationship or position with company	Stock basis


Is any of the ownership held in trusts, estates, partnerships or corporations? If yes, describe

--

Is the ownership as officially reflected on the issued stock certificate, partnership agreements and/or other records, any different than as stated above?

Yes		No	
-----	--	----	--

Did any of the present owners acquire their share from another present or former owner?

Yes		No	
-----	--	----	--

If yes, are the records of such transactions complete and readily available?

Yes		No	
-----	--	----	--

Are there any other forms of ownership not reflected above, such as preferred stock, convertible debt, options, warrants, debentures, entailed partnership interests, ESOPs?

Yes		No	
-----	--	----	--

If yes, describe

--

Is any of the stock or other form of ownership subject to:

- A pledge or lien	Yes	No	
- An option or first refusal	Yes	No	
- Buy/Sell agreement	Yes	No	
- Proxy or voting trust	Yes	No	
- Loan agreement restrictions	Yes	No	
- Any other agreement	Yes	No	

Do the shareholders have a written shareholder agreement including buy/sell provisions?

Yes		No	
-----	--	----	--

Is the buy/sell agreement funded with insurance or other funding sources?

Yes		No	
-----	--	----	--

Has an ESOP plan ever been formed or discussed with employees?

Yes		No	
-----	--	----	--

If yes, describe:

--

Has ownership in the business been promised or discussed in the past with any employees or affiliated persons?

Yes		No	
-----	--	----	--

Discuss what the present owners were doing prior to starting or joining the Company:

--

Discuss the owners' present role(s) in the company and how their time is spent:

--

Why is the Company for sale?

--

Are all of the owners willing to assist new owners through a reasonable transition period? If, so how long and are there any special conditions?

--

### Industry Data

Describe your industry? Size? Fragmentation? Growth rates? Trends? Barriers to entry?

--

Are most of the companies in the industry operating locally, statewide, regionally or nationwide?

--

### Markets and Competition

List major competitors by market segment? Where are they located (city and state), what are their annual revenues, how many employees do they have?

--

Describe your Company's current and historical market share per market section? How does it compare to major competitors?

Discuss the average size of competitors.

How is the Company different from its competitors? Explain:

### Operations

Describe your plant, warehouse, production areas and offices (size, location, equipment that allows you to manufacture your product):

Does the plant operate at full capacity? If not, what would you estimate is the unused potential?

Describe the age and quality of equipment?

Describe any recent major capital improvements and future needs?

How many full time/part time employees?

How many shifts are operated and at what times?

Summarize the average wage rates by facility.

Describe the Company's manufacturing processes and systems. List any special certifications here.



--

Are there formal production planning processes in effect?

Yes		No	
-----	--	----	--

Is a graphical layout of the plant available?

Yes		No	
-----	--	----	--

Are there standard data available for product costs including direct, indirect and overhead costs?

Yes		No	
-----	--	----	--

Is a formal research and development program in place?

Yes		No	
-----	--	----	--

Describe the Company's inventory management and control systems

--

Describe in detail how the Company's products are manufactured/services are rendered from start to finish beginning with when the sale is made:

--

List each of the Company's departments (e.g. sales, engineering, production, purchasing, installation, shipping, etc.) involved in manufacturing, their function, special expertise, industry and Company experience. Also note how many employees are in each department:

--

Are there any key operating statistics used by the Company to measure growth, performance, etc.? Discuss:

--

### Company Products

List all of the products the Company manufactures/services the Company provides and a brief description of each product/service and their applications:

--

What are the attributes of your product(s) in their market (price, quality, service, features, and flexibility)?

Product(s)	Attribute(s)

How does the price and quality of the Company's products/services compare with that of major competitors?

Do you have any trademarks, trade names, or copyrights that give your product(s) a unique edge?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

What are typical lead times for major products from order to shipping?

Product(s)	Lead times
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

What are your company's basic warranty terms?

What has been the history of warranty expense?

Does the company have product liability insurance? If yes, please provide: coverage amount:

Are any of your company's products subject to technological obsolescence? If yes, describe

Describe and quantify historical and projected sales trends by market segment and major product/service line.

What has been average annual price increase for the last three years?

What increase is probable in the next three years?

What are your company's gross profit margins by product/service?

Product/Service	Gross Margin %

What process do you use to set prices for your products and services?

What is the average sale size, in dollars, of the Company?

How are your products/services shipped/delivered to customers?

### Sales, Marketing and Distribution

Describe the marketing and selling strategy by market segment:

Describe the method(s) of distribution to each market segment served:

Describe the sales team, their territories, and their experience in the industry:

Does the sales team generate all Company sales? If not, what percent? Where does the remainder of sales come from?

How are your sales people compensated?

What methods does the Company use to market its products? (e.g. brochures, advertisements, convention/trade shows, videos, website.)

**Customers**

Who are the company's customers?

How many accounts or customers does the Company have?

Discuss any unique arrangements that have been negotiated (i.e. pricing, purchase or exclusivity agreements or commitments):

Where does the Company sell its products and/or services? (local, state, region, national, international)  
What are the percentage breakdowns for each?

During the last year did any customer account for greater than 10% of revenues? If so, how much?

What percent of revenues did the top 5 customers account for? What about the top 10?

Discuss the Company's ability to retain customers and generate repeat business. Comment on the length of time the most loyal customers and the largest customers have been doing business with the Company. How did you gain these customers?

Have any large customers been lost or added in the last 18 months that will materially affect the business?

Is backlog a factor in your business?

Yes		No	
-----	--	----	--

If yes, what is your average backlog?

What are your normal credit terms?

--

Do you have any product(s) on consignment to:

	Yes	No
Customers		
Distributors		

## Suppliers

Comment on the Company's relationship with its suppliers:

--

Discuss any unique arrangements that have been negotiated or special cost control arrangements (i.e. pricing, purchase or exclusivity agreements or commitments):

--

List the Company's top 5 suppliers, the length of the relationship and the products they supply/provide to your Company:

Supplier	# of years	Items supplied
1.		
2.		
3.		
4.		
5.		

If your present key suppliers could not supply you, would you have any difficulty in replacing them readily?

Yes		No	
-----	--	----	--

Does your company have any sole source suppliers?

Yes		No	
-----	--	----	--

Is consent or approval required from any supplier(s) in order to sell the stock or assets of your company?

Yes		No	
-----	--	----	--

Do any supplier relationships require the personal guarantees of the shareholders?

Yes		No	
-----	--	----	--

## Information Technology

What are your major hardware and software configurations?

Function	Hardware	Software
Accounting		
Payroll		
Quotes		
Order entry		
Production		
Inventory		
Other		

Has the Company developed any special software for operations or customers? Explain.

Number of PCs, operating system, networked together

Are there any major future EDP plans? If yes, describe:

Is there a disaster recovery plan in place?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Do you rely on outside vendors and consultants?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Does your company have an operating website? If yes, what is the address

## Insurance

Insurance coverage for the business is vital during the period before a sale since it is often the owner's largest asset and must be protected. After the sale of the business, in the best case, the company's liability insurance will extend beyond the closing for any liability that occurred during the period prior to the sale. Personal disability and life insurance coverage should provide sufficient protection for each shareholder according to his/her individual situation.

Is the business adequately insured for both physical loss and potential liability?	Yes	No	
Will the company's liability insurance provide prior period coverage after a sale?	Yes	No	
Does the business have business interruption insurance?	Yes	No	
Is the shareholders' Buy/Sell agreement covered by life insurance?	Yes	No	
Does each shareholder have sufficient disability and life insurance coverage?	Yes	No	

Name of Insurer, Limits and Policy Expiration Date for Commercial General Liability, Workman’s Compensation, and Umbrella Policy

Does the Company have any outstanding lawsuits? Explain details and status:

**Personnel**

List key management personnel (including the sales team) with a description of their position, responsibilities, department’s functions, their experience in the industry, length of time with the Company, age, special expertise, leadership in any relevant outside trade organizations, and their salaries:

Comment on management’s opinion about the likelihood of key personnel and other employees remaining after the sale:

Do any employees have non-compete or non-solicitation agreements? If so, who?

Do any employees have employment agreements?

List all Departments and the number of employees by department.

<u>Department</u>	<u>Employees</u>

Estimate the length of time the average employee has been with the Company:

Is the business a party to a union contract?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, please provide name of union, contract expiration date, number of employees covered

--

If you have a union, does the union have a multi-employer pension plan?

Yes		No	
-----	--	----	--

Has the company ever experienced a strike?

Yes		No	
-----	--	----	--

If yes, what was the date of the last strike?

--

In general, would you describe your company's employee relations as?

Strong	Average	Weak
--------	---------	------

Have you had any difficulty (beyond filing of required reports) with any state or federal government agencies with jurisdiction over employment practices, such as OSHA, EEOC, INS, department of labor, etc.?

Yes		No	
-----	--	----	--

If yes, describe:

--

Have you ever had employee disputes of any consequence, such as claims or wrongful termination, arbitration, discrimination, unfair labor practices, commission disputes, etc., even if such disputes never resulted in any formal claims or action?

Yes		No	
-----	--	----	--

If yes, describe:

--

Are there written job descriptions for each job?

Yes		No	
-----	--	----	--

Does the company use outside independent contractors?

Yes		No	
-----	--	----	--

Does the company do routine drug testing for new hires?

Yes		No	
-----	--	----	--

Do you have an employee manual?

Yes		No	
-----	--	----	--

Do you have a policy and procedures manual?

Yes		No	
-----	--	----	--



Do the company award employees merit increases?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, please provide timing of increases and average annual increase last 5 years

--

How are increases determined

--

Is a formal employee training program in place?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, describe:

--

Please check off all employee benefits plans.

	Responsibility	
	Company	Joint
Medical	<input type="checkbox"/>	<input type="checkbox"/>
Dental	<input type="checkbox"/>	<input type="checkbox"/>
Vision	<input type="checkbox"/>	<input type="checkbox"/>
Vacation plans	<input type="checkbox"/>	<input type="checkbox"/>
Life insurance	<input type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>
Bonus & incentive plans	<input type="checkbox"/>	<input type="checkbox"/>
Stock option plans	<input type="checkbox"/>	<input type="checkbox"/>
Profit sharing	<input type="checkbox"/>	<input type="checkbox"/>
Thrift plans	<input type="checkbox"/>	<input type="checkbox"/>
Post-retirement plans	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>

Are there any company benefit plans that are unfunded and provide an exposure?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Are any employees aware of the sale of the Company?

--

How is morale?

--

Have there been any layoffs in the last 3 years?

--

How competitive are employee pay and benefits? Do you do anything unique to attract or retain employees?

--

Please provide organizational chart and management biographies.

### Equipment, Machinery and Intangible Assets

Please provide a detailed list of all significant or material equipment or machinery that the Company owns and uses including date acquired, cost, description, book value and the fair market value.

<u>Asset</u>	<u>Description</u>	<u>Date Acq.</u>	<u>Book Value</u>	<u>FMV</u>

Please provide a list of all intellectual property (patents, trademarks, service marks, copyrights) that the Company owns and uses.

<u>Asset</u>	<u>Description</u>

### Real Estate

Is the real estate used in the business (more than one may apply)

	Yes	No
Owned by the business entity itself?		
Owned by an affiliated party?		
Owned by an unaffiliated third party?		
Subject to an IRB (industrial revenue bond) or IDB(industrial development bond)?		

Please provide a detailed list of all land and improvements owned including date acquired, cost, description, book value and the fair market value.

<u>Asset</u>	<u>Description</u>	<u>Date Acq.</u>	<u>Book Value</u>	<u>FMV</u>

For real estate owned by the business or affiliated parties, what would be preferred?

Prefer to sell real estate	
Prefer not to sell	

For any owned real estate, please provide the following: (please check if attached)

Physical description or property and improvements	
Any third party appraisals available	
Legal owner(s)	
Mortgages/liens data	
Environmental reports, if any	

For real estate leased from any third parties, please provide the following: (please check if available)

A copy of the current lease	
Expiration date(s) and renewal options	
Identity of owners, managers and agents	
Description of property and improvements	
Environmental reports, if any	

For real estate leased from unaffiliated third parties,

	Yes	No
Are any leases not formally documented?		
Are any leases personally guaranteed?		
Do you have an option, first refusal or any other agreement regarding the purchase of this property?		
If not, are you aware that anyone else may have?		
Do you believe the current landlord would be interested in continuing or extending the lease?		
Do you believe the current owner would be interested in selling?		
Do you believe a buyer of your business could readily terminate this lease if desired without a significant penalty?		
Does lease state that landlord's consent to assignment is required?		
Have there been any environmental inspections, surveys or reports on the property in the last five years?		

	Yes	No
For each piece of real estate used by the company, can you identify the prior uses of the site and facilities?		
Does any of the real estate or neighbors have a history of manufacturing, waste disposal, chemical storage, etc?		
Is there adjacent land available for expansion purposes?		

Can the present location accommodate future growth? If so, how much?

What is the potential sales volume that could be handled with the current facilities?

Owner's estimate of the Fair Market Value of all real estate:

**Environmental Matters**

Do any facilities generate hazardous waste? If yes, describe:

Are there air discharge permits and water discharge permits in place and current?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Are there any outstanding orders, enforcements, action audits or reports either from federal or applicable state EPA or similar authority? If yes, describe:

Are there any underground tanks, asbestos or other hazardous substance(s) on any site? If yes, describe:

Is there a specific employee assigned the environmental responsibility? If yes, provide that person's function/title

Is a formal environmental compliance program in effect?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Are there any ground water problems?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Don't know	<input type="checkbox"/>
-----	--------------------------	----	--------------------------	------------	--------------------------

Does the company use any outside professionals to dispose of or otherwise handle certain materials?

Yes		No	
-----	--	----	--

Has the company ever had any accidental spills or discharges?

Yes		No	
-----	--	----	--

Do you use lubricants or other substances which, although not dangerous, could cause environmental problems?

Yes		No	
-----	--	----	--

Have you had visits, inspections, or surveys by any environmental or health authorities within the last three years?

Yes		No	
-----	--	----	--

If yes, have any reports been unfavorable?

Yes		No	
-----	--	----	--

Would you and the other owners be willing to indemnify a new owner of the business against any liability for environmental or other regulatory problems predating your sale of the business?

Yes		No		Don't know	
-----	--	----	--	------------	--

Are you aware of any environmental problems with properties previously owned or used by the company?

Yes		No	
-----	--	----	--

## Safety

If there a formal safety program in place?

Yes		No	
-----	--	----	--

Are there facility sprinkler protection systems?

Yes		No	
-----	--	----	--

What was the date of your last OSHA inspection (Month & Year)?

--

Were there significant OSHA claims If yes, describe

--

Are the land and buildings clean, well-maintained and in compliance with building codes and regulations?

Yes		No	
-----	--	----	--

## Opportunities for Growth

Describe any opportunities to grow sales, net income and cash flow.

---

Comment on the growth of the business in recent years:

Do you think growth will continue for the foreseeable future? Why or why not?

What is necessary to sustain future growth?

### **Inventory**

FIFO or LIFO? Is the inventory current and useable within 3 months? If not, what percent is?

### **Strengths and Weaknesses**

In Management's opinion what are the five greatest strengths of the Company? Please describe in detail why each is a strength.

Describe why you believe your Company is an excellent or unique acquisition opportunity for a buyer:

What would you say are the weaknesses of the Company?

### **Other**

Is there anything that would to your knowledge adversely affect the value of the Company?

## Price and Terms

Are you open to an asset or stock purchase?

What is your flexibility regarding the terms of the deal, i.e., would you consider taking stock in the buyer or a note from the buyer for a portion of the purchase price?

Which of the following transaction structures which would you prefer. Assume that you needed \$90 to comfortably retire so both transactions below meet your minimum requirements. This is not a test. There is no right or wrong answer. It is simple a matter of personal preference and risk tolerance.

A. \$100 in cash, OR

B. \$90 in cash plus \$30 payable over 3 years at 8% interest

## Financial Summary

Please provide as much of the following information as possible:

1. For the last five fiscal years and the current year to date:
  - Company financial statements
  - Breakdown of sales by product/service group (in both dollars and units)
  - Sales and gross margin for top 25 customers
  - Gross margin by major product/service group
  - Breakdown of cost of goods sold (eg. material, labor, overhead), depreciation included in COGS
  - Breakdown of general and administrative expenses
  - Breakdown of selling expenses
  - Product development expenses
  - Details of any extraordinary one-time or non-recurring items in historical financial statements
  - Accounts receivable aging report, write-off & bad debt history
  - Inventory valuation and inventory write-down history
  - Accounts payable aging report
2. Next year budget
3. Current strategic plan and five year forecast with detailed assumptions
4. Summary of terms and covenant of existing indebtedness
5. Commitments for pending and proposed major capital projects
6. Description of major capital projects over the past three years including dollar amounts
7. Capital budget for the next three years

Are the company financial statements prepared in accordance with generally accepted accounting principals (GAAP)?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

On what basis does the company recognize revenue? Cash or Accrual?

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For each of the past five years, our financial statements were:

	Audited	Reviewed	Compiled	In house
1999				
2000				
2001				
2002				
2003				

Have there been any changes in accounting methods in the last three years? If yes, Describe

--

Are there any key operating statistics used by the Company to measure growth, performance, etc.? Discuss:

--

How long have you used the same accounting firm?

--

Does your accountant provide an annual management letter?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

Describe significant accounting policies.

--

Describe contingent liabilities, off-balance sheet assets and liabilities.

--

Complete the Owner Adjustments on the attached schedule below.

<b>Schedule Of Owner Adjustments</b>						
Year	Current YTD	200_	200_	200_	199_	199_
Excess salary and bonus						
Owner;s portion of payroll exp.						
Excess vehicle expenses						
Owners' health/life/disability						
Insurance						
Charity/church						



Non-business travel & ent.						
Other non-business expenses (Country club dues, tuitions, home maintenance,						
Above market rates in related party transactions						
<b>Total Owners' Adjustments</b>						

**Taxes**

Is the business current at this time in its filing of any returns for any payment of:

	<u>Current</u>	<u>Not Current</u>
Federal, state, or local income and franchise taxes		
Payroll (withholding, FICA, disability)?		
Real estate taxes		
Personal property taxes		
Sales taxes		

In the past have there ever been any inquiries, review, audits, investigations, assessments or other problems with a taxing authority?

Yes		No	
-----	--	----	--

Does the company have a deferred tax liability at the federal, state, or local level? And is it fully and properly accrued on the balance sheet?

Yes		No	
-----	--	----	--

When was your last IRS audit? Findings?

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**Contracts**

Describe significant customer and supplier contracts.

--

Describe significant real and personal property leases and contracts.

--

Describe any third party guarantees of a material nature.

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Describe any unusual contracts of activities.

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Describe any licensing or joint venture agreements.

### **Litigation and Regulatory Compliance**

Describe all pending litigation.

### **Exhibits**

- A. Submit Company Brochures and Marketing Materials
- B. Submit any articles about the Company that might be of interest to an acquirer
- C. Submit the most recent Income Tax Return of the Company
- D. Submit any business plans, financing proposals, or other similar documents for your business prepared in the last 3-5 years