

SELLER'S DISCLOSURE STATEMENT

Business	Seller	
Address	Broker	
City	Zip	Agent

This series of questions and answers is to inform prospective buyers about this business. It is supplied by the seller to provide relevant information and to answer frequently asked questions, but it does not take the place of the buyer's inspection of the business and its financial and other records. Those must be carefully examined and approved by the buyer. The broker has not verified the accuracy or completeness of any of the information supplied here by the seller.

PLEASE EXPLAIN ALL "YES" ANSWERS ON THE ADDENDUM

- | | YES | NO |
|--|--------------------------|--------------------------|
| A. Business Conditions | | |
| 1. Are you aware of any circumstances in the industry or market area that may adversely affect future profitability of the business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there any revenues, expenses, assets or liabilities of the business that are not clearly and accurately reflected in its financial statements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the business in default of any of its financial or contractual obligations? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Has the business or any of its owners been the object of any bankruptcy filing, assignment for benefit of creditors or insolvency proceeding of any kind during the last five years, or consulted with any attorney or advisor regarding such proceedings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are there any individual customers who account for more than 10% of annual gross sales? If yes, list each by name and indicate the approximate percentage of annual gross sales and any relationship to the business or its owners. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are there any commitments to employees or independent contractors regarding future compensation increases? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Are there suppliers who have a personal or special relationship with the business or its owners? If yes, list each such supplier, the nature of the relationship, the approximate total of annual purchases from each and any special discounts, pricing or other favorable terms that may not be available to a buyer. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are any of the employees or independent contractors related to any of the owners of the business or to one another? If yes, list them by name and describe the relationship. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Have you had or do you anticipate any disputes with the landlord or problems with the premises the business occupies? | <input type="checkbox"/> | <input type="checkbox"/> |

- 10. Are there any terms or conditions of the premises lease with which the business or the landlord is not in full compliance?
- 11. Does the premises have any deferred maintenance for which the tenant is responsible?
- 12. Have there been any deaths, violent crimes or other criminal activity on the premises within the last three years?
- 13. Are you aware of any substances, materials or products on or near the premises which may be an environmental hazard such as, but not limited to, asbestos, formaldehyde, radon gas, paint, solvents, fuel, medical waste, surface or underground storage tanks or contaminated soil or water?
- 14. Is there any equipment used in the business that is not in good or operable condition, or for which maintenance has been deferred?
- 15. Are there any items used in the business that the seller does not own, such as loaned or leased equipment, consigned resale inventory or employees' tools?
- 16. Does the business have a franchise, distributorship or licensing agreement? If yes, please provide a copy of each such agreement.
- 17. Are there any errors or omissions on the pro forma or adjusted income statement prepared by the broker from information provided by you?
- 18. Have you received notice of pending increases in workers' compensation insurance premiums, revised billings for previous periods or any indication that your insurance carrier may terminate coverage?
- 19. Have there been any workers' compensation insurance claims or injuries that might lead to such claims in the past 12 months?

B. Regulations

- 1. Is the business or its operators required to have any licenses or permits other than a local business license?
- 2. Must the new owner personally qualify for any license or permit?
- 3. Are you aware of any pending zoning changes, redevelopment or nearby construction that might affect your business?
- 4. Are there any alleged violations filed or under investigation by the following authorities?

	YES	NO		YES	NO
1. Police Department	<input type="checkbox"/>	<input type="checkbox"/>	9. Alcohol, Tobacco & Firearms	<input type="checkbox"/>	<input type="checkbox"/>
2. Health Department	<input type="checkbox"/>	<input type="checkbox"/>	10. EDD	<input type="checkbox"/>	<input type="checkbox"/>
3. Fire Department	<input type="checkbox"/>	<input type="checkbox"/>	11. Alcoholic Beverage Control	<input type="checkbox"/>	<input type="checkbox"/>
4. Building Inspector	<input type="checkbox"/>	<input type="checkbox"/>	12. IRS	<input type="checkbox"/>	<input type="checkbox"/>
5. Zoning Commission	<input type="checkbox"/>	<input type="checkbox"/>	13. Board of Equalization	<input type="checkbox"/>	<input type="checkbox"/>
6. Water Pollution Control Agency	<input type="checkbox"/>	<input type="checkbox"/>	14. Franchise Tax Board	<input type="checkbox"/>	<input type="checkbox"/>
7. Environmental Protection Agency	<input type="checkbox"/>	<input type="checkbox"/>	15. Immigration/ Naturalization Svc	<input type="checkbox"/>	<input type="checkbox"/>
8. OSHA	<input type="checkbox"/>	<input type="checkbox"/>	16. Other	<input type="checkbox"/>	<input type="checkbox"/>

C. Other Considerations

	YES	NO
Does the business have any of the following?		
1. Union or other employment agreements	<input type="checkbox"/>	<input type="checkbox"/>
2. Any employee hired after November 6, 1986 without a completed INS Form I-9 on file?	<input type="checkbox"/>	<input type="checkbox"/>
3. Employee stock ownership plan (ESOP)	<input type="checkbox"/>	<input type="checkbox"/>
4. Unfunded pension liabilities	<input type="checkbox"/>	<input type="checkbox"/>
5. Profit sharing plan	<input type="checkbox"/>	<input type="checkbox"/>
6. Back wages or claims for same	<input type="checkbox"/>	<input type="checkbox"/>
7. Unpaid medical or other insurance premiums	<input type="checkbox"/>	<input type="checkbox"/>
8. Lease agreements (other than the premises)	<input type="checkbox"/>	<input type="checkbox"/>
9. Advertising contracts (including Yellow Pages)	<input type="checkbox"/>	<input type="checkbox"/>
10. Other contracts and agreements	<input type="checkbox"/>	<input type="checkbox"/>
11. Pending or threatened litigation	<input type="checkbox"/>	<input type="checkbox"/>
12. Unresolved insurance claims	<input type="checkbox"/>	<input type="checkbox"/>
13. Product liability exposure	<input type="checkbox"/>	<input type="checkbox"/>
14. Customer warranty obligations	<input type="checkbox"/>	<input type="checkbox"/>
15. Pending tax or Workers' Compensation refunds	<input type="checkbox"/>	<input type="checkbox"/>
16. Anticipated supplier rebates	<input type="checkbox"/>	<input type="checkbox"/>

D. General

	YES	NO
Are you aware of any other facts or conditions not disclosed above that may adversely affect the operation of the business, a buyer's decision to purchase it or the price he might pay for it?	<input type="checkbox"/>	<input type="checkbox"/>

IF YOU HAVE ANSWERED "YES" TO ANY OF THE ABOVE QUESTIONS, PLEASE GIVE A COMPLETE EXPLANATION ON THE ADDENDUM

SELLER(S)

Name	date	Seller's Agent	date
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Name	date
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SELLER(S) CERTIFIES THAT THE ABOVE INFORMATION IS TRUE AND CORRECT AND ACKNOWLEDGES RECEIPT OF A COPY OF THIS DISCLOSURE STATEMENT.

BUYER(S) ACKNOWLEDGES HAVING REVIEWED THE INFORMATION RELATING TO THE SELLER CONTAINED IN THIS DISCLOSURE STATEMENT AND HAVING RECEIVED A COPY.

Buyer	date
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Buyer	date
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BUYER'S DISCLOSURE STATEMENT

Business _____
 Buyer _____

Broker _____
 Agent _____

This series of questions and answers is to inform the seller about potential buyers of the business. It is supplied to help the seller determine their qualifications to buy and operate the business, but does not take the place of the seller's investigation of the buyer's qualifications to buy and operate the business. This should be determined by the seller. The broker has not verified the accuracy or completeness of any of the information supplied here by the buyer.

PLEASE EXPLAIN ALL "YES" ANSWERS ON THE ADDENDUM

- | | YES | NO |
|---|--------------------------|--------------------------|
| 1. Have you been the subject of any bankruptcy filing, assignment for benefit of creditors or insolvency proceedings of any kind during the last five years, or consulted with an attorney or advisor regarding such proceedings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Have you been late or defaulted on a business premises or equipment lease? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is there anything about your personal or business operating or credit history that, if disclosed to the seller, might adversely affect the seller's decision to sell the business to you? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there any representations you have made to the seller regarding your financial statement, experience and education that are not true? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is there any reason you would not be able to investigate the suitability and performance of this business yourself? If yes, please name the independent advisor(s) you intend to use in assisting you with this investigation. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is there any reason that you will not have sufficient operating capital for this business after paying the down payment and closing costs? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is there any reason why you might be denied any of the necessary licenses or permits to operate this business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Have you ever been convicted of a felony? | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Is there any person or entity other than yourself who will have an equity interest in the business? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Will you have to borrow or obtain from other sources the funds you will need for the down payment, closing costs and operating capital? | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Are there any other facts or conditions not disclosed above that might adversely affect your ability to operate this business or prevent you from fulfilling the terms of your purchase agreement? | <input type="checkbox"/> | <input type="checkbox"/> |

**IF YOU HAVE ANSWERED "YES" TO ANY OF THE ABOVE QUESTIONS,
 PLEASE GIVE A COMPLETE EXPLANATION ON THE ADDENDUM**

BUYER(S)

 Name date

 Buyer's Agent date

 Name date

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 Seller date

 Seller date