

# 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.