

## LANTERN LEGAL DUE DILIGENCE CHECKLIST

The following are items that should be reviewed as part of the due diligence process. While some of the items may be researched independently, without the assistance of the seller, most of the items will have to be furnished by the seller to enable a responsible review. As such, thorough due diligence is largely contingent on the seller's timely and complete furnishing of the requested items. We are not responsible for any delays resulting from the seller's lack of timely cooperation.

Note that this document is not a contract or a service agreement. The applicable items to be reviewed are not constant, and they depend on the particulars of a given case. As such, this list is not necessarily complete or exhaustive. A due diligence project may involve a more limited review in some cases and a more expansive one in others.

### ***A. Organization and Good Standing.***

- The Company's Articles of Incorporation or Articles of Organization, and all amendments thereto.
- The Company's Bylaws or Operating Agreement, and all amendments thereto.
- The Company's minute book, including all minutes and resolutions of shareholders, directors, and members in the case of a limited liability company.
- A review of state records to ensure that the Company is in Good Standing in the state where the Company is incorporated or organized.
- A list of all states where the Company is authorized to do business and annual reports for the last three years.
- A list of all of the Company's assumed names and copies of registrations thereof.

### ***B. Financial Information.***

- Audited financial statements for three years, if any.
- The most recent unaudited statements.
- The Company's credit report, if available.
- Analyst reports, if available.
- A schedule of all indebtedness and contingent liabilities.
- A schedule of inventory.
- A schedule of accounts receivable.
- A schedule of accounts payable.
- A description of depreciation and amortization methods and changes in accounting methods over the past five years.
- Any analysis of fixed and variable expenses.

### ***C. Physical Assets.***

- A schedule of fixed assets and the locations thereof.
- All U.C.C. filings.
- All leases of equipment.
- A schedule of sales and purchases of major capital equipment during last three years.

### ***D. Intellectual Property.***

- A schedule of trademark and trade names.
- A schedule of copyrights.
- A description of important technical know-how.
- A description of methods used to protect trade secrets and know-how.
- Any “work for hire” agreements.
- A schedule and copies of all consulting agreements, agreements regarding inventions, and licenses or assignments of intellectual property to or from the Company.
- Any patent clearance documents.
- A schedule and summary of any claims or threatened claims by or against the Company regarding intellectual property.

### ***E. Employees and Employee Benefits.***

- A list of employees including positions, current salaries, salaries and bonuses paid during last three years, and years of service.
- All employment, consulting, nondisclosure, nonsolicitation or noncompetition agreements between the Company and any of its employees.
- A description of all employee problems within the last three years, including alleged wrongful termination, harassment, and discrimination.
- A description of any labor disputes, requests for arbitration, or grievance procedures currently pending or settled within the last three years.
- A list and description of benefits of all employee health and welfare insurance policies or self-funded arrangements.
- A description of worker’s compensation claim history.
- A description of unemployment insurance claims history.
- If applicable, copies of all stock option and stock purchase plans and a schedule of grants thereunder.

### ***F. Licenses and Permits.***

- Copies of any governmental licenses, permits or consents.
- Any correspondence or documents relating to any proceedings of any regulatory agency.

### ***G. Environmental Issues.***

- If applicable, environmental audits, if any, for each property leased by the Company.
- A listing of hazardous substances used in the Company’s operations.
- A description of the Company’s disposal methods.
- If applicable, a list of environmental permits and licenses.



- A list identifying and describing any environmental litigation or investigations.
- A list identifying and describing any known exposure.
- A list identifying and describing any contingent environmental liabilities or continuing indemnification obligations.

#### **H. Taxes.**

- Federal, state, local, and foreign income tax returns for the last three years.
- States sales tax returns for the last three years.
- Any audit and revenue agency reports.
- Any tax settlement documents for the last three years.
- Employment tax filings for three years.
- Excise tax filings for three years.
- Any tax liens.

#### **I. Material Contracts.**

- A schedule of all subsidiary, partnership, or joint venture relationships and obligations, with copies of all related agreements.
- Copies of all contracts between the Company and any officers, directors, or members.
- All loan agreements, bank financing arrangements, line of credit, or promissory notes to which the Company is a party.
- All security agreements, mortgages, indentures, collateral pledges, and similar agreements.
- All guaranties to which the Company is a party.
- Any installment sale agreements.
- Any distribution agreements, sales representative agreements, marketing agreements, and supply agreements.
- Any letters of intent, contracts, and closing transcripts from any mergers, acquisitions, or divestitures within last five years.
- All nondisclosure or noncompetition agreements to which the Company is a party.
- All other material contracts.

#### **J. Customer Information.**

- A schedule of the Company's customers.
- Any service agreements.
- A schedule of unfilled service orders, if any.

#### **K. Litigation.**

- A schedule of all pending litigation.
- A description of any threatened litigation.
- Copies of insurance policies possibly providing coverage as to pending or threatened litigation.
- Documents relating to any injunctions, consent decrees, or settlements to which the Company is a party.
- A list of unsatisfied judgments.



**L. *Insurance Coverage.***

- A schedule and copies of the Company's general liability, personal and real property, product liability, errors and omissions, key-man, directors and officers, worker's compensation, and other insurance.
- A schedule of the Company's insurance claims history for past three years.



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