

Due Diligence Checklist¹

What To Do With This Checklist

This form includes a list of topics, issues or documents that should be considered as part of the buying and selling of a business. Not every item is required for every business and you may get away with a list half as long. It will depend upon your industry, size of company, reputation, level of sophistication of both buyer and seller, etc.

Use this to put yourself in the shoes of the prospective purchaser of your company. Think about the information you would want to see. What information would be needed for every potential deal? What would be nice to have and would add to your 'story' but not critical? What would add value and impress your potential buyer when you can quickly and easily produce the information they want? Some of the information will be timeless and static, while other pieces will change over time and may not be needed until after you have met with a potential buyer who wants to see the current information.

Completing this process will take time. That's why we suggest you begin the process of preparing your business for sale at least three years in advance of the time you want to sell it. Go through the list, highlight the items you want to work on first and set time aside on a regular basis to work your way through the list. Buy some nice binders in which to keep and display your work. Organize it in sections. Create a list of contents.

Get started. You never know when someone may want to buy your company, and if you're ready with this information, you'll be able to respond more quickly, effectively and confidently.

Organizational Issues

1. Articles of Incorporation including any amendments or restatements.
2. Bylaws and amendments.
3. Stock transfers ledger.
4. Buy-Sell agreements, shareholder agreements, share purchase agreements including insurance in place to fund agreements in case of death or disability.
5. If any verbal agreements or changes have been indicated or implied, put them in writing.

Title or Lease Asset Documents

6. Real estate deeds.
7. Real estate leases from and to others.
8. List and description of real estate owned.
9. List and description of real estate occupied by the company.
10. List and description of general assets.
11. Bills of sale or invoices for equipment and inventory.
12. Car and truck registrations.
13. List and description of vehicles owned or leased.
14. Vehicle leases.
15. Other equipment or machinery leases including office, manufacturing, industrial, etc.

¹ Adapted from *Successfully Sell Your Business* by Andrew Rogerson

16. List and description of equipment and machinery.
17. Furniture leases.
18. List and description of furniture.
19. Patent, trademark and service mark registrations.
20. List and description of patents, trademarks and service marks.
21. List and description of inventory or stock in trade.
22. List and description of raw materials on hand or on order.

Encumbrances

23. Trust deeds.
24. Security agreements.
25. Finance statements.
26. Stock pledge agreements.
27. Loan documents.
28. Notes made or held by the company.
29. Line of credit agreements.
30. Guarantees both corporate and personal.
31. Notices of default.
32. If any verbal agreements or changes have been indicated or implied, put them in writing.

Licences and Permits

33. City business licenses or permits.
34. City industrial/occupational permits.
35. Provincial or state permits.
36. Federal licenses or permits.

Business Contracts

37. License agreements.
38. Royalty agreements.
39. Patent, trademark or service mark assignments to or from others.
40. Dealership agreements.
41. Distributorship agreements.
42. Vendor agreements.
43. Consulting agreements.
44. Employment agreements.
45. Independent contractor agreements.
46. Asset sale or purchase agreements.
47. Employee stock agreements of any form.
48. Pension or profit sharing agreements or trusts.
49. If any verbal agreements or changes have been indicated or implied, put them in writing.

Legal Claims

50. Plaintiff suits.

51. Defendant suits.
52. Demand letters sent or received.
53. Labour board proceeding documents.
54. Court proceedings.
55. Notices of defaults.
56. Foreclosure documents.
57. Collection letters sent or received.
58. Bankruptcy filing documents.

Financial and Taxation

59. Previous three years provincial (state) and federal tax returns.
60. Real estate tax assessments or documents.
61. Previous three years financial statements (audited or produced by accountant).
62. Interim financial statements.
63. Tax delinquency notices.
64. Correspondence with tax offices.
65. Summary of all deposit accounts, savings accounts.
66. Six months of prior bank statements for all accounts.
67. General ledger books including computer files.
68. Chart of accounts.
69. Daily, weekly, monthly chronological financial records.
70. Copy of credit reference materials provided by vendors.
71. List of company credit cards and holders including details of credit limits and current outstanding amounts.
72. List of vendors, accounts payable and terms.
73. Accounts receivable with aging.
74. Accounts payable with aging.

Securities

75. Provincial (State) securities permits/notices/filings.
76. Registrations/qualifications.
77. Disclosure documents.
78. Compliance documents.

General

79. Lawyer (attorney) retainer letters and correspondence.
80. Lawyer opinion letter regarding the company.
81. Accountant retainer letters and correspondence.
82. Accountant opinion letter regarding the company.
83. Insurance policies including liability, property, auto, life, disability, medical, workers compensation, etc.
84. Lists and details of key employees including names, addresses, ages, work experience, positions held within the company, job descriptions, salary, benefits, bonuses, etc.

