

Sample Due Diligence Check List

This due diligence check list is intended to be industry agnostic and therefore the list emphasizes the diligence items within Finance, Legal, HR, and IT with greater specificity than other areas such as Sales/Customer, Intellectual Property, Manufacturing, Distribution & Operations, or other.

I. Company Data & Governance Information

- a. Incorporation / Charter Documents / Operating Agreements
- b. State Registration Documents; List of States Doing Business In
- c. List of Subsidiaries or other connected legal entities
- d. Board Meeting Minutes and Resolutions
- e. Board of Directors Members and Committees
- f. List of Accountants, Lawyers, and Other Key Consultants
- g. Investor Communication Documents
- h. Valuation Documents
- i. Regulatory Materials
- j. Corporate Overview Documents
 - i. Executive Summary
 - ii. Business Plan
 - iii. Powerpoint Presentations

II. Capitalization Table and Investment Details

- a. Current Capitalization Table
- b. Funding Documents (Equity & Debt)
- c. Shareholder Agreements
- d. Option & Warrant List
- e. Stock Option Plan Documents; Individual Grant Documents; Vesting Schedules

III. Legal Due Diligence

- a. Litigation History and Anticipated (Customer, Vendor, Employee, Competitor, etc.)
- b. Contracts & Agreements
 - i. Vendors & Contractors
 - ii. Customers
 - iii. Employees
 - iv. Board of Directors
 - v. IP Licensing
 - vi. Distribution Agreements
 - vii. Other

IV. Human Resources Due Diligence

- a. Management Team (Resumes, Profile Reports, References, etc)
- b. Company Team
 - i. Org Chart
 - ii. Employee List/Census and Organizational Chart
 - iii. Benefits Details (Medical, Dental, PTO, compliance, providers, rates, etc)
 - iv. Payroll / Benefits Contacts
 - v. Employee Handbook (PIAs)
 - vi. Policies & Procedures
 - vii. Rewards & Recognition

V. IT Due Diligence

- a. Network Topography
- b. Details of Systems; Licensing; Usage; Integrations;
- c. Details of ISP, ASP, Cloud providers
- d. Description of Backup Systems
- e. IT audit history; reports

VI. Sales & Marketing Due Diligence

- a. Product
 - i. Literature
 - ii. Sales Materials / Collateral
 - iii. Pricing: List, ASP, Channel, etc.
 - iv. Promotions (List, Cost, Objectives, Trade Promotions, etc.)
 - v. Strategic consultants
- b. Market and Marketing
 - i. Description of Sales Plan
 - ii. Market Research & Trends
 - iii. Competitor List
 - iv. List of Industry Associations
 - v. Product Development Roadmap
 - vi. Product Technology Information (IP, code, etc.)
- c. Customers
 - i. Concentration and/or Top Customer Deep Dive Analysis
 - ii. Customer Analysis (Type, Frequency, Patterns, Switching Costs, Duration, etc)
 - iii. Customer Lists
 - iv. Customer Contracts
 - v. Current Sales Pipeline
- d. Channels
 - i. Weight/Importance by Channel
 - ii. Key Contacts; Relationship analysis; Contracts
 - iii. Coverage Maps
 - iv. Trend analysis by channel, by geography

VII. Financial Due Diligence

- a. Financial Reporting
 - i. Financial Audit Reports
 - ii. Weekly Dashboard Reports
 - iii. Management Reporting Packages
 - iv. Tax Returns (Past 3 years)
 - v. Chart of Accounts
- b. Controls
 - i. Accounting Policies & Procedures Documents
 - ii. Balance Sheet Account Reconciliations
 - iii. Large Reconciling Items
 - iv. Analysis & Commentary on significant balance changes
 - v. Analysis & Commentary on non-recurring events/items
- c. Financials
 - i. Last 3 years of Internal Financials (P&L, Balance Sheet, Cash Flow Stmt)
 - ii. Last 3 years of Fiscal Budgets

- iii. Account Level Information
 - 1. Cash: Bank Accounts, Purposes, Working Capital Analysis, Investments, etc.
 - 2. A/R: Aging Report; History of Write-offs, Bad Debt, Credit Policies
 - 3. Prepaid Expenses: Detailed Analysis Report
 - 4. Inventory: Aging, Location, Accounting Policy, Component + WIP + Finished Goods reporting
 - 5. Fixed Assets: Detailed Asset Report; Asset Tracking
 - 6. Intangible Assets: Detailed Analysis, Value/Impairment support
 - 7. A/P: Aging Report; DPO Analysis; Concentrations;
 - 8. Accruals: Detailed Analysis Report
 - 9. Debt: Amortization, Rates, Lenders, Terms, Personal Guarantees, etc.
 - 10. Equity: Equity Roll-forward; Also in Legal
 - 11. Revenue: Customer, ASP, Units, Trend
 - 12. COGS: Bill of Materials, Margin Analysis, Allocations
 - 13. OpEx: Details on Key Spend Areas (IT, Lease, Payroll, Commissions, etc.)
 - 14. Non-Recurring, Other Income & Expense Details
 - 15. Mgmt EBITDA Adjustments
- d. Financial Projections / Models
 - i. Long-Term Financial Model
 - ii. Current, Near-Term Reforecasts
- e. Tax
 - i. Tax Returns
 - ii. Sales/Use Tax Details
 - iii. Tax work papers (NOL, Deferred Tax, etc.)
 - iv. Tax Positions, Rulings, or Investigation Details