

Independent Review

Prepared for

Prepared by

Initial call

First meeting

Interview date

Report date

Contacts

1. Company legal name

a) Other names (past five years)

b) Business permits, jurisdictions, licenses

2. Primary Contact

a) Date qualified

b) First contact method

c) First contact date

d) Alternate contact

3. Accountant / Financial Officer

a) Reputation

b) Accreditation: (CA, CMA, CGA)

c) Timeliness

d) Interim's released (days after month-end)

e) Software / method used

f) Opinion on financing

4. Bank

a) Opinion on financing

b) Bank credit situation

c) Maximum borrowing capacity

d) When and why line utilization

e) Percentage of line utilized

f) Bank covenants breached

g) Other banks, lenders or investors

h) Bank support for growth

5. Lawyer

a) Opinions on this financing

b) Judgments against business/personal

c) Pending lawsuits or writs

d) Legal proceedings involving company

e) Legal history

6. Insurance Agent

7. Advisors, consultants (retainer or contract)

a) Ad Agency, Public Relations, Marketing

b) Advisors opinions on this financing

Management

*Organizational Flowchart
Employment Contracts
Photo Identification*

*Management Resumes
Non-Competitive Agreements
Shareholder Agreements*

1. Management philosophy, style
a) Motivational methods
2. Current owner
a) Expertise
b) Person clearly in charge
c) Second-in-command
d) Levels of command, key personnel
e) Hiring requirements
3. Full-time management staff
a) Responsibilities, achievements
b) Qualifications, abilities, experience
c) Work history, education
d) References
e) Future roles in company
f) Effect of, opinions on financing
4. Relations among management
a) Compensation
b) Investment in company
c) Proof of commitment to company
d) Recent changes in management

- e) Hiring, firing methods
 - f) _____
 - g) Most trusted advisors
5. Board of directors
- a) Contributions
 - b) Investment in company
 - c) Last, next meeting
 - d) Effect of, opinions on financing
6. Major current stockholders
- a) Percentage of shares
 - b) How equity acquired
 - c) Last, next meeting
 - d) Effect of, opinions on financing
 - e) Warranties, rights, options
7. Succession plan
- a) Back-up management
 - b) Manager flexibility (job functions)
 - c) Managers hired from competitors
 - d) Non-competitive policies
 - e) Loss of key management crisis plan

Personnel

Employment Contracts
Employee Resumes
Non-Competitive Agreements

Employment Application
Staff Organizational Chart

1. Average weekly gross payroll

a) Full-time, part-time staff

b) Production, administrative staff

c) Availability of labor locally

2. Key staff positions

a) Skills, training required

b) Company training

c) Staff turnover

d) Staff flexibility (job functions, equipment)

3. Company working image

a) Union situation

b) Changes in future

c) Personnel reputation

d) Personnel evaluation methods

e) Hiring requirements

Business

Business Plan

Business Feasibility Report

Articles of Incorporation (first page)

1. Date of Incorporation

a) State of business (startup, growth, stable, etc.)

b) Event that started company

c) Reason for being in business

d) Highlights of progress

e) Past startup problems, solutions

f) Past growth problems, solutions

2. State of industry

a) Prospects for industry

b) Technological trends

c) Economic trends

d) Regulatory trends

e) Issues addressed that competitors don't

f) How industry uses financing

3. Business priorities

a) Recent major deal

b) Most important current project

c) ... market potential

d) ... projected financial result

e) Major changes planned

f) Driven by (labor, production, technology, capital, equipment, intellect, R&D, etc.)

g) Business Priority: Sales, Costs

Facility

Facility Photos
Appraisal on Building

Rent/Lease/Mortgage Agreement
Landlord Waiver

1. Main facilities
 - a) Reason for location
 - b) Disadvantages
 - c) Subsidiaries, affiliates, other locations
 - d) Expansion plans, facilities needed
 - e) Protection, security (damage, theft)
 - f) Environmental considerations
2. Clients located
 - a) Suppliers located
 - b) Transportation, shipping, public transportation
 - c) Other businesses in area
3. Effect on labor costs
 - a) ... materials, transportation, shipping
 - b) ... taxes, utilities
 - c) ... customer revenues
4. Purchase price, appraised value
 - a) Square footage, monthly payments, terms
 - b) Landlord, Mortgage Company

Distribution

Price List
Shipping/Delivery Contracts

Inventory Report
Reseller Contracts

1. Direct distribution (to customer)
 - a) Dealer network _____
 - b) Wholesalers _____
 - c) Retailers _____
 - d) Manufacturer's representatives _____
 - e) Other _____
2. Transportation (shipping, delivery)
 - a) Geographic range _____
 - b) Brand, label _____
 - c) Exporting, importing _____
 - d) Taxes, tariffs, duties, barriers, foreign exchange _____
 - e) Servicing _____
3. Critical supply and demand factors _____
4. Export Percentage _____
 - a) Revenue Growth: (City, Province, Country, Continent, World) _____

Production

1. Production method, process

a) Testing approvals

b) Improvements required

c) Critical equipment, assets

d) Critical materials

e) Inventory control methods

f) Job scheduling methods

g) Quality control methods

h) Safety record

2. Subcontracting

a) Production backup plan

3. Estimated days downtime annually

a) Reasons

4. Capacity

a) Ways to increase capacity

b) ... cost

c) ... schedule

5. Purchasing process

a) Key suppliers

b) Material availability

c) Alternative sources

d) Effect of financing on suppliers

Asset

Photos
Technical Documents
Service Contract

Brochures
Warranty
Appraisal

1. Seller

- a) Name _____
- b) Model _____
- c) Age _____
- d) Features _____
- e) Modifications _____
- f) Upgrades _____

2. Function

- a) Operating Status _____
- b) Production Capacity _____
- c) Operators Required _____
- d) Space Required _____
- e) Current Location _____
- f) Reason for Selling _____
- g) Operating Problems _____

3. Current Servicing

- a) Replacement Equipment _____
- b) Spare Parts Source _____
- c) Previous Owners _____

4. Asking Price

a) Original Price

b) Price Desired

c) Pricing Flexibility

d) Reasons for Prices

e) Liens Against

f) Price of New Model

g) Competitive Model

h) Competitive Price

5. Ideal Buyer

a) Buyer Company Size

b) Buyer Product

c) Unacceptable Buyers

d) Allow Sale to Competitor

e) Previous Potential Buyers

f) Sources Approached

g) Financing Options

6. Date Available

a) Selling Deadline

b) Time Spent Selling

c) Problems Selling

d) Viewing Schedule

Products (Services)

Manuals
Sample Product(s)

1. Purpose of product (or service)
 - a) Problem it solves _____
 - b) Opportunity it addresses _____
 - c) Luxury, necessity _____
 - d) Unique features, style issues _____
 - e) Product life, shelf life _____
 - f) Comparison to state-of-the-art _____
 - g) Reliability downtime _____
2. Labor required
 - a) ... materials _____
 - b) ... capital _____
 - c) ... subcontracting _____
3. End-use item or component of other company's product
 - a) Products it relies on _____
 - b) Products it interfaces with _____
 - c) Warranty, liability, insurance considerations _____
 - d) Image considerations _____
 - e) Plans for improvement _____
4. Effect on manufacturing of other products
 - a) Nature, industrial, market cycles that affect _____
 - b) Comparison to competition _____
 - c) Related services _____

Research and Development

Patents
Copyrights

Trademarks
Research Contracts

1. Formal research and development

a) Purpose _____

b) Budget man-hours, finance method _____

c) Uniqueness _____

d) New products considered _____

2. Product components developed in-house

a) Equipment, instruments, chemicals used _____

b) Training, education required _____

c) Current stage, completion date _____

d) Testing, stress, safety, reliability _____

e) Intellectual capital, staff, processes _____

f) External resources, contacts _____

g) Government funding, credits _____

3. Patents, Trademarks, Copyrights, Service marks

a) Pending _____

b) Regulatory licensing requirements _____

c) Regulatory marketing requirements _____

Marketing

Marketing Plan

Sales Letters

Sales Literature

Sales Presentations

Brochures

Publication Articles

Sales Manuals

Press Releases

Sales Demos

Newsletters

Website Listings

Telemarketing Scripts

Advertisements

Packaging

Commercials

1. Marketing strategy, style

a) Marketing budget, expenses

b) Most effective marketing

c) Least effective marketing

d) Marketing plans, future prospects

e) Market research activities

2. Competitive products

a) Competitive factors

i) price

ii) quality

iii) advertising

iv) innovation

b) Competitors

c) Competitor strengths

d) Competitor weaknesses

e) New, recent, or potential competitors

3. Ideal customer (demographics)

a) Strategic (corporate) customer or partner

b) Customer buying habits, cycle

c) Impact of purchase (cost vs. savings)

- d) Satisfying existing customers
 - e) Attracting new customers
4. Pricing strategy, changes
- a) Discounts, dealer margins
5. Sales method
- a) Sales cycle, goals
 - b) Staff duties, quotas, compensations, commissions
 - c) Ads, mailings, calls, demos per sale
6. Promotion
- a) Trade shows
 - b) Events
7. Advertising
- a) Direct mail
 - b) Newspapers, magazines, newsletters, journals
 - c) Television, radio
 - d) Internet, email, fax broadcast
8. Target market (city, region, country)
- a) Market size, growth, potential
 - b) Market segments, cycles (seasonal)
 - c) Market share, potential
 - d) New markets, trends
 - e) Replacement markets
 - f) Resale markets

Sales

Customer List
Warranties
Reseller Contracts

Sales Agreements
Guarantees
Purchase Order Contracts

1. Brokers, distributors, retailers sold to
 - a) Consignment, bill-and-hold terms
 - b) Payment instruments accepted
 - c) Barter
 - d) Securities, payment bonds accepted
2. Unusual (not normal) sales
 - a) Sales to management or staff
 - b) Goods, services purchased from customers
3. Warranties, guarantees
 - a) Authorization to return goods, percentage returned
 - b) Management, disposal of returned goods
4. Monthly sales volume (average)
 - a) Percentage accounts receivable
 - b) Invoices processed monthly
 - c) Active customers on file, invoiced monthly
5. Collections received by
 - a) Collections deposited to
 - b) Bad debt process
 - c) Collection agency utilization

Financial

GST Certificate (or number)

Year-End Financial Statements

Financial Projections

Accounts Receivable Aging Report

Corporate Tax Returns

Interim Financial Statements

Consultant Reports (and Accountant)

Cash Flow Forecasts

Accounts Payable Aging Report

Personal Tax Returns

1. Financial Statements used for

a) Last audit

b) Forecasting used for

c) Budget monitoring method

d) Cost controls

e) Assumptions made

2. Aging problems solution methods

a) Inventory controls

b) Just-in-time processes

c) Supplier discounts

3. Asset disposal

a) ... asset sales

b) ... leasing or leaseback

c) Intangible assets licensed or sold

4. Payroll check status

a) Sales and income tax remittances

b) Pension, retirement plan remittances

c) Health plan remittance

Credit

Credit Report(s)

1. Major current debt

- a) Major creditor _____
- b) Debt terms _____
- c) Other major debts _____
- d) Other debts _____
- e) Effect of financing on debts _____

2. Credit references

- a) Current credit problems _____
- b) Previous credit problems _____
- c) Solutions _____
- d) Unpaid obligations, and why _____

Financing

*Written Rationale for Funding
Bank Statements*

*Corporate Guarantor Agreement
Bank Borrowing Agreement*

1. Current financing & investment

- a) Stage _____
- b) Normal financing _____
- c) Past financing _____
- d) Past financing attempts _____

2. Amount needed, amount expected

- a) Reason _____
- b) Type needed (financing method) _____
- c) Term and deadline preferred, then expected _____
- d) Security or collateral _____
- e) Personal commitment _____
- f) Proposed return on investment _____
- g) Repayment method, schedule _____

3. Repayment

- a) Amortization _____
- b) Contracts _____
- c) Terms and Conditions _____
- d) Covenants _____
- e) Fees _____
- f) Concerns _____

4. Preferred source of funds

- a) Sources approached

- b) Government funds applied for

- c) Results

- 5. Ideal scenario

- a) Worst-case scenario

- b) Crisis repayment plan

- c) Contingency plans already tried

- d) Financing contingency plan

- e) Financing expectations based on

- 6. Impact on company

- a) ... on management, staff

- b) ... on creditors, suppliers

- c) ... on customers

- d) ... on competitors

- e) ... on taxes

- f) ... on cash flow

- 7. Security, collateral already given

- a) Sales interests given

- b) Agreements that may restrict financing

- c) Current unusual financial burdens

- 8. Capital requirement for next year

- a) Future financing plans

- b) IPO or sale of business acquisition plans (exit strategy)
