

DUE DILIGENCE CHECKLIST

1. Corporate

- 1.1. Current Articles of Incorporation / Articles of Organization (if LLC)
- 1.2. Current Bylaws / Operating Agreement (if LLC)
- 1.3. List of any changes in corporate name or purpose
- 1.4. List of classes of stock or other securities
- 1.5. List of stockholders setting forth class and number of securities held
- 1.6. Copies of any voting agreements, stockholder agreements, proxies, transfer restriction agreements, rights of first offer or refusal, preemptive rights, registration agreements or other agreements regarding the ownership or control of the Acquisition Entity
- 1.7. List of all subsidiaries and other entities (including partnerships) in which Selling Entity has an equity interest; copies of an organizational chart showing ownership of such entities and any agreements relating to the Selling Entity interest in any such entity
- 1.8. Shareholder and Directors' meeting minutes (or consents) past five years
- 1.9. Indemnification contracts or arrangements insuring or indemnifying any director, officer, employee or agent against any liability incurred in such capacity
- 1.10. Any agreements or arrangements relating to any other transactions between Selling Entity and any director, officer, stockholder or affiliate of Selling Entity

2. Licensure

- 2.1. List of states in which company is licensed or qualified to do business
- 2.2. Copies of the certificate of authority, good standing certificates and tax status certificates from all jurisdictions in which Selling Entity is qualified to do business
- 2.3. List of all states in which you or your agency holds an active insurance license, type of license and whether it is held by an individual or the agency or both.

3. Business Activities

- 3.1. Copy of standard client documentation (i.e., intake forms, etc.)
- 3.2. Copy of any standard agreements (i.e., consulting, etc.)
- 3.3. (If applicable) List of Appointed Agents or Producers
- 3.4. (If applicable) List of Terminated Appointments from past five years
- 3.5. Copies of all contracts with carriers
- 3.6. Retention reports for the last three years, monthly sales/loss ratio for last 18 months

- 3.7. Material contracts with vendors or suppliers, including information technology and any material operating or capital equipment leases
- 3.8. Contracts relating to any completed (during the past 10 years) or proposed reorganization, acquisition, merger, or purchase or sale of substantial assets
- 3.9. Copy of current Errors and Omissions Policy
- 3.10. Description of principal banking and credit relationships (excluding payroll matters), including the names of each bank or other financial institution, the nature, limit and current status of any outstanding indebtedness, loan or credit commitment and other financing arrangements
- 3.11. Copies of loan agreements, notes, lines of credit, lease financing arrangements, installment purchases, etc relating to Acquisition Entity or its assets and copies of any security interests or other liens securing such obligations
- 3.12. Contracts relating to other material business relationships
- 3.13. Guarantees or similar commitments by or on behalf of List of all states in which you or your agency holds an active insurance license, type of license and whether it is held by an individual or the agency or both.
- 3.14. Entity, other than endorsements for collection in the ordinary course and consistent with past practice
- 3.15. Documents related to business marks, logos, trademarks or trade names
- 3.16. Copies of all contracts relating to marketing and advertising
- 3.17. Copies of all secrecy, confidentiality and nondisclosure agreements
- 3.17. Copies of all secrecy, confidentiality and nondisclosure agreements
- 3.18. List of all major contracts or understandings not otherwise previously disclosed under this section, indicating the material terms and parties
- 3.19. Schedule of fixed assets owned by Seller or used in the business

4. Personnel

- 4.1. Employment and non-compete contracts
- 4.2. A summary or list of all employee benefits
- 4.3. Corporate personnel policies and procedures, including copies of all employee handbooks and policy manuals (including affirmative action plans)
- 4.4. Existing compensation plan, including salaries, bonus or commission arrangements for staff
- 4.5. Copies of Selling Entity's employee benefit plans as most recently amended, including all pension, profit sharing, thrift, stock bonus, ESOPs, health and welfare plans (including retiree health), bonus, stock option plans, direct or deferred compensation plans and severance plans

5. Real Estate

- 5.1. List of owned land and buildings
- 5.2. List of leased land and buildings
- 5.3. Copy of current Lease and any other real estate expenses you have including monthly rent and CAM charges
- 5.4. Deed of Trust/Warranty Deed
- 5.5. Owner's Title Policy if property is owned

6. Accounting

- 6.1. Agency Gross Revenue for the last three years and Net Revenue after expenses
- 6.2. List of all current liabilities, identifying such liabilities and the nature of the liability and whether company will be assuming such liability

7. Legal

- 7.1. If any, letters to auditors from outside counsel past five years
- 7.2. A description of any pending or threatened proceedings or investigations before any court or any regulatory authority
- 7.3. List all citations and notices from governmental or regulatory authorities
- 7.4. List of all litigation, arbitration and governmental proceedings. Also describe any similar matters which were material, and which were adjudicated or settled in the last five years
- 7.5. Information as to any past or present governmental investigation of or proceeding involving Selling Entity or its directors, officers or employees

8. Tax Matters

- 8.1. Copies of returns and/or payments for the three prior closed tax years and all open tax years for Acquisition Entity (including all federal and state consolidated returns)

9. E&O Matters

- 9.1 Any E&O claims in past 5 years? Any open claims?
- 9.2 Five (5) year tail policy