Due Diligence Checklist
By Campbell Rodriguez

☐ Background
☐ Realize company's short- and long-term objectives.
☐ Realize company's financial needs.
☐ Realize company's unique advantage.

☐ Management
☐ Organizational chart.
☐ Board of Directors and how active they are.
☐ Professional advisers/consultants.
☐ Gaps in the management team.
☐ Anticipated management changes.
☐ Resumes of key employees and management.
☐ Compensation of officers and key personnel.
☐ Key management references.
☐ Employment contracts or agreements.
☐ Confidentiality agreements.
☐ DOB and SS# and address for principal(s) background check.
☐ Number of employees and employee handbook.
☐ Current and anticipated staffing needs.
☐ Labor market needed for growth.

☐ Products or Services
☐ How will customers use your product or service?
☐ What benefit(s) will the customers perceive from your product or service?
☐ How does your product or service compare price, quality, availability, service?
☐ Is there patent or trademark and who owns it?
☐ What factors affect demand for your product or service?
☐ List of current products or services.
☐ List of future products and services.

☐ Market
☐ Is demand basic or created?

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Is the market mature?
What are the trends in the industry?
What is the geographic market?
Is there an opportunity for exporting?
Where is the growth opportunity?
How is your market segmented?

Customers
Who are your customers?
Why are they buying?
Are there any long-term purchase agreements?
Is there any trend among customers toward purchasing substitute products or switching suppliers?

Competition
Who are your major competitors?
What is their unique advantage?
Are they growing?
How do they compare on key buying issues?
What are their plans?

Sales and Marketing
Pre-contract sales costs.
When is your sale closed?
How much custom engineering is required?
Is your product/service well documented?
Engineering support on installation and in operation.
Direct sales force.
Sales representatives.
Channels of distribution.
Advertising and sales promotion practices.
Sales forecast and justification.
Target markets.
How is your product priced?
Company’s credit policies.

Operations
☐ Fixed assets, location and condition.
☐ Location and description of facilities.
☐ Assessed and fair market value.
☐ Future facility and equipment needs.
☐ Basic manufacturing process.
☐ How are procedures being modified to improve efficiency?
☐ System in place to assure the quality of your product or service.
☐ Critical suppliers, contracts.
☐ Vendors with contact names and phone numbers.
☐ What factors might cause a substantial delay in production?
☐ Status of inventory, including level and obsolescence.
☐ Purchasing.
☐ How do you decide between make vs. buy?
☐ Contractual obligations other than those requested here.

☐ Financial Considerations
  ☐ Audited financial statements.
  ☐ Capitalization Table.
  ☐ Grants.
  ☐ Sales backlog information.
  ☐ Aging reports.
  ☐ Company's tax ID #.
  ☐ Projected financials, including cash flow.
  ☐ Sources and uses of funds.
  ☐ Cost accounting system.
  ☐ Adequate insurance coverage.
  ☐ Tax liability and payment record.
  ☐ Quality of cost identification and control.
  ☐ Worst-case scenario.

☐ Legal Matters
  ☐ Articles of Incorporation.
  ☐ Bylaws and Amendments.
  ☐ Minutes of Directors' and Shareholders' meetings.
  ☐ Subsidiary listing.
☐ Contractual agreements.
☐ Stock option plan.
☐ Current or anticipated litigation.
☐ Regulatory hurdles.
☐ Environmental regulation/violations.
☐ Warranty and service guarantees.
☐ Product liability.

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