

Due Diligence for Mergers and Acquisitions -- provides a more prioritized list of the key documents to assemble before making an acquisition or being acquired. Clients using this checklist in advance of merger, joint venture, or sales negotiations save invaluable time and dramatic reductions in their legal bills.

[COMPANY LOGO]

DUE DILIGENCE REQUEST & CHECK LIST

At your earliest convenience, please make available for our review, copies of the following documents, as well as answers to the following inquires with respect to [Target Company Name, Inc.](#) for the last five (5) years and any subsequent period (except as otherwise indicated) as set forth below. In all cases, unless the context requires a different term, the term "Company" means [Target Company Name, Inc.](#) and all subsidiaries, if any, and any predecessor(s). In addition, unless the context requires a different meaning, the term "employee" means external consultant and internal employees of the Company. Please do not provide any "privileged" documents; however, please indicate whether any "privileged" documents have been withheld.

In preparing your responses, please organize the document copies and applicable responses in three ring binders with index tabs according to the numbered items on this list, as well as an index of the documents. Please prepare a separate binder for each area including all of the documents requested with tabs that correspond to the specific sections in the index (i.e. Corporate Matters, Government & Regulations and Filings, etc.). In the alternative, boxes with file folders keyed to our specific index sections would be a feasible alternative to notebook binders. To the extent that a given response is "not applicable" or "none," please identify such to us in accordance with the form.

We are, of course, willing to make any accommodation to facilitate the inspection of these documents and will gladly conduct our examination at any office that is most convenient for the Company. Please treat this memorandum as a continuing request to the extent that facts materially change or new documents come into existence after the material responses are made. If you have any questions regarding the above requests, please do not hesitate to contact me at (XXX) XXX-XXXX.

DUE DILIGENCE REQUEST & CHECK LIST

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I. CORPORATE MATTERS						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	Organization chart detailing the structure of the Company, including subsidiaries and other affiliates, percentage ownership and jurisdiction of the organization					
B.	Certified copy of certificate of incorporation (as certified by the Delaware Secretary of State) and bylaws, each as amended to date. Long-form good standing and franchise tax board certificates in jurisdiction of incorporation.					
C.	The charter of Company currently in effect.					
D.	The by-laws of the Company currently in effect.					
E.	A list of any subsidiaries or affiliates of, or partnerships, joint ventures or other entities in which the Company or any subsidiary has made any equity investment or owns any interests, directly or indirectly, together with a description of the nature of such interest.					
F.	Current Officer/Director list, including title of office and other business activity if not employed solely by the Company.					
G.	Board of Directors, Committee and Stockholder Minutes and Consents including, when prepared, authorizing resolutions relating to this proposed transaction.					
H.	Schedule of outstanding equity (on an as if converted basis, including all convertible debt), including stockholder lists (containing (i) class/series of shares; (ii) number of shares; (iii) dates of issuance; (iv) consideration received). Copies of stock records and stock ledgers. Indicate any shares subject to repurchase rights.					
I.	Forms of stock option agreements and all executed copies of each such agreement. Provide all material deviations from such forms, if any, organized by type, and all executed copies of such deviations.					
J.	Schedule of all outstanding warrants, stock options, convertible and nonconvertible debt securities, other common stock equivalents or other "equity securities." Include, if applicable, (i) the names of the issuees or grantees; (ii) the amounts issued or granted; (iii) the dates of issuance or grants; (iv) the plan under which issuance or grant occurred; (v) the consideration received, (vi) the exercise prices; (vii) the vesting schedules; and (viii) the expiration dates.					
K.	List and copies of any agreements among the shareholders of the Company including buy-out/buy-back agreements with shareholders and employees, officers and directors. Also provide copies of any agreements currently in effect between the Company and any former officer, director or employee, including founder agreements.					

I. CORPORATE MATTERS (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
L.	Detail of any dividend restrictions.					
M.	Copies of director and officer indemnification policies.					
N.	List of states in which the Company is qualified to do business, owns or leases real property, or is otherwise operating (and long-form good standing certificates in such jurisdictions). List of foreign countries where the Company does business and related good standing certificates (or comparable documents).					
O.	Trade names used by the Company.					
P.	List of states in which the Company is qualified to do business, owns or leases real property, or is otherwise operating (and long-form good standing certificates in such jurisdictions). List of foreign countries where the Company does business and related good standing certificates (or comparable documents).					
Q.	Copies of all contracts, understandings and arrangements between the Company and any present or former affiliates, including but not limited to agreements among shareholders. Description of any direct or indirect interest of any present or former affiliates in any corporation or business that competes with, conducts any business similar to or has any present (or contemplated) arrangement or agreement with (whether as a customer or supplier) the Company. Copies of documents not covered by the above relating to agreements of the Company in which any present or former affiliates are or were materially interested. A list identifying any present or former affiliates who have an interest in any of the assets of the Company.					
R.	Copy of all contracts, understandings and arrangements having a term of at least one year, or which cannot be terminated without penalty by notice of less than three months, or having a value or requiring the expenditure of at least \$5,000 (to the extent not disclosed under another item).					

I. CORPORATE MATTERS (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
S. T.	<p>All past acquisition documents relating to mergers, consolidations, reorganizations, recapitalizations, significant restructurings, (including any reincorporation), acquisitions or the purchase or sale of assets or stock involving the Company, or plans or arrangements in principle currently in effect, with respect to mergers, consolidations, reorganizations, recapitalizations, significant restructurings (including any reincorporation), acquisitions or the purchase or sale of assets or stock involving the Company, including but not limited to:</p> <ul style="list-style-type: none"> (i) Agreements relating to the sale or issuance of outstanding securities, including description of oral commitments to sell or issue securities, (ii) Agreements relating to voting of securities and restrictions on transfers of securities, (iii) Agreements restricting the issuance or resale of any securities, including preemptive or other preferential rights to acquire securities, and waivers thereof, and investor and shareholder rights agreements not covered by the foregoing, (iv) Agreements or documents containing (1) any “no-shop” or exclusivity obligation, (2) any right of first refusal, right of first offer or right of negotiation with respect to any acquisition transaction, (3) any restriction on the right to the Company, any of its subsidiaries or any predecessors of the foregoing to compete or other restrictive covenants on the right of such entities to operate any of their businesses, units or divisions in the normal course and (4) language providing for any material or contingent and/or earnout payments to be made to or by the Company, including a list of the maximum payment obligations pursuant to such documents. (v) Current plans or negotiations (and copies of any existing reports, analyses, letters of intent or term sheets) relating to transactions of the type described above. (vi) “Poison” pill and related documents. (vii) Side letter agreements or other arrangements altering or modifying any Company or third party obligations or other terms found in the Company’s certificate of incorporation of any of the documents described above. 					

II. Government Regulations and Filings						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	All communications (citations, notices or inquiries) and filings with all U.S., non-U.S., or local governmental agencies including:					
	1. Department of Justice.					
	2. Federal Trade Commission.					
	3. Equal Employment Opportunity Commission (“EEOC”).					
	4. The Occupational Safety & Health Administration.					
	5. The National Labor Relations Board (the “NLRB”).					
	6. The Pension Benefit Guaranty Corp (PBGC).					
	7. Environmental Protection Agency (EPA).					
B.	8. The Internal Revenue Service and any other relevant taxing authority concerning the Company.					
	All material governmental agreements relating to the current or planned business operations of the Company including:					
	1. Permits					
	2. Licenses					
	3. Consents					
4. Other						

III. Intellectual Property Matters						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	Copies of patents, trademarks, servicemarks, copyrights and mask works held and applications made by the Company identifying each registration (application) by (i) title; (ii) registration (application); (iii) date of registration (application); (iv) country (for patents, trademarks and servicemarks) or state (trademarks and servicemarks only); (v) identity of each mark (patents and trademarks only); and (vi) status, i.e., registered, renewed, abandoned, Section 8 and 15 affidavits submitted, etc. (trademarks and servicemarks only). For trademarks and servicemarks only, in those instances where registration has not been sought, identify the mark and its date of first use anywhere in the United States. List of domain names owned by the Company.					
B.	Copy of licenses for any form of intellectual property held by or granted by the Company.					
C.	Description of any important know-how at the Company's disposal.					
D.	Listing and description of any proprietary processes, software code, etc. used by the Company and the ownership or licensing interest of the Company in such proprietary processes and/or software codes, including a description of any software in which the Company has rights, whether as owner, licensee or otherwise.					
E.	All policies and procedures for the protection of trade secrets and confidential information with respect to the Company products, including instructions and agreements with employees and independent contractors. All related written instructions and agreements should be provided.					
F.	Communications to or from third parties relating to the validity or infringement of the Company's patents, trade secrets, trademarks, service marks, copyrights and other intellectual property rights.					
G.	Studies or reports relating to the validity or value of the Company's patents, trade secrets, trademarks, service marks, copyrights, and other intellectual property rights, and the licensing thereof. Please do not provide any legal opinions relating to the matters described in this item; however, please indicate whether any such legal opinion exists..					
H.	Agreements pursuant to which any patent, trademark, service mark or copyright has been sold or transferred by or to the Company and evidence or recording thereof.					
I.	Agreements relating to source or object code escrows.					
J.	Company's standard agreement(s) for development or consulting services.					

K.	Company's standard agreement(s) for licensing Company technology or intellectual property.					
L.	All documents, materials and correspondence relating to any claims or disputes with respect to any intellectual property rights of the Company or any third party.					
M.	Copies of file wrappers for patent applications and patents with references, including assignments from inventors to the Company.					
N.	Results of patent searches and opinion letters performed on behalf of the Company regarding right-to-use, noninfringement and/or patentability.					
O.	Copies of insurance policies relating to infringement of third party IP rights.					
P.	Documents relating to government grants and/or technology developed under government contract.					
Q.	Communications to or from third parties relating to alleged infringement by the Company of third party intellectual property rights.					
R	Documents relating to the negotiation of licenses or agreements involving the Company's intellectual property.					

III. Intellectual Property Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
S.	A list of all causes of action or other claims by the Company for infringement or misappropriation of trademarks, trade names, copyrights, trade secrets, patents and any other intellectual property.					
T.	A list identifying any conflict (with related documentation provided) by the Company with existing trademarks, trade names, copyrights, trade secrets, patents or other intellectual property claimed by others or otherwise known to the Company.					
U.	Any notice received by the Company that its products infringe, violate or misappropriate the trade secrets, copyrights, patents or other intellectual property rights of any third party and a summary as to whether the Company is aware of any basis for any claim of such infringement, violation or misappropriation. All written documents evidencing the foregoing should be provided.					
V.	A list identifying any and all liens, pledges, security interests and other encumbrances to which the Company products or any trademark, trade name, copyright, trade secret, patent or any other intellectual property right embodied or reflected therein or used in connection therewith may be subject. All written documents evidencing the foregoing should also be provided.					
W.	A list of all software development commitments, together with an estimate of the resources, man hours and costs to complete each commitment.					

IV Financial Matters						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	EBITDA by month for the most current fiscal period (2001) and by quarter for the prior fiscal year (2000).					
	1. Detailed amount and description of one time, non-recurring revenue and expenses (e.g., sale of property, non-recurring fees or revenues, etc.) and supporting documentation. Include support for all items.					
B.	Consolidated and consolidating (possibly by business region) historical financial statements of the Company for the last three fiscal years, June 30, 2001 and most recent period end.					
	1. Income statement, balance sheet, cash flow statement and changes in shareholders equity.					
	2. Monthly income statement, balance sheet and cash flow statement for year to date and comparison to previous.					
	3. Historical performance against budget					
C.	Audit Reports for the last three years and all related correspondence with the Company's independent public accountants..					
D.	Access to independent accountants' work papers for the current period and prior two fiscal years, including the tax work papers.					
E.	Trial Balances at December 31, 1999 and 2000, June 30, 2001 and most recent period end with a reconciliation of account balances to the financial statements.					
F.	Projections for 2001 and 2002 (Income Statement, Balance Sheet and Cash Flow Statement) with details supporting the following assumptions:					
	1. Sales and contribution margin assumptions by Customer, Service Line, Geographic Market with details on the following assumptions:					
	(a) Employee utilization					
	(b) FTE's					
	(c) Rate per hour					
	(d) Revenue per employee					
	2. Sales and marketing expenses					
	3. General and administrative expenses					
	4. Capital expenditures & depreciation assumptions.					
	5. Working Capital assumptions					
	6. Financing assumptions.					
	7. Tax rates.					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
G.	Management reports and analyses					
	1. Copies of executive and regional management reports and analyses used to monitor the business.					
	2. Operating metrics produced for executive and regional management to monitor the business.					
H.	Copy of the Board of Director and any Committee Minutes.					
I.	Backlog (Pipeline and outstanding bids).					
	1. Copies of historical monthly Backlog analyses.					
	2. An indication on these historical backlog schedules of which projects were won and lost, and the current status of those engagements still in the pipeline.					
J.	Revenues and contribution margin					
	1. Revenues and contribution margin (reconciled to the financial statements) for the most recent period and the last full fiscal year by					
	(a) Service line (Application development, etc.)					
	(b) Geography (office/region performing work)					
	(c) Markets served (Telecom, Media, etc.)					
	2. Revenue and contribution margin by customer by month (reconciled to the financial statements) for the most recent period and the last full fiscal year. Provide explanations for customers where revenue per period has deviated in excess of 10% and contribution margin has deviated more than 10% from the average for the Company. Provide complete copies, if any, of any material agreements with any such customers.					
	3. A schedule that analyzes the business drivers behind the monthly fluctuations in monthly revenue and contribution margin for the most recent period and the last full fiscal year (i.e., changes in price (standard vs. actual rates per hour b), project mix (revenue by project, etc.), volume (hour billed and charged, utilization) employment (FTE's and salaries).					
	4. A schedule that reconciles gross to net revenues detailing customer credits, rebates, non-reimbursed time charges and any significant project overruns that are not billed for the historical period					
	5. List of all active contracts and projected revenues and contribution margin. Access to all active contracts.					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
K.	Fixed fee engagements					
	1. A schedule of all fixed fee contracts currently and historically engaged on during the historical period and the associated revenues and contribution margins.					
	2. A schedule of all active fixed fee contracts with documentation supporting the estimated completion percent that reconciles to the deferred or unbilled revenue accounts.					
L.	Costs of revenues by month (reconciled to the financial statements) for the most recent period and the last full fiscal year.					
	1. A schedule that presents the components of costs of revenues.					
	2. A schedule of current employees by functional area as of June 30, 2001 and the related salaries, bonuses, vested benefits and other compensation costs.					
	3. A schedule of monthly labor costs and associated headcounts by functional area.					
M.	Selling, general and administrative costs by month (reconciled to the financial statements) for the most recent period and the last full fiscal year.					
	1. A schedule that presents the components of selling, general and administrative costs.					
	2. A schedule of current employees by functional area as of June 30, 2001 and the related salaries, bonuses, vested benefits and other compensation costs.					
	3. A schedule of monthly labor costs and associated headcounts by functional area.					
N.	Top 20 suppliers (based on annual purchase volume) and product(s) supplied for the last three years, including information on:					
	1. Financial terms.					
	2. Contracts and key terms.					
	3. Alternative supply sources.					
	4. Dollar value of products or services supplied.					
O.	Other Income/Expense (For the most current period and prior two fiscal years.					
	1. Schedule of the components of other income and expense, non-recurring items identified.					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
P.	Balance Sheet (as of the end of the most current period end and as of the end of the most previous fiscal year.					
	1. Cash and Cash Equivalents					
	(a) A list of banks used, bank accounts, lock box accounts, investments accounts, and safe deposit boxes, along with account numbers and their purpose.					
	(b) Bank reconciliations and bank statements for most recent year-end and current interim period for all accounts.					
	(c) Procedure to reconcile the various cash accounts.					
	(d) Who has the ability to write checks for the Company? Are these manually signed or signed with signature plates or stamps? What associates are on the signature cards for each bank account?					
	(e) Procedure to write and sign checks if regular accounting people are away.					
	(f) Location of check stock storage. Who has access? How much check stock does the Company have on hand?					
	(g) Describe any problems the Company has ever had with fraudulent checks.					
	(h) A summary of investments by type (equity, debt, etc.) indicating the cost, carrying and market values.					
	(i) An analysis of the investments in subsidiaries, including the changes between balance sheet dates.					
	2. Receivables.					
	(a) Credit and collection policies and procedures. How are customer payments processed? Payments to a lockbox, PO box, corporate office? How often are deposits made by Company employees?					
	(b) Revenue recognition policies - Recognition of unbilled time and expenses and deferred revenue.					
	(c) Samples of standard form sales agreements, invoices.					
	(d) An aged summary of notes and accounts receivable as of the most recent year-end and the current interim period. Explanations for past due amounts over 90 days.					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	(e) A rollforward analysis of the allowance for uncollectible accounts. Detail of significant customer write-offs or adjustments.					
	(f) Description and detail of amounts comprising other receivables. Copy of documents evidencing any advances or loans made by the Company to, or guarantees for the benefit of, its shareholders, directors, officers and employees and vice versa.					
	(g) Copy of documents evidencing any advances or loans made by the Company to, or guarantees for the benefit of, its shareholders, directors, officers and employees and vice versa.					
	(h) Description and copies of any subsidies, premiums, investment incentives, tax exemptions or other grants from national, municipal or other governmental authorities; description of any undertakings that the Company has made with respect to such subsidies, premiums, tax exemptions or other grants.					
	3. Prepaid expenses, deferred charges and other assets					
	(a) A detailed schedule comprising other assets.					
	4. Fixed assets					
	(a) A detailed schedule of fixed assets by category indicating cost, accumulated depreciation, depreciation lives, date acquired, salvage value and net book value. If any assets have been revalued, indicate both the historical and revalued cost together with the date of revaluation.					
	(b) Rollforward and fixed assets by asset category. The analysis should include beginning balance, additions, disposals and ending balance and detail supporting the significant additions and disposals.					
	(c) A list of assets at each branch and the value at each branch.					
	(d) An analysis of equipment not currently in use.					
	(e) Analysis of capital expenditures vs. planned capital expenditures.					
	(f) Capital expenditure commitments					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	(g) Methodology of depreciation-number of years, etc.					
	(h) List and copy of renting and/or leasing agreements with respect to furniture, fixtures, or automobiles not owned by the Company.					
	(i) List and documents evidencing liens and security interests granted on PP&E.					
	5. Intangible assets					
	(a) A detailed schedule of all intangible assets (patents, software, goodwill, etc.) including the basis of valuation and remaining life.					
	(b) Annual amortization schedule					
	6. Accounts payable					
	(a) Accounts payable terms, and policies and procedures regarding payment practices, and cutoff.					
	(b) Accounts payable aged trial balance as of the historical balance sheet dates and reconciliation to the general ledger.					
	(c) Reconciliation of aged trial balance to the balance sheet. Description of unusual reconciling items.					
	(d) Describe reasons for any significant past due payables as of the most current date.					
	7. Accrued expenses					
	(a) Rollforward analyses of significant accrued liability accounts including payroll, payroll taxes, pension, litigation, environmental, health, workman's compensation, severance, discontinued operations, part time off, vacation, and holiday bonus. Schedule showing details supporting these significant accrual accounts.					
	8. Deferred income					
	(a) A detailed schedule of amounts comprising deferred income.					
	9. Commitments and contingent liabilities					
	(a) Schedule listing all commitments and contingent obligations of the Company not reflected on the balance sheet. Documentation/correspondence supporting the potential matter/obligation.					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	(b) List and description of all litigation or arbitration involving the Company for the last five years, including claims, amounts, names of counsel and results. Please provide similar information for all pending or threatened cases including the assessment of likely outcome.					
	(c) Detail any reserves that have been set up to satisfy or to anticipate legal settlements.					
	(d) Attorneys' letters to auditors within the last three years.					
	(e) Copies of employment, consulting, termination and change in control agreements.					
	(f) Copies of all lease agreements.					
	10. Benefits					
	(a) Schedule that list all employee benefit, welfare, profit sharing, deferred compensation plans, stock compensation or awards, pension plans and post retirement benefit plans.					
	(b) A schedule supporting workers compensation, medical, health and welfare, property, and other accruals. With respect to each documentation supporting the following:					
	(i) Method used to determine the Company's accrual.					
	(ii) Expense of each as a percent of payroll					
	(iii) Analysis supporting Incurred But Not Reported (IBNR) accrual,					
	(iv) Copies of the applicable actuarial or equivalent studies/reports supporting each accrual (if applicable)					
	11. Debt					
	(a) A schedule summarizing current Lending & Lease Agreements including					
	(i) Principal amounts					
	(ii) Key suppliers/partners/licensees					
	(iii) Lender.					
	(iv) Schedule of interest payments.					
	(v) Schedule of maturities.					
	(vi) Material covenants.					

IV Financial Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	(b) Copies of documentation including					
	(i) Copy all of documents evidencing borrowings of the Company, including loan and credit agreements, promissory notes, intercompany debt, debentures, mortgages, lines of credit, agency or commission arrangements and other evidences of indebtedness					
	(ii) Copy all documents evidencing other material financing arrangements, including industrial development or revenue bonds, sale and lease-back arrangements, installment purchases, etc.					
	(iii) List and copies of any commitments of the Company for the benefit of third parties, including loans, guarantees, comfort letters and/or security interests					
	(iv) Copies of material correspondence with lenders, including compliance reports submitted by the Company or its accountants, within the last year.					
	(v) Copies of guarantees (i) of third party obligations and (ii) by third parties of Company obligations (including guarantees of Company obligations provided by equity holders of the Company).					
	(vi) Schedule indicating the title, authorized amount and amount outstanding as of a recent date, of indebtedness of the Company, indicating interest rates and maturity dates.					
	(vii) Copies of agreements and summaries, talking point sheets and descriptions of renegotiations, resolutions or arrangements (oral or written) made between the Company and creditors, (including but not limited to trade creditors), involving the reduction or suspension of the Company's payment or other obligations to such creditors (e.g. trade and other payables), including arrangements made in connection with the Company's restructuring efforts prior to entering into a transaction with [Company Name]. Such materials to include (i) a list identifying the applicable creditors; (ii) a list of the amount and extent of obligations to such creditors as they existed prior to such renegotiations, resolutions or arrangements; (iii) a list of the amount and extent of obligations to such creditors as the now exist after such renegotiations, resolutions or arrangements; (iv) the company officers, directors, employees, advisors, consultants, etc. who were involved in, either directly or indirectly, in such renegotiations, resolutions or arrangements; and (v) the date such renegotiations, resolutions or arrangements were made.					

V Tax Matters						
Line Item	Yes	No	N/A	Reviewer	Comment	
1. Federal Taxes:						
(a) Provide copies of federal income tax returns filed by the Company for the prior three years and any years prior thereto that remain open and subject to adjustment, audit or review by the IRS.						
(b) Provide tax accounting workpapers for the last three years, i.e. reconciliation of financial statement income to taxable income, federal tax cushion analysis, tax rate reconciliation's, tax basis balance sheet, listing of cumulative temporary differences.						
(c) Provide any tax sharing or other tax related agreements.						
(d) Provide a listing of all federal attributes – NOL, ITC, AMT credit, AMT NOL, capital loss carry forward, etc.						
(e) Provide a list of any key employee agreements and other compensation contracts, i.e. golden parachute payments.						
(f) Description of any changes in accounting methods, rollout of any 481(a) adjustments, copies of all filings with the IRS concerning ruling requests and determinations.						
(g) Provide any information regarding IRS audit examinations and settlements, i.e. RAR, 5701s.						
2. State and Local Taxes:						
(a) Provide copies of state and local income tax returns filed by the Company for the prior three years and any years prior thereto that remain open and subject to adjustment, audit or review by the state or local taxing authority.						
(b) Listing of all past, open and future docketed state tax audits by state and year as well current status of the audits, determination letters and any other correspondence pertaining thereto.						
(c) Listing of all amended state returns filed and whether based upon RAR, 1120x or other filing.						
(d) Copy of most recent state tax cushion analysis.						
(e) Listing of all tax credit carryovers and net operating loss carryforward by state, entity and year with an expiration analysis.						
(f) List of all states in which the company is registered to do business, has employees, has offices, where property is owned or leased, and where significant customers are located..						
(g) Copy of most recent state tax apportionment workpapers.						
(h) Copies of all sales and use tax returns for the last three years as well as any notices, examinations, inquiries or settlements made with respect to sales and use tax..						

V Tax Matters (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	(i) Listing of all unclaimed funds and copies of unclaimed property (escheat) returns as well as any inquiries, audits or settlements regarding same					
	3. Property Taxes:					
	(a) For personal and real property taxes, a schedule setting forth, for each location in which such payments were made, the most recent period for which such a tax payment was made and the date on which such payment is due and payable each year.					
	(b) Listing of all current and past offices and locations and whether property tax returns are/were filed					
	4. Payroll Taxes:					
	(a) Provide list of states for which employees are sent on out of town assignments and company policy as it relates to reporting and withholding on wages earned while on assignment.					
	(b) List of states where payroll tax returns are filed and copies of any significant correspondence with state or federal agencies regarding employer payroll taxes or withholdings.					
	(c) Payroll tax returns for the last three years including federal 940 and supporting workpapers, state and local filings and documentation that deposits were timely made. Include state unemployment tax rate notices for prior two years.					

VI Operations						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	Company Contracts					
	1. Samples of all standard form contracts with clients or customers and suppliers.					
	2. All material non-standard agreements, contracts or other agreements with clients or customers and suppliers.					
B.	Other Agreements (please provide documents and correspondence)					
	1. Confidentiality, secrecy and nondisclosure agreements					
	2. Licensing and franchise agreements					
	3. Marketing, sales, distribution and franchise (and a list of any independent sales persons or distributors)					
	4. Development, partnership and joint venture agreements					
	5. Agreements providing for indemnification or other extraordinary remedies, including all indemnification, hold harmless agreements or provisions in any other agreement where the Company is indemnifying or holding a client harmless with respect to its external employees working for and/or at the client's location.					
	6. Non-compete/disturbance agreements to which the Company is or was (within the last three years) a party with another business organization, including agreements restricting the right of the Company, any of its subsidiaries or any predecessor of the foregoing (i) to compete; (ii) to acquire any product or other asset or any services from any other person, to sell any product or other asset to or perform any services for any other person or to transact business or deal in any other manner with any other person; (iii) to develop or distribute any technology; or (iv) to solicit employees, consultants, independent contractors or customers. All other agreements with competitors.					
	7. Agreements with consultants, commissions, agencies, distributors, purchasers, finders, brokers and advertisers.					
	8. Management services and tax-sharing agreements					
	9. Maintenance and service agreements					
	10. Agreements with investment bankers and brokers					
	11. Agreements with attorneys, accountants, consultants or other service providers providing for payment at other than standard hourly rates.					
	12. Material agreements and letters of intent currently in the draft stage.					

VI Operations (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	13. Agreements requiring consents or approvals, requiring special payments or resulting in changes in rights in connection with change in control transactions (or otherwise in connection with the transaction being proposed).					
	14. Correspondence relating to actual or alleged breaches of agreements.					
C.	Copies of Company's strategic, marketing and business plans. Description of planning process cycle, including timeline and output.					
	1. Marketing and sales strategies: describe the Company's sales organization and the sales method employed.					
	2. Long-range marketing/sales and product development programs.					
	3. Description of all services offered to customers (i.e. staff augmentation, permanent placement, distributed services)					
	4. Listing of competitors and their market share by location.					
	5. List of national/international customers where Company has "preferred vendor" status.					
	6. Explain the compensation/bonus/commission structure for recruiting and marketing. Frequency of payments and their calculation.					
	7. Describe the Company's sales expense policy including how salespeople are reimbursed for Company expenses, use of Company credit cards and the use of Company vehicles.					
	8. Guidelines for costing and pricing. Who sets pricing? What is the formula?					
	9. Transfer pricing policy.					
	10. Trade discount/terms, rebates or volume discounts.					
	11. Detail of payment terms on invoices and customers with specific payment terms.					
	12. Description of advertising and promotional activities in the most recent fiscal year. Detail the Company's current advertising programs and the amount spent on advertising during the past two years.					
	13. Company web site address. E-mail addresses of management and internal staff.					
	14. Company phone numbers. Include fax numbers and any direct line phone numbers for internal staff					
D.	Summary information on all company locations including address, square footage, uses, number of personnel by function, and ownership/lease status (including lease expense and term information).					

VII Human Resources						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	Human Resources					
	1. Organization chart detailing the Company's management team.					
	2. Formal job descriptions, pay ranges, performance evaluation procedures for internal staff/management. Describe the Company's formal internal staff evaluation/salary review system and their frequency. Schedule of all compensation paid to officers, directors and other key employees during the last five fiscal years, showing separately, salary, commission, bonuses and non-cash compensation (e.g., stock options or warrant grants, use of cars, property, etc).					
	3. Formal job descriptions, pay ranges, performance evaluation procedures for consultants. Describe the Company's formal consultant evaluation/salary review system and their frequency.					
	4. Brief biography of key management and key personnel at each location. Include both internal staff and consultants, if applicable.					
	5. List of key employees and consultants by location including length of service, title, current pay and date of last pay raise. List visa status of all employees, if applicable.					
	6. List of employees with special termination rights and a description of such rights.					
	7. List of all employees currently on the payroll but working for another Company.					
	8. Explanation of the Company's severance policies and a schedule detailing the liability for termination payments to internal staff/management.					
	9. Explanation of the Company's internal staff/management incentive programs					
	10. Explanation of the Company's consultant incentive programs.					
	11. Listing of the wage rates for consultants by job code.					
	12. Detail of any key management scheduled for retirement, resignation, or outplacement and the terms and conditions of the termination agreement.					
B.	Employee Selection and Compensation					
	1. Describe the selection procedure and tests used to hire and promote internal staff/management.					
	2. Describe the selection procedure and tests used to hire and promote consultants.					
	3. Describe any type of special hiring programs that exist.					
	4. Describe award processes/programs that exist for internal staff and consultants.					

VII Human Resources (continued)						
Line Item	Yes	No	N/A	Reviewer	Comment	
5. Describe the Company complaint/escalation process.						
6. Does the Company routinely conduct background checks (such as criminal and personal) and/or drug tests on applicants for internal and/or consultant positions? If performed randomly or only occasionally, describe the reasons.						
7. Does the Company do international recruiting? If so, describe the sources of international candidates.						
8. Length of time the Company retains employment applications of people not hired for internal positions.						
9. Length of time the Company retains employment applications/resumes of people not hired for consultant positions.						
10. Description of software used to track resumes, open positions, and match applicants with positions, etc. If manual process, give description of the process.						
11. Describe the Company's efforts in developing EEO/AAP recruitment sources for both internal and consultant positions.						
12. Listing of recruitment sources used by the Company. What are currently considered the most effective recruiting sources. List web sites utilized, if applicable.						
13. List names of people dedicated to recruitment activities. What education/training is offered to the recruiting staff?						
14. What education/training is offered to the consultants? Explain the reimbursement percentage and process, if applicable.						
15. Type of contract labor employed and their frequency. Contracts with unions and other similar agreements, including collective bargaining agreements if any.						
16. Methods used by the Company to ensure that its employment application processes for internal staff and consultants are in compliance with city, state, and federal laws.						
17. List of positions having a questionable exemption status and their work hours and overtime rates of pay. Include both internal and consultants, if applicable.						
18. Method to determine overtime exemption status for both internal and consultants and personnel making the determination.						

VII Human Resources (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
C.	Employment Matters					
	1. Copy of any internal regulations applicable to the workplace.					
	2 Copies of all agreements which employees are required to sign including: (i) confidentiality agreements; (ii) employment contracts and offer letters (including unexpired offer letters for prospective employees); forms of proprietary information and inventions (iii) , confidentiality and non-competition agreements with current and former employees and consultants, and all executed copies of each such agreement (include list of employees, consultants, advisors, etc. who have not signed such forms; provide all material deviations from such forms, organized by type, and all executed copies of such deviations; and provide invention disclosures from current and former employees and consultants); (iv) conflict of interest declarations;					
	3. List of employees terminated within the past 24 months, a brief description of the circumstances of their termination and a statement as to whether the Company has any reason to believe that such former employee has violated any non-disclosure, non-competition, non-solicitation or similar agreement					
	4. List and copy of all contracts with independent, or self-employed consultants.					
	5. Copies of all brochures, information, booklets, policies and procedures manuals or other written material given to employees or potential employees of the Company to acquaint them with the Company's business and with services, compensation and benefits offered to employees.					
	6. All documents relating to affirmative action programs, if any, that are applicable or have been applied to the Company, whether by court order or voluntarily.					
	7. All material documents pertaining to OSHA, the Equal Employment Opportunity Commission (EEOC), the Department of Labor, and any other federal or state agency involving employee matters.					
	8. Describe the Company's training programs for temporary and permanent employees.					
	9. Describe the Company's safety program and records. Provide copy of orientation material.					

VII Human Resources (continued)						
Line Item	Yes	No	N/A	Reviewer	Comment	
10. Describe any problems the Company has had or is experiencing in the following areas: a. Conflict of interest b. Taxes c. Work permits						
11. Describe any exceptions that have been made to the executive group pay and perquisite plans. Identify the exceptions, the recipients, and date and reasons the exceptions were made						
12. Describe the records that are maintained on internal staff to detect trends such as absenteeism, turnover, work force values and productivity.						
13. Copies of all agreements providing for (i) severance benefits, acceleration benefits or other benefits upon termination of employment or in connection with a change in control, or (ii) "stay bonuses," including but not limited to agreements providing for (x) bonuses payable to employees due to the potential transaction between the Company and [company name] prior to, at or following the closing of such transaction, (y) retention bonuses payable to the Company's key corporate staff offered by the Company before such closing, and (z) severance benefits for the Company's employees whose employment is terminated in connection with or as a function of such transaction prior to or at such transaction's closing.						
14. Description of pending or threatened labor or employment disputes or work stoppages during the last three years.						
15. Description of unusual turnover among employees and limitations on the ability of the Company to hire qualified personnel.						

VII Human Resources (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
D.	Employment Benefits					
	<p>1. Copy of all material related to savings plans (401k, profit sharing, deferred compensation, etc.), including:</p> <ul style="list-style-type: none"> a. Plan and Trust Agreement – Including Amendments b. Adoption agreements c. Form 5500 and schedules, previous three (3) years d. IRS/DOL determination letters , or pending applications for determination letters e. Discrimination /Top Heavy/Coverage testing f. Summary plan description and summaries of material modifications g. Latest Allocation Report h. Latest Plan Financial Statements i. Excise tax returns (Form 5330) filed with IRS j. Correspondence with IRS, US Dept. of Labor, or PBGC k. Pleadings or other pending or threatened claims for benefits 					
	<p>2. Copy of all material relating to group insurance plans (medical, dental, life, STD, LTD, etc.), including:</p> <ul style="list-style-type: none"> a. Plan documents (insurance policies) and trust agreements b. Summary plan descriptions and summaries of material modifications c. Form 5500s d. Funding arrangements/costs e. Employer/employee costs f. Tax issues g. Government compliance issues h. Retiree coverage/funding i. Non-employee coverage j. Most recent statement or invoice k. Form “COBRA” notices and elections 					
	<p>3. Copies of the most recent actuarial reports concerning all defined benefit pension plans and workers’ compensation liability, and copies of the pension plans themselves (and other retirement plans).</p>					
	<p>4. List benefits that were introduced or amended in the past three years.</p>					

VII Human Resources (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	5. Copy of any other Company plans (and related trusts, or funding vehicles, if applicable) including: <ul style="list-style-type: none"> a. Bonus programs b. Profit sharing plan c. Company credit cards d. Executive/management perks <ul style="list-style-type: none"> 1. Medical benefits 2. Cars/car allowances 3. Stock purchase/options 4. Long-term incentives, split-dollar life insurance 5. Any other creative perks Deferred Compensation plans					
	Summary of certain information relating to all insurance policies secured for employee benefits program, or self-funded plans <u>Plan Type</u> <ul style="list-style-type: none"> Insured Health Insured Dental Self Funded Health Vision HMO PPO Section 125 POP Section 125 Medical Reimbursement Section 125 Dependent Reimbursement Long Term Disability Short Term Disability Life Insurance AD&D 					
	6. List the total monthly premiums paid, by coverage type for the plans and the percentage paid by the employer. <u>Plan Type</u> <ul style="list-style-type: none"> Insured Health Insured Dental Self Funded Health Vision HMO PPO Section 125 POP Section 125 Medical Reimbursement Section 125 Dependent Reimbursement Long Term Disability Short Term Disability Life Insurance AD&D 					

VII Human Resources (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	7. Check the qualified pension and profit sharing plans offered: Defined Benefit Plan Profit Sharing Plan 401(k) Plan					
	8. Are all of the above plans offered to all internal staff? Any offered to field employees?					
	9. Describe the eligibility restrictions for each qualified plan offered.					
	10. List the vesting schedule for each type of plan offered.					

VIII Information Technology						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	Company Information					
	1. Number of locations					
	2. Address for each location					
	3. Phone number for each location					
	4. Organization charts/structure					
	5. Headcount for each location (by function)					
B.	Desktop Services					
	1. Standard pc/laptop configuration: include make, model, hard drive, processor, CD-Rom, and memory.					
	2. Number of units of each.					
	3. Are pc/laptops leased or owned?					
	4. Support/maintenance provider.					
	5. Core desktop applications.					
C.	Internet Service Provider (ISP) Information					
	1. ISP Vendor					
	2. Type of connectivity in use to the ISP (DSL, Broadband, ISDN).					
	3. Typical bandwidth requirements and consumption					
	4. Type of security in place (firewall).					
	5. IP Address					
D.	Wide Area Network					
	1. Type of routers in use (make, model, etc.).					
	2. Is there a standard configuration.					
	3. IP address scheme.					
	4. Are routers leased or owned.					
	5. Support/maintenance provider.					
	6. Connectivity information (T1, DSL, Broadband, ISDN).					
E.	Server Operations					
	1. Network operating system in use. (NT, Novell, Unix).					
	a. What version.					
	2. Is there a standard server configuration					
	a. Purpose of the servers (file/print, application, database, FTP, email, web server, etc.					
	3. Are the servers leased or owned?					
	4. Provider of support/maintenance.					
5. Remote access requirements.						
F.	Telephone System					
	1. Make and model of the phone system?					
	2. Is the phone system standard across sites?					
	3. Make and model and version of the voicemail system?					
	4. Are there other applications such as Automatic Call Distribution (ACD), Call Accounting, or Auto Attendant.					
	5. Are the phone system locations connected by a private network?					
	6. Are the systems leased or owned?					

VII Human Resources (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
	7. Support/maintenance provider.					
G.	Web Sites					
	1. Number of web sites are there.					
	2. Where are the web sites hosted?					
H.	Facilities					
	1. Type of voice and data wiring in each facility. (CAT3, CAT5).					
	2. Are there wiring standards in each facility					
	3. Is each location wired with more than one jack for voice and data?					
I.	Applications					
	1. List all applications, including accounting, business, sales/ marketing, finance, etc.					
	2. Are there any custom applications/databases?					

IX Real Estate / Tangible Property Matters						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	List all real property owned by the Company (and appraisals, if available); nature of the title held, and any mortgages, liens or encumbrances on the property; title documents confirming ownership; report by public notary (in civil law countries) or other persons authorized to conduct title searches and copies of any documents of record affecting the property that are discovered by such searches.					
B.	List of any property leased by the Company (i.e., Company acting as lessee), nature of leasehold interest; copy of the leases; and any amendments, modifications or other documentation or written communication with regard to the leased premises; description of significant or unusual clauses. Please include all sale and leaseback agreement as well as any financing lease agreements.					
C.	List of any property leased from the Company to other parties (i.e., Company acting as lessor); nature of leasehold interest, copy of the leases, description of significant or unusual clauses.					
D.	Copies of any insurance or title searches.					
E.	Evidence (written or oral) of discontinued lease obligations, including lease terminations and/or landlord releases.					
F.	Description of other interests in real property.					
G.	Documents showing any certification of compliance with, or any deficiency with respect to, regulatory standards of the Company's facilities, within the last three years.					
H.	Conditional sale agreements.					
I.	Material equipment and personal property leases.					
J.	Agreements pursuant to which the Company is obligated to make any payment for environmental clean-up or compliance or is obligated to indemnify any other party for the cost of such clean-up or compliance.					
K.	Environmental or safety studies, audits or reports prepared by, for or in the possession of the Company and citations, notices or requests relating to environmental matters involving the Company.					
L.	Other documents, records and logs not specifically identified above that relate to potential or alleged violations, investigations, litigation or responsibility under applicable environmental laws.					

X Other Material Agreements						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	All significant documents relating to any past or currently proposed material acquisitions or dispositions by the Company.					
B.	All contracts outside the ordinary course of business to which the Company is a party or by which the Company is bound.					
C.	A list of all contracts or commitments pursuant to which the Company is obligated to perform under which a default has occurred or is claimed to have occurred setting forth for each such contract and commitment:					
	1. The nature of the defaults:					
	2. The name of the party in default:					
	3. The monetary amount claimed in connection with the default:					
	4. The current status of the contract or claim.					
D.	List of all contracts to which the Company is a party or by which the Company is bound which are subject to renegotiation (indicating those contracts which are currently being renegotiated).					
E.	Any other material contracts and agreements involving the Company not otherwise covered by the foregoing items, including without limitation long-term supply contracts, purchase and requirements contracts and agreements with clients and customers.					
F.	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.					
	1. Indicate whether the Company has been in continual compliance with the financial covenants contained in these agreements.					
	2. All Uniform Commercial Code (UCC) financing statements filed with respect to the above referenced items.					
	List of financial institutions and types of accounts maintained (as loans or similar) by or on behalf of the Company, with copies of all material correspondence with and from such lenders in the past three years.					
G.	Copies of any notes payable to or notes receivable from any employee, independent contractor, director, affiliate, agent or shareholder of the Company outstanding at any time during the past year.					
H.	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 or significant stockholder (including affiliates) of the Company or any of its subsidiaries.					

X Other Material Agreements (continued)						
	Line Item	Yes	No	N/A	Reviewer	Comment
I.	Copies of any and all agreements pursuant to which the Company either guarantees or otherwise supports the credit of any other person or entity or indemnifies or has agreed to hold the other harmless with respect to any liabilities (whether in connection with acquisitions or otherwise).					

XI Litigation						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	A description of all litigation, suits, administrative proceedings or other governmental investigations or inquiries, pending or threatened (the "Actions"), material affecting the business, operations or financial condition of the Company (indicating for each Action (a) the parties thereto, (b) the nature of the action, (c) the date on and method by which the Action was commenced, (d) the court or other tribunal before which each Action is pending, (e) the current status of the Action and (f) the amount of monetary damages or other relief sought), and a copy of all complaints, answers and other material pleadings and correspondence in respect of each pending Action.					
B.	All consent decrees, judgments, other decrees or orders, settlement agreements and other agreements to which the Company or any of its directors, nominees for director, officers, key employees or controlling shareholders is a party or is bound which require or prohibit any future activities.					
C.	All reports notices or copies of correspondence concerning any past, pending or threatened violation or infringement of Governmental regulations by the Company and copies of any other material correspondence with any governmental agencies or authorities.					
D.	All opinions of counsel who represented the Company in the last three years in connection with litigation matters and transactions outside the ordinary course of business.					

XII Miscellaneous						
	Line Item	Yes	No	N/A	Reviewer	Comment
A.	Any recent analyses of the Company:					
	1. Investment bankers.					
	2. Securities analysts.					
	3. Engineers.					
	4. Management consultants.					
	5. Accountants.					
	6. Other, including:					
	(a) Market studies.					
	(b) Research reports.					
	(c) Credit reports.					
B.	Other Materials:					
	1. Press Releases.					
	2. Articles.					
	3. Brochures issued by the Company.					
	4. Any material Company events .					
C.	A schedule of all memberships held by or on behalf of the company in any trade, merchants, marketing or other professional or industry-related organization or association.					