



PRE-PURCHASE DUE DILIGENCE

By having a Global Exit Planning perform a Pre-Purchase Due Diligence on the business that you are considering purchasing, you can be assured that the claims of the Seller are accurate, before making a final commitment to purchase the business. Having this preliminary due diligence performed by an outside party eliminates direct conflicts between the Buyer and the Seller and promotes a smoother purchase transaction. Also, things may be found that may alter the Fair Market Value of the business, as well as things that could possibly cause problems in the purchase transaction. For these reasons, it makes perfect sense to have a qualified professional perform a Pre-Purchase Due Diligence.

In order to perform a comprehensive Pre-Purchase Due Diligence, we will require the full cooperation of the business Seller. We will need to meet directly with the Seller, the Seller's key staff, accountant, lawyer and possibly some of the Seller's other business advisors to compile the necessary information. Keep in mind, this is the very information that every qualified prospective Buyer should want to see and verify when they do their final, official due diligence, prior to purchasing any business.

The following information is what will be reviewed in a comprehensive manner in the performance of the Pre-Purchase Due Diligence:

- Detailed information on the Seller's products and services, how they market them and to whom
- Information on Seller's industry, the company history, competitors, growth opportunities, etc.
- 3 most recent years of complete financial statements. If the business is being purchased as an Asset Purchase, only Profit and Loss Statements will need to be reviewed. If being purchased as a Shares Purchase, Balance Sheets will also be reviewed.
- Current Interim Financials.
- 3 most recent years of past complete tax returns.
- Current Inventory value at landed cost, along with a review of average Inventory levels throughout a typical year.
- Current value of real property, if included in the purchase. A current appraisal would be highly recommended.
- If the business premises are leased, we will review the full copy of the Premises Lease.
- A list of all Assets. The Furniture, Fixtures, Equipment and vehicles that are included in the Purchase Price, along with an estimate of the "used replacement value" of each item.
- Any Asset Purchase Agreements and any Equipment Leases to determine that they are current and transferrable to a qualified Buyer.
- A list of all items within the business premises that are NOT included in the Purchase Price.
- Copies of any trademarks, patents, licenses and/or intellectual property that is included in the Purchase Price.
- A review of the software necessary to operate the business, along with its current value and the cost, if any, to upgrade it to the most current version.
- A review of the business Web Site, along with hosting and maintenance agreements.

- Current Accounts Receivable Report including ageing.
- Current Accounts Payable Report including ageing.
- Checkbook Register(s) and bank statements for last 3 years
- Current Client List. We will be looking for client longevity, client growth, client diversity and sales concentrations.
- List of current suppliers. We will review agreements and relationships.
- List of Employees. We will review the terms of their employment, their position, length of employment, any long term Employment Agreements, and current compensation package, including benefits.
- Employee Interviews. It is important for a smooth transition that key employees are made aware of the anticipated purchase of the business. Many times, it is essential to the continued success of a business, that key employees will be retained by the Buyer. These interviews will be conducted in such a manner that will not cause unnecessary concern by staff members.
- Copies of all contracts relating to advertising.
- Copies of current promotional materials.
- Copies of all licenses necessary for the operation of the business.
- Copies of any Franchise Agreements, License Agreements, Dealership Agreements and/or Distributorship Agreements (as applicable).
- Copies of all insurance policies for review and determination of transferability.
- A copy of the Policies and Procedures Manual(s).
- A meeting with the Seller's Lawyer to determine if there is any litigation pending, liens outstanding, that the Corporation filings are current (including the Minutes Book), and to determine that all government required filings are current. The Lawyer should also demonstrate that any trademarks, patents, licenses or intellectual property are properly registered and protected.
- A meeting with the Seller's bookkeeper and accountant to review current accounting practices and make sure that all financial records are up to date and ready for presentation and review by the Buyer's accountant.

At the conclusion of the Pre-Purchase Due Diligence, you will be able to better determine the ultimate Purchase Price and terms to pay for the business that will meet your objectives. This Pre-Purchase Due Diligence will assist you, and your official due diligence team, in making sure that all aspects of the business are ready for your final due diligence to be performed by your accountant, lawyer and other advisors. This will save a great deal of time and expense.