

DUE DILIGENCE CHECKLIST

AN EXIT PLANNING TOOL FROM NAVIX CONSULTANTS

BUSINESS NAME: _____ **DATE:** _____

The following items are commonly requested by a potential business buyer during the due diligence phase. The more prepared you are to provide this information in an organized manner, the easier your sale process and potentially the higher value you receive for your business.

A BUSINESS BOOKS AND RECORDS

Document Name	Status (Current - Needs Updated - N/A)	Location
Articles of Incorporation and all amendments		
Bylaws and all amendments		
Minute book, including all minutes and resolutions of shareholders and directors		
Organizational chart		
List of owners and percentage ownership held by each		
Agreements relating to options, voting trusts, warrants, puts, calls, subscriptions, and convertible securities		
A list of all states, provinces, or countries where the business owns or leases property, maintains employees, or conducts business		
Certificate of Good Standing from the Secretary of State and of the state where the business is domiciled		
A list of the business's assumed names and copies of registrations		

B FINANCIAL INFORMATION

Document Name	Status (Current - Needs Updated - N/A)	Location
Audited financial statements for three years, together with auditor's reports		
The business's credit report, if available		
Any financial projections and capital budgets		
Schedule of all indebtedness and contingent liabilities		
Schedule of inventory		
Schedule of accounts receivable		
Schedule of accounts payable		
Description of depreciation and amortization methods and accounting methods over the past three years		

C TAXES

Document Name	Status (Current - Needs Updated - N/A)	Location
The business's federal, state, local, and foreign income tax returns for the last three years		
States sales tax returns for the last three years		
Any audit and revenue agency reports		
Any tax settlement documents for the last three years		

Employment tax filings for three years		
Excise tax filings for three years		
List and description for any tax liens		

D ASSETS

Document Name	Status (Current - Needs Updated - N/A)	Location
A schedule of fixed assets and the locations thereof		
All UCC filings		
A list and description of all equipment leases, along with copies of lease contracts and agreements		
A schedule of sales and purchases of major capital equipment during last three years		
Copies of all real estate leases, deeds, mortgages, titles, surveys, zoning approvals, variances or use permits		

E INTELLECTUAL PROPERTY

Document Name	Status (Current - Needs Updated - N/A)	Location
A list and description of domestic and foreign patents and patent applications		
A schedule of trademark and trade names		
A schedule of copyrights		

A description of important technical know-how		
A description of methods used to protect trade secrets and know-how		
Any “work for hire” agreements		
A list of and copies of all consulting agreements, agreements regarding inventions, and licenses or assignments of intellectual property to or from the business		
A schedule of any claims or threatened claims by or against the business regarding intellectual property		

F PLANNING

Document Name	Status (Current - Needs Updated - N/A)	Location
Copy of all documents pertaining to strategic planning for the last two years		

G OPERATIONS

Document Name	Status (Current - Needs Updated - N/A)	Location
A list and copy of business operational manuals in any process areas such as work flow, marketing, sales, accounting and bookkeeping, customer service, etc.		

Document Name	Status (Current - Needs Updated - N/A)	Location
A list of employees including positions, dates of hire and compensation paid during last three years		
Resumes of key employees		
A list and description of all independent contractors used within the last three years		
All employment, consulting, nondisclosure, nonsolicitation or noncompetition agreements		
Copies of collective bargaining agreements, if any		
The business's personnel handbook and a schedule of all employee holiday, vacation, and sick leave policies		
Summary plan descriptions of qualified and non-qualified retirement plans		
A list and description of employee health and welfare insurance policies or self-funded arrangements		
A description of all employee problems within the last three years, including alleged wrongful termination, harassment, and discrimination		
A description of any labor disputes, requests for arbitration, or grievance procedures currently pending or settled within the last three years		
A description of worker's compensation claim history		
A description of unemployment insurance claims history		
Copies of all stock option and stock purchase plans and a schedule of grants		

I LICENSE AND PERMITS

Document Name	Status (Current - Needs Updated - N/A)	Location
Copies of governmental licenses, permits or consents		
Any correspondence or documents relating to any proceedings of any regulatory agency		

J ENVIRONMENTAL ISSUES

Document Name	Status (Current - Needs Updated - N/A)	Location
Environmental audits, if any, for each property owned or leased by the business		
A listing of hazardous substances used in the business's operations and description of the disposal methods		
A list of environmental permits and licenses		
Copies of all notices and files related to EPA, state or local regulatory agencies		
A description of any environmental litigation, investigations or exposure		
A list and description of any contingent environmental liabilities or continuing indemnification obligations		

K MATERIAL CONTRACTS

Document Name	Status (Current - Needs Updated - N/A)	Location
A list and description of all subsidiary, partnership, or joint venture relationships and obligations		
Copies of all contracts between the business and any officers, directors, shareholders or affiliates		
All loan agreements, financing arrangements, credit lines, or promissory notes		
All security agreements, mortgages, indentures, collateral pledges, and similar agreements		
All guaranties to which the business is a party		
Any installment sale agreements		
Any agreements covering distribution, sales representatives, marketing and supply activities		
Letters of intent and closing documents from mergers, acquisitions, or divestitures within last five years		
Any options and stock purchase agreements involving interests in other companies		
The business's standard quote, purchase order, invoice and warranty forms		
All nondisclosure or noncompetition agreements to which the business is a party		
All other material contracts		

L PRODUCT OR SERVICE LINES

Document Name	Status (Current - Needs Updated - N/A)	Location
A list and description of all existing products or services and products or services under development		

A summary of all complaints or warranty claims		
A summary of results of all tests, evaluations, studies, surveys, and other data regarding existing products or services and products or services under development		
Copies of files related to any regulatory approvals or disapprovals of any business's products or services		

M CUSTOMER INFORMATION

Document Name	Status (Current - Needs Updated - N/A)	Location
A breakdown of business revenues by customer, sector, product/service		
A list and description of the customers that comprise the top 20% of the sales for the last two years		
A list and explanation for any major customers lost over the last two years		
A description or copy of the business's credit policy		
A schedule of unfilled orders		
All surveys and market research reports relevant to the business or its products or services		
A summary of the business's current advertising programs, marketing plans and budgets, and printed marketing materials		
A list and description of the business's major competitors		

N LITIGATION

Document Name	Status (Current - Needs Updated - N/A)	Location
A list and description of all pending litigation		
A list and description of any threatened litigation		
Copies of insurance policies providing coverage as to pending or threatened litigation		
Any documents relating to injunctions, consent decrees, or settlements to which the business is a party		
A list and description of unsatisfied judgments		

O INSURANCE & RISK MANAGEMENT

Document Name	Status (Current - Needs Updated - N/A)	Location
A schedule and copies of the business's general liability, personal and real property, product liability, errors and omissions, key-man, directors and officers, worker's compensation, and other insurance		
A schedule if the business's insurance claims history for past three years		
Disaster recovery plan		

P PROFESSIONAL SERVICES

Document Name	Status (Current - Needs Updated - N/A)	Location
A schedule of all law firms, accounting firms, consulting firms, and similar professionals engaged by the business during past five years		

Q PUBLICITY

Document Name	Status (Current - Needs Updated - N/A)	Location
Copies of all articles and press releases relating to the business within the past three years		

This is not an exhaustive list and should not be relied upon as such. Consult professional tax and legal advisors regarding your tax and legal needs.