Due Diligence Checklist

Created: 12/29/2011

# Tasks:

☐ **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**

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☐ **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.**