

Pre-Qualification Questionnaire

1. Are all the shareholders agreed on who wants to sell and what is to be sold?
 - a. Completely
 - b. For the most part
 - c. Only up to a point
 - d. No, there are significant differences

2. Is there anything that the shareholders would have to disclose under any Disclosure Agreement that would prevent or impact a sale process? (For example: Litigation; Financial Irregularities; Environmental Impacts; any other Material Adverse Effects; etc.)
 - a. No, we know of nothing that may impact a sale
 - b. Yes, but we don't think it's relevant
 - c. Yes, there is one thing
 - d. Yes, there are several things

3. What are the chances that a disappointing final bid would prevent a sale?
 - a. Very low, we need to sell
 - b. Modest, we want to sell
 - c. High, we don't need or want to sell
 - d. Don't know

4. Do the shareholders have a fixed idea of value and a minimum amount they would expect to achieve in a sale?
 - a. Completely
 - b. For the most part
 - c. Only up to a point
 - d. No, we don't know precisely

5. Can top management be involved in the selling process?
 - a. Fully
 - b. Some of them
 - c. With restrictions
 - d. No

6. Is the company fully operationally independent of parent/sister companies?
 - a. Yes
 - b. Some interdependence
 - c. Significant interdependence
 - d. Very intertwined

7. If there are linkages, how comprehensive are the plans for dealing with them?
 - a. Not applicable:no linkages
 - b. Comprehensive plans
 - c. Developing plans
 - d. No plans yet

8. Have the financial implications of separating the companies been clarified?
 - a. Not applicable:no linkages
 - b. Thoroughly & convincingly
 - c. To some extent
 - d. Not yet

9. Do you have a list of the attractions of the company as a stand-alone business?
 - a. A full list, ranked by importance
 - b. A pretty good list
 - c. The beginnings of a list
 - d. Have yet to think it through

 10. Do you have a list of the synergy benefits the company offers to various potential buyers?
 - a. A full list, ranked by importance
 - b. A pretty good list
 - c. The beginnings of a list
 - d. Have yet to think it through

 11. Are you ready to convince buyers about the company's growth, market share, competitive position & prospects?
 - a. All the evidence is marshalled
 - b. Fairly well documented
 - c. Assembling the data
 - d. Not yet

 12. Is there a clear accounting record, on a consistent basis, for the last few years?
 - a. Yes, spanning a business cycle
 - b. Last 5 years
 - c. Some significant discontinuities
 - d. Incomplete or inconsistent historical data

 13. Do the company's historical financial figures reflect its true stand-alone economics?
 - a. Yes, it is an independent entity with its own audited accounts and cost allocations are representative of services provided
 - b. Yes, and they can be reconciled with the parent's audited accounts
 - c. Only partially – there are some issues (eg transfer pricing, arbitrary central costs)
 - d. There are some big issues – eg unclear historical data, extraneous expenses (tax optimisation?), etc

 14. How reliable have past budgeting and projections proved to be?
 - a. Excellent
 - b. Good
 - c. Middling
 - d. Poor

 15. Are the budget and projections prepared on a consistent basis with the historical financials?
 - a. Yes, completely consistent
 - b. Yes, with minor exceptions
 - c. There are some issues here
 - d. No, there are significant discontinuities

 16. Are there any big growth avenues outside the current business plan? (Maybe because of resource constraints, which would make it inappropriate for the current business to pursue them)
 - a. Our business plan addresses every major opportunity
 - b. Maybe we could expand the business plan a bit
 - c. A new backer could help us open up a big new opportunity
 - d. Yes, we could plan for much more growth if we had much more resources
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17. Does the business plan quantify the investment requirements and cash flow implications of every major growth opportunity?
 - a. Yes, in some detail
 - b. In key areas only
 - c. We have a projected income statement, but not cash flows
 - d. No, so far we haven't had time or reason to quantify it all

 18. How far out do your financial projections extend?
 - a. Until growth opportunities mature
 - b. Five years
 - c. Three years
 - d. Twelve months

 19. Do you have a comprehensive list of potential trade buyers?
 - a. Yes, I am confident we have identified all potential buyers
 - b. We have a pretty good list
 - c. We have some good names, but it's worth doing some research and lateral thinking
 - d. No, but we have some ideas

 20. Have the potential benefits of owning the company been thought through for each potential buyer?
 - a. Yes, in some detail
 - b. In broad categories
 - c. To some extent
 - d. Not yet

 21. Have the possible anti-trust (monopoly) issues facing potential buyers been carefully evaluated?
 - a. "Yes" or "There clearly are none"
 - b. In broad categories
 - c. To some extent
 - d. Not yet

 22. Are you clear whether it's best to sell the company: as a whole or in parts; as share- or asset- sale (s)?
 - a. Yes, we have clarified our own and the buyers' preferences
 - b. Fairly clear
 - c. Not sure what the buyers want
 - d. Need to think it through

 23. Have you worked through the pros and cons of various sale process options (bilateral, narrow vs broad auction)?
 - a. Yes, we know the best way forward
 - b. We have a good sense of what will work
 - c. We are working on it
 - d. We would like to discuss this

 24. Are you clear whether or not the company is likely to be worth much more (or less!) in 6-12 months' time?
 - a. Very clear ("it will", OR "it won't")
 - b. Fairly clear ("it probably will" OR "probably not")
 - c. We need to do a bit of work on this
 - d. We need to analyse this thoroughly
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25. Timing considerations are influenced by: the needs of the owners; company value maximisation; and industry dynamics. Do these considerations all point in the same direction, or do they conflict?
- They all point clearly in the same direction
 - Taking it all into account, the way forward on timing is fairly clear
 - "We need to do a bit of work on this" OR "There is some tension"
 - "We need to analyse this" OR "They conflict"
26. Post sale, will the company have the breadth and depth of management which potential buyers are likely to need to deliver the business plan? (NB: Financial Buyers prefer to rely on incumbent management if it is good)
- Absolutely, both top- and second-tier
 - With some gaps, which we can easily plug
 - This could be an issue
 - Between you and me, not really
27. Have you agreed an incentive package with key management to motivate them to achieve the sale?
- Yes, it is in place; management is motivated. Buyers would not be concerned if they knew the details
 - It has been discussed and accepted in principle
 - We will consider it
 - We are not willing to incentivise management at all
28. How good are the company's management information systems?
- Excellent
 - Good
 - Middling
 - Poor
29. Have you decided how much vendor due diligence is appropriate in this case?
- Yes, we have considered the issues fully
 - We are weighing the pros and cons
 - We ought to look at this
 - What is vendor due diligence?
30. Have you selected your inner circle to manage: confidentiality agreements, buyer lists, positioning of company, marketing materials, data room compilation and supervision, buyer handling and bid clarification, deal structuring, contract preparation and negotiation, internal and external PR, tax planning?
- Yes, the team has been selected and briefed
 - We need to do this
 - We can do this ourselves
31. Have you previously marketed the business or asset to potential buyers?
- Yes, when, to whom and what was the outcome?
 - No
32. Have you received unsolicited approaches?
- Yes, from both industry participants and private equity firms
 - Yes, from industry participants
 - Yes, from private equity firms
 - Yes, from private individuals

e. No

33. Is the fact that the business or asset may be for sale completely confidential and only known to a select handful of trusted parties?

- a. Yes, we know exactly who knows
- b. Yes, we have a good idea of who knows
- c. No, lots of people know
- d. I don't know

34. Have you approached your firm of accountants or lawyers for advice on a sale?

- a. Yes
- b. No

35. Are you planning to appoint a financial adviser for the sale?

- a. Yes
- b. Probably
- c. We might
- d. No, we'll sell the business and manage it at the same time

36. Have you approached any firms of advisers for advice on a sale?

- a. Yes, whom and when?
- b. No