

LARGER BUSINESS APPRAISAL—QED RESEARCH INFORMATION CHECKLIST

- 1. Financial statements for the 5 years preceding the valuation date. At a minimum these should include annual balance sheets and income statements. Statements of cash flows would also be useful. Unaudited statements are OK if audited statements are not available. Please indicate whether the business accounting is done on a “cash” or “accrual” basis.**

- 2. Tax returns for the 5 years preceding the valuation date. For a sole proprietorship, this will be the “Schedule C” forms that are part of the owner’s personal tax return. For a corporation, it will be the separate corporate tax return. If the business is a corporation, please indicate whether the corporation is now or ever been a “Subchapter S” corporation.**

- 3. A description of the current and past ownership interests in the business. If the whole ownership or partial ownership interests have been bought or sold in the last 5 years, please include a description of the pricing and terms of the transactions. Please include a “shareholder roster” that shows the classes of stock outstanding, the names of each owner of each class, and the number of shares owned. Please include a list of the owners of any outstanding warrants or options, and whether those warrants or options have yet vested. What are the family relationships or other relationships among shareholders. Are there “BUY/SELL AGREEMENTS” between the company and any owners, or among any of the owners? If so, include a copy of the agreement. Please include information on the payment of any stock dividends during the last 5 years. Please include information on sales transactions in the stock of the company, whether those transactions occurred between the company and other entities, or among other entities or individuals.**

- 4. Does the business itself own any real estate (buildings or land)? Does the business lease real estate from anybody that has an ownership interest in the business? If so, please supply the lease. If the company leases any of its major facilities, what is the remaining term of those leases, and how do their terms or renewal options compare with general commercial rents in the area?**

- 5. Does the business use software to create its accounting records? Which software? Does the business use the services of a bookkeeper or accountant or CPA? If so, please provide the name, address, and phone number. Does the accountant or CPA just prepare annual tax returns, or does that person generate financial statements? Just annual financial statements? Or quarterly or monthly as well? What are the accounting policies of the corporation with regard to inventory valuation (LIFO or FIFO) and depreciation of equipment? Has the company experienced IRS audits? What was the outcome? What material “non-recurring” expenses or revenues have occurred in last 5 years? What material “write-downs” or “write-ups” in the value of corporate assets?**

6. What are the origins of the business? How long has it been in existence? At the same location? Under the same name? When was it incorporated? How has the team of people (owners and non-owners) changed over the years? How has the total number of employees of the company changed over the years? What portions of the company's workforce are unionized? How important are union wage negotiations to the company's profitability?

7. How does the business advertise and promote its products or services? Please supply copies of business brochures, yellow-page advertising, etc. What internet sites?

8. What are the customer relationships of the business? Repeat patterns? Breakdown of annual sales by major customers. Typical "order backlog" patterns. Typical accounts receivable aging and bad debt patterns. Who are the corporation's major competitors? How is pricing determined relative to the competition. What S.I.C. code categories are covered by the corporation's products. Please provide a breakdown of revenues by categories of products or services. Which of these products or services involve proprietary rights (trademarks, copyrights, patents, or trade secrets)? What is the extent of the geographical market for each product or service? What sales techniques are used? Distributors or manufacturer reps? How are salespersons compensated? What is the degree of ease or difficulty for potential competitors to "enter" the market for each of the products or services? Are sales seasonal or cyclical? What percentage of the market for each product or service is foreign exports? To where?

9. The history of the compensation of the owners and top managers for the 5 years preceding the valuation date. Please include salaries, bonuses, fringe benefits, life insurance and any pension plans or health plans in which the owners or officers participate. Other "owner perks" such as cars, club memberships, personal travel and entertainment? Please include an organization chart showing the name, title, responsibilities, and reporting relationships for all corporate officers. If any officers have employment contracts with the corporation, please provide a copy of those contracts.

10. If the business has substantial amounts of equipment, a description of the original cost and date of purchase, tax depreciation method, estimated replacement date, and estimated replacement cost. If the company leases any equipment, a copy of the leases. How does the level of production capacity compare with that of major competitors? How has the % utilization of that production capacity changed over the last 5 years? Does the company have the capacity to expand or contract production activities (e.g. change the number of shifts)? Does the company use "contract manufacturers?"

11. The professional and personal histories of the principal owners and managers.

12. Is the business or its owners part of any industry trade association or professional association? If so, please supply information.

13. Who are the major suppliers of products or services to the business? What kind of contractual relationships? Payment terms? “Flooring” arrangements? Have the suppliers changed over the years? Is the business significantly dependent on any particular supplier relationships? Does a significant portion of inputs come from foreign imports? From where?

14. Other than credit from vendors, to whom does the business owe money? Is there a banking relationship that involves a line of credit? If so, please supply details? Have banking relationships changed over the years? What is the debt structure of the company? Debt secured by inventory and accounts receivable? By equipment? Are there general corporate obligation debts? Subordinated or unsubordinated? Are there significant loans receivable or loans payable to shareholders of the company?

15. Does the business have proprietary ownership of its name? Does the business own any other proprietary rights (patents, trademarks, copyrights, trade secrets, licenses)? If so, please provide the documentation? When will such proprietary rights run out? What forecasts are available, within the company, or within the industry as to the outlook for revenues in the next 5 years. If the company does forecasts of future revenue or profits or cash flows, please provide those forecasts.

16. Please supply information about any significant litigation in which the business or its owners have been a party to for the 5 years preceding the valuation date. Any litigation threatened? What are the company’s relationships with law firms? To what extent is the company vulnerable to litigation on environmental issues, workplace safety issues, or other regulatory issues?

17. Has the business ever been appraised before? When? By whom? For what purpose? Please provide a copy of the appraisal.

18. What is the purpose of obtaining this appraisal? Is the asset to be appraised the 100% value of the business? Or a partial ownership interest? All shares of stock? Some of the shares of stock? All of the assets of the business? Some of the assets of the business?