

BUSINESS VALUATION QUESTIONNAIRE

COMPANY BACKGROUND

1. Describe the company's legal structure.

Company's legal name: _____

Type of entity (corporation, partnership, LLC, LLP, proprietorship, etc.) and tax status (C-Corp, S-Corp, Partnership, etc.): _____

Date of incorporation or formation: _____

State of formation: _____

Total type and number of shares/units authorized: _____

Par value: _____

Number of shares/units issued and outstanding: _____

Briefly describe other types of ownership interests: _____

2. List the major stockholders, partners, or owners of the company and their percentage of ownership or number of shares owned.

Name

% Ownership
or Number of Shares Owned

3. List all known related parties (that is, subsidiaries, affiliates, or relatives) that work for the company or that the company does business with.

<u>Name</u>	<u>Relationship</u>

4. List each location maintained by the company and the primary activity at each, that is, executive office, plant, sales office, etc.

<u>Name</u>	<u>Activity</u>

5. Discuss evolution of:
- a. product lines _____

 - b. customer base _____

 - c. locations _____

d. marketing activities _____

e. distribution methods _____

f. employees _____

g. acquisitions _____

h. ownership _____

6. Other key dates or events in company history. _____

7. Description of the company's products or services: _____

8. How are the products or services used? _____

9. Describe the company's customer base. _____

10. Breakdown of sales and gross profit by product line:

<u>Product</u>	<u>Percent of Sales</u>	<u>Gross Profit Percentage</u>

11. a. Which product line is growing fastest? _____

b. The slowest? _____

12. a. How diversified are the product lines?

b. Do all sales depend on the same factors? _____

13. What are the products' advantages and disadvantages versus its competitors?
Advantages: _____

Disadvantages: _____

14. a. Are the products proprietary? _____

b. Does the company have patents, technology, or expertise that prevent others from copying the products? _____

15. What other products compete with the company's products? _____

16. a. Are sales cyclical? If so, why? _____

b. What economic factors (inflation, interest rates, etc.) affect sales? _____

17. Are sales seasonal? If so, why? _____

18. Discuss any industry technology trends. _____

19. Discuss the company's research and development efforts, the importance of new products, and the annual cost of research and development activities. _____

MARKETING DISTRIBUTION

20. What is the total size (in dollars) of the industry market? _____

21. a. What is the company's market share? _____
b. How fragmented is the market? _____
c. Is the market growing or shrinking? _____
22. What distribution channels does the company use (direct sales, distributors, retailers, etc.) and how successful are they? _____

23. How are sales people compensated? _____

24. a. What is the market area and what determines its size? _____

- b. How important are freight costs? _____

25. a. Are sales concentrated in a few customers? _____

- b. What percentages of total sales are made to the five largest customers? _____

26. a. How loyal are customers, that is, do they tend to buy from the same company or switch? _____

- b. How does pricing affect customer loyalty? _____

27. Does the company sell to the federal, state, or local government or government agencies? Are those sales likely to increase or decrease? _____

28. What are the key selling features – product, price, service, brand name, packaging, etc.? _____

29. a. How are pricing policies determined? _____

- b. To what degree do competitors' prices affect company policy? _____

30. a. What are normal sales and credit terms? _____

- b. Describe a typical customer contract. _____

31. What type of promotion and advertising methods does the company use? _____

COMPETITION

32. Who are the company’s major competitors? Where are they located? How big are they? What is their market share? How diversified are they? [Identify those competitors (if any) that are publicly held.]

Name	Location	Size	Market Share	Diversified	Public?

33. How does the company compare in size and market share to its competitors? _____

34. How easy is it to enter the industry? What are the barriers to entry? _____

35. What are the company’s competitive strengths/advantages and weaknesses compared to the competition? _____

OPERATIONS

36. Describe the company's organization structure. (Attach organization chart, if available.) _____

37. a. What is the relative size of the company's divisions in terms of sales and gross profits? _____

b. How interrelated are the divisions? _____

c. How much vertical integration is there among the divisions? _____

d. How easily can a division be eliminated without affecting other operations? _____

38. a. How old are the company's manufacturing facilities? _____

b. Where are they located relative to the primary markets? _____

39. a. Describe the manufacturing or service process. _____

b. Are any of the methods or equipment proprietary? _____

40. a. What is plant capacity relative to current operating levels? _____

b. How many shifts and days per week does the company operate? _____

c. When will sales be constrained by inadequate capacity? _____

d. Is there excess capacity or excessive fixed overhead costs? _____

41. Are buildings and machinery owned or leased? If leased, are the leases renewable and on what terms? _____

42. a. What is the overall condition of the company's equipment? _____

b. Is there any inefficient or obsolete equipment? _____

c. When is the machinery likely to be replaced? _____

d. What is the likelihood of major repairs? _____

43. a. How capital-intensive is the company? _____

- b. How labor-intensive? _____

44. a. Briefly describe past and current employee relations (that is, contentious, harmonious, strikes, etc.). _____

- b. Discuss employee turnover and indicate whether any of the employees are unionized. _____

45. Discuss the current labor market. How easy is it to attract qualified employees?

46. How extensively are independent contractors used? _____

47. Discuss key suppliers. Are any suppliers the sole source? Have there been any major problems in getting raw materials? Are there long lead times to get the purchased goods? _____

48. Does the company have difficulties complying with environmental regulations?

49. Does the company have any foreign operations? If so, does the company have any problems with any foreign governments? _____

54. Discuss any employment contracts. _____

55. How easily can officers and key employees be replaced (i.e., is there one or a few key officers on which the success of the company depends that cannot be easily replaced)? _____

56. Who is on the board of directors and how active is the board in governing company activities?

FINANCIAL

57. Have there been any unusual operating events or any other unusual matters reflected in the company's financial statements? _____

58. Briefly describe any unusual matters in the tax returns that may require special consideration. _____

59. Does management prepare any forecasts or budgets of future operations? If so, please provide us with a copy and discuss the forecasting/budgeting process. _____

60. Has there been any change in accounting principles during the past five years (cash to accrual, FIFO to LIFO, etc.) or similar changes that might affect the comparability of the financial statements? _____

61. Describe any relevant specialized industry accounting practices or principles. _____

62. Have there been any nonrecurring or extraordinary income or expenses during the last five years? _____

63. a. What are the main discretionary expenses (such as bonus, profit sharing, repairs, advertising, personal use expenses, and R&D)? _____

b. How have the levels of those expenses changed during the last five years? _____

c. Have there been any or are there any above or below market wages being paid? If so, to whom? _____

64. Describe short-term sources of credit and how, if at all, they were used during the last five years. .

65. Describe long-term sources of credit and how, if at all, they were used during the last five years. .

66. Discuss any special stock rights, warrants, options, etc. _____

67. Discuss the company's dividend history. _____

68. Have there been any transactions involving interests in the company in the last five years? Provide details. _____

69. Describe any written or oral offers received for the company or ownership interests in the company in the last five years.

70. Discuss any plans to sell all or part of the company or hold a public offering. _____

71. Discuss plans for major capital expenditures over the next 10 years, how they will be financed, and how much represents expansion versus replacement of existing assets. _____

72. Discuss any commitments for financing, contingent liabilities (including lawsuits and pending or threatened litigation) and off-balance sheet financings. _____

73. Describe assets not reflected on the balance sheet and any non-operating assets, such as aircraft, boats, and real estate investments. _____

74. Describe any non-operating debts or liabilities. _____

COMPANY EXPECTATIONS

75. Describe relevant past and expected future trends for the company, such as growth patterns, expansion or cutbacks of business segments, possible spin-offs, mergers or acquisitions. _____

76. Describe the company's future expectations, goals, objectives, and long-range plans (1-10 years) in the following areas:

- a. Products and services. _____

- b. Marketing and customers. _____

- c. R&D and technology. _____

- d. Long-term borrowings. _____

e. Business expansion. _____

77. a. What average annual growth rate % do you expect over the next 10 years for sales, and why?

b. What average annual growth rate % do you expect over the next 10 years for net operating profits, and why? _____

78. Please explain any other factors or trends affecting the value of the business or business interest.

