



Six Reasons to Conduct a Business Asset Search¹

Investors, vendors, potential partners, competitors: lots of people have an interest in a company's financial status. Companies do "due diligence" when they consider expanding into a particular region, or acquiring a new business. They investigate the principals and corporate officers to determine their leadership track records and personal integrity. In fact, due diligence is a fiduciary obligation to the stockholder for a corporation; failing to "do the due" could result in sanctions against the corporation by stockholders and the Securities Exchange Commission (SEC).

Individuals and business owners should also conduct their own due diligence as they grow their businesses and expand their companies. Whether it means implementing an employment screening process before hiring, or verifying the credit status of a vendor, each of us has an obligation to our companies and employees to be prudent with our resources and wise in our decisions.

Following are six reasons recommended by corporate researcher Cynthia Hetherington why a business asset search should be conducted.

1. *Pre-assess before filing a lawsuit.* If you've been ripped off or have an invoice that hasn't been paid, you may need to go to court to protect your interest in the money you are owed. Before you make a decision to pursue the effort to sue someone for money owed to you, you need to know if there is any money there to collect! A review of "open source" or public records can quickly tell you whether your subject has any real property or business interests.
2. *Collecting on a judgment.* Once you have the judgment in hand, you should already have an idea what the debtor has. It's important to know where the debtor has any property that could be attached and executed against to satisfy your judgment. This might include real estate (homesteaded property may be exempt in some states, like Florida), motor vehicles, boats, planes, RV's, jewelry, or even business property like computers, furniture, or company trucks.

¹ From *Business Background Investigations*, Copyright 2007 by Cynthia Hetherington and BRB Publications, Inc., pp. 135-136

3. *Identifying a silent partner.* Sometimes the real owner of a company isn't the person whose name is on the signage or the corporate documents. If you are considering providing a product or service to a new company or making a major purchase from an unknown entity, it's important to look past the fancy web site and expensive brochure to see who is really in charge at XYZ Corporation or at the local convenience store.

4. *Finding the previous owner.* In our transient society, people move around a lot. Marriages have a fifty percent chance of ending in divorce. So it's no surprise that companies change hands frequently, as well. Since transactions can take a circuitous route to completion, the owner of the company you originally struck a deal with may not be the owner you try to collect your money from. Or perhaps your homeowner association is trying to find the original manufacturer of the roofing tiles that are now disintegrating.

5. *Employment screening.* Depending on the duties required by a particular job, background research might be limited to checking an applicant's driver history. For a bookkeeping position, a credit history should be obtained. For an executive position, examination of an applicant's personal history should be thorough and comprehensive, including a review of suits, liens, judgments, criminal history and credit worthiness. Interviews of former and current associates should be conducted. And pre-employment drug screening and random checking for substance abuse should be part of every business plan.

6. *Investing in a business.* Conducting a business asset search is critical before considering an investment in any enterprise. A SWOT analysis (strengths, weaknesses, threats and opportunities) can illuminate those blind spots that might torpedo an investment. The same principles that govern an employment screening process should also apply to screening a company for funding. These would include reviewing the Dun & Bradstreet reports available on the company; examining filings with the SEC for the corporation and its principals; reviewing news articles (not press releases) related to the corporations operations and infrastructure; confirming the outcome of any lawsuits to which the corporation has been a party, either as a defendant or a plaintiff.

So there you have six reasons why you might consider conducting a business asset search. If you have an interest in the mechanics of doing your own due diligence, or would simply like to find out what sources of information are available to you, I highly recommend *Business Background Investigations* by Cynthia Hetherington, MLS, MSM, published by BRB Publications (www.BRBpub.com).

Call us at **561-687-8381** or visit us at www.radioinvestigator.com for more information about conducting business asset searches.