

# 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?

- ☐ 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 I D. #.
  - ☐ 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.