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**INTRODUCTION**

1. The concept of due diligence originated in the US Securities Act of 1933. This included a defense which could be used by brokers or dealers who received an adequate disclosure to investors of material information about a stock being marketed. Effectively, as long as the issuer of a stock conducted a 'due diligence' investigation into the company whose equity they were selling, and disclosed to the investor all they knew, they would not be held liable for non-disclosure of information that later would be discovered in the process of that investigation. It was not until long after it became standard practice to conduct due diligence investigations, usually in relation to public offerings, that our law with respect to mergers and acquisitions as well

2. The concept of due diligence has also changed. Today a working definition of due diligence involves the purchase of an investment through which a potential purchaser gains a better understanding of the target business or its assets (or both) that will allow them to weigh both the strengths and the weaknesses of the business and to reach conclusions as to whether to proceed with a purchase, either in the form of an acquisition or the transaction.

**OBJECTIVE OF THE GUIDE**

3. The objective of this Guide is to provide early stage practitioners (or alternatively in-house business or general practice lawyers) with an understanding of the nature of due diligence in a corporate transaction and the work required to undertake the process. The Guide deals with due diligence in the context of private company transactions and includes both asset purchases and share purchases. It does not include references to public company transactions. It offers any drafted advice on tax and financial matters which should normally be covered by accountants involved in the transaction.

4. The Guide is supported by a series of Sample Documents which illustrate the documents which are typically required in a due diligence process. They are intended to be used as a guide to their availability and use.