

FORM OF DILIGENCE CHECKLIST

Unless otherwise indicated, documents should be made available for all periods after [Date] and should include all amendments, supplements or other ancillary documents related to the documents requested. Please provide for each predecessor and subsidiary of the Company (the "Company"), all of the documents requested below with respect to the Company.

1. Corporate Records

- a. The corporate charter (certificate or articles of incorporation) and bylaws for the Company.
- b. Minutes of meetings and Actions by Written Consent of the board of directors of the Company and all committees thereof since the date of incorporation.
- c. Minutes of meetings and Actions by Written Consent of the shareholders of the Company since its date of incorporation.
- d. An organizational chart or written description indicating each legal entity owned by or affiliated with the Company and identifying for each entity the jurisdiction of incorporation and approximate date of incorporation and a brief description of all mergers, acquisitions or other reorganizations of each entity since inception.
- e. List of states and foreign countries in which the Company owns or leases assets, employs people (including consultants or distributors) or has material contractual relationships. List of all states and foreign countries in which the Company contemplates undertaking business operations.
- f. List of any parties or entities whose consent to the proposed transaction will be required and copies of relevant documents.
- g. Any stockholder, buy-sell or similar agreements that may relate, directly or indirectly, to the proposed transaction.
- h. Copies of all securities of the Company presently outstanding (including options, warrants and securities convertible or exchangeable into common stock) and the number of shares, units or principal amount thereof outstanding as of a recent date.
- i. A list of all of the security holders of the Company (including option and warrant holders and others entitled to purchase the securities of the Company) as of a recent date, indicating the class and number of securities held by each such holder.
- j. A copy of the stock transfer ledger of the Company showing all transactions in its stock.

k. All outstanding agreements or other instruments that may in any way limit the Company's ability to declare and pay dividends.

l. All documents known to the Company relating to outstanding proxies, powers of attorney (with respect to any stock of the Company), voting trusts or other assignments of rights attaching to any of the stock of the Company.

m. A list of any capital stock or equity interest in any other entity or enterprise owned by the Company.

2. General

a. Any partnership, joint venture, distributorship, franchise, licensing, management, research and development, or similar agreements or contracts to which the Company is a party.

b. Any other agreements that prohibit or restrict (i) the Company's ability to compete in any business anywhere in any geographic area or (ii) the customers with which the Company may do business or (iii) the prices the Company may charge for its services.

c. List of the 20 largest suppliers to the Company and copies of the form of purchase order and complete copies of any material supply or distribution agreements. Include annual dollar amounts purchased in recent years and estimates for current year.

d. List of the 20 largest customers of the Company and copies of the form of purchase order and complete copies of any material agreement with any such customers. Include annual dollar amounts sold in recent years and estimates for current year.

e. List of material purchase and service or sales orders not yet fulfilled and details of backlog at the end of the most recent fiscal year and fiscal quarter.

f. Any form engagement letters or other form agreements or contracts used in connection with the Company's business, including without limitation purchase orders, sales orders, quotation forms and other standard forms.

g. List of significant acquisitions or dispositions of the Company's assets, mergers, equity financings and other material transactions completed, or proposed, within the last three years and all documentation relating thereto.

h. Any contracts or agreements with competitors or governmental agencies and any agreements containing termination or other provisions triggered by a change in control.

i. Any other contract or agreement (or forms of related or similar contract) that: (i) involves payments by or to the Company in excess of \$100,000 in 20__ or is likely to involve payments to the Company in excess of \$100,000 in any one year including or after 20__ or (ii) is significant to the Company's business.

j. Any written agreements and summaries of any unwritten arrangements or understandings between the Company and any of its officers, directors, affiliates and associates within the last three years, whether or not currently in effect.

k. Describe guaranty/warranty/return policies and procedures. Include any related written materials and any documents creating any expenses or implied warranties with respect to products manufactured or distributed by the Company.

3. Legal/Financial

a. Copies of current budget and long range and/or operation plans or projections for the Company, including memoranda or other documents summarizing the assumptions used in preparing such budgets, plans or projections.

b. A description of inter-company debt programs, arrangements and procedures.

c. All agreements pursuant to which the Company is or will be subject to any obligation to provide funds to or to make investments in any other person (in the form of a loan, capital contribution or otherwise).

d. Schedule of long-term debt including amounts, maturities and prepayment terms, and copies of all instruments evidencing such debt, and any correspondence with lenders relating to amendments and waivers.

e. Copies of any currently outstanding commitment letters or other correspondence relating to proposed financings or borrowings which may involve in excess of \$500,000 of indebtedness of the Company.

f. Letters of credit outstanding (amounts, terms), if any.

g. List of financial institutions and types of accounts maintained by or on behalf of the Company, with copies of all material correspondence with and from lenders in the past three years.

h. All documents purporting to create liens, mortgages, security agreements, pledges, charges or other encumbrances on the stock of the Company, on any real or personal property of the Company or in favor of the Company. Copies of all Uniform Commercial Code (UCC) financing statements filed with respect to the above.

i. Copies of notes payable to or notes receivable from any employee, director, affiliate, agent or shareholder of the Company outstanding at any time during the past year. Copies of all other agreements relating, directly or indirectly, to the Company or any person who is, or is proposed to become, an officer, director, key employee or significant stockholder (including affiliates) of the Company (including loans, leases, purchases and sales of property).

j. Copies of any and all agreements pursuant to which the Company either (i) guarantees or otherwise supports the credit of any other person or entity or (ii) indemnifies or has agreed to hold others harmless with respect to any liabilities (whether in connection with acquisitions or otherwise).

k. Aged account receivables and unbilled costs and fees by customer. Schedule of advance payments (customer advances) by customer historical balances and projected.

l. Most recent projected and historical financial statements (for last four years, by month for current year, and projections for next five years) including supporting assumptions. Include summary of significant accounting policies used by the Company and provide details of any off balance sheet financing. List all year-end non-recurring adjustments made as of the end of the latest fiscal year, including special reserves.

m. Copies of any and all tax returns filed (in whole or in part) by or on behalf of the Company or in respect of the Company's business.

n. Current status or disposition of any tax audits pending or closed relating, in whole or in part, to the Company or its business.

o. Schedule of tax liabilities or benefits that are not reflected on the Company's balance sheet.

p. Copies of any and all tax-sharing or tax-allocation agreements relating, in whole or in part, to the Company.

q. Any regular internally prepared management reports regarding the Company's revenues, margins, personnel, real estate, leases, etc.

r. Reports or management letters provided to the Company by auditors and any and all management responses thereto, to the extent that they relate, directly or indirectly, to the Company.

4. Property

a. List of real property (owned or leased) used in the Company's business, including size, location and use of each parcel and number of employees employed at each location. For leased properties, include the term of each lease.

b. All leases, subleases, deeds, mortgages, construction contracts and other commitments and title insurance policies relating to real property owned or leased in connection with the Company's business.

c. Any appraisals of the Company's real property obtained within the past three years and copies of any Phase I Environmental Reports.

d. Inventory of personal property owned or leased, and copies of all purchase contracts, leases (including, without limitation, automobile leases and computer equipment leases) and security agreements, etc. relating to material equipment or personal property or licenses regarding equipment usage.

e. Schedule of trademarks, trade names, service marks, copyrights or patents owned by, licensed to or applied for by or on behalf of the Company and correspondence files relating thereto, including dates of registration with state or federal agencies along with identifying registration numbers, if any. Copy of all licenses, assignments, royalty agreements and other contracts and instruments relating to the foregoing. Name of contact person who handles patent, trademark or copyright matters for the Company.

f. Description of policies to protect intellectual property rights owned by the Company or otherwise used in the Company's business. Documents relating to any claims of infringement of intellectual property rights owned by the Company or related to its business either (i) by the Company or any of its stockholders against the rights of others or (ii) by others against the rights of the Company or its stockholders.

5. Management/Employees

a. All corporate policy manuals covering hiring, regulatory compliance, internal controls, etc. Include number of employees by department or other relevant classification. Affirmative action plans and current EEO1 Report.

b. Copies of employment contracts, confidentiality agreements, noncompetition agreements, management and consulting contracts, union contracts, collective bargaining agreements, employee manuals, benefit plan summaries, etc.

c. Documents representing all profit sharing and savings plans, pension or retirement plans, deferred compensation plans, medical, dental or other health and welfare plans and any bonus, incentive, performance or similar plans or arrangements and related agreements; materials describing any of the foregoing; and the latest applicable trust accounting, actuarial

reports and other applicable financial statements. Summary plan descriptions for each of the foregoing, to the extent available. For each qualified plan, provide a copy of the most recent IRS favorable determination letter (including a copy of the request for such determination) with respect to such plan. In addition, for each plan for which Forms 5500 are required to be filed, please provide copies of the three most recently filed Forms 5500 with schedules attached. Calculation of estimated retiree medical liability (if any) and cash flow effect over next several years. Schedule of pension liabilities and assets (if any).

- d. Copies of any other executive compensation plans or programs.
- e. Any indemnification agreements with any directors, employees or agents.
- f. Distribution, sales representative, agency and dealer agreements currently in effect.
- g. Commission agreements with non-employee salespersons, buyers or other agents.
- h. Form of nondisclosure or proprietary information agreements used by the Company and a list of any employees of the Company who are a party to such agreements.
- i. Description of any threatened or pending labor disputes, work stoppages, work slowdowns, walkouts, lockouts or union organizing activities since inception, indicating disposition thereof. Copies of NLRB or Department of Labor filings, if any.
- j. Description of employee turnover over the last three years. If information is available, describe turnover relative to the industry. Disclose number of voluntary resignations and involuntary terminations of employees.
- k. Schedule of all compensation paid during the last fiscal year to officers, directors and key employees showing separately salaries, bonuses and non-cash compensation, including bonuses paid or accrued, direct or indirect benefits or perquisites, and all benefits paid or accrued under all employee benefit plans.

6. Litigation

- a. Current list of all litigation, administrative or regulatory proceedings, investigations or governmental actions involving the Company or its business with a brief description of the basis for each such matter. Include the name of court or agency in which the litigation proceeding is pending, the date instituted, the docket number (if available) and principal parties thereto.
- b. Description of currently threatened litigation, legal claims, regulatory actions or other actions or proceedings, including any correspondence relating to any alleged infringement of any patent, trademark or other intellectual property and any correspondence relating any threatened governmental investigation or alleged violation of law or regulation.

c. To the extent not duplicative of responses to 6.a and 6.b, a description of all actual and/or threatened litigation relating to the Company or its business or assets for the past two years and current description of the disposition and status thereof. Summary of loss history for past five years by class of cases and schedule of litigation reserves established by or on behalf of the Company setting forth all relevant calculations and assumptions.

d. Any currently effective consent decrees, judgments, other decrees or orders, settlement agreements and other similar agreements to which the Company is a party or by which the Company or any of its assets is bound (or to which any stockholder of the Company is a party or by which any such stockholder or any of its assets is bound and which relates, directly or indirectly, to the Company).

e. Audit inquiry response letters from attorneys to the Company's accountants for the last five years, to the extent that they relate, directly or indirectly, to the Company.

7. Insurance

a. A schedule of all policies or binders of insurance or self-insurance arrangements, including medical, workers compensation, disability, automobile, general liability, fire and casualty, products liability, professional liability, officers' and directors' liability and key-man life insurance, with deductibles, coverage limits and other significant terms. Please indicate the name and address of all insurance agents, brokers and companies.

b. A schedule of insurance claims in excess of \$50,000 over the last five years and summary of loss history for that period.

c. Analysis of premium payments for the past five years and details regarding any cancellations or denials of insurance in that period.

d. Summary of self-insurance programs or other risk retention.

e. A schedule of threatened or potential claims.

f. A schedule of outstanding bonds (value and bonding company) and current bonding limits.

g. Any reports or correspondence concerning the adequacy of the foregoing or denial of coverage.

8. Legal Regulations and Filings

a. Reports filed and significant correspondence to and from any state or federal regulatory agencies (including, without limitation, the EPA and state-level environmental regulators, OSHA and EEOC).

b. A schedule of all material governmental permits, licenses, etc. of the Company and relating to the Company's business, including, without limitation, environmental permits, exemptions or proceedings.

c. A description of any inquiries or known noncompliance with any laws or regulations (including OSHA, EPA, EEOC, etc.), for the past five years and the disposition and status thereof.

d. Any franchise filings and all material correspondence relating thereto.

e. A schedule of consent decrees and settlements with governmental authorities.

9. Miscellaneous

a. Copies of any finder's fee or bonus compensation arrangements regarding the proposed transaction.

b. All correspondence and documents relating to contingent liabilities exceeding \$50, 000, not otherwise duplicative of responses to items listed above.

c. All documentation related to the acquisition of the Company by the seller, including all financing documentation, and a brief legal description of the form and steps of the transaction.

d. Any other documents, information or data that are significant with respect to the business of the Company or which should be considered and reviewed in making disclosures regarding the business and financial condition of the Company to prospective investors.