

Due Diligence Checklist – For Sellers

This checklist is to provide the SELLER with a list of information that likely will be requested by the buyer during the "due diligence" stage of a business purchase. Much of the information shown in this document is necessary for the listing broker to develop a viable offering brochure and listing. Additionally, having this information ready for a buyer will reduce the time required to actually conduct a "due diligence" and will also give the buyer a greater sense of comfort knowing he/she is purchasing a business that is organized and well managed. This checklist is a starting point only and may not be complete for a buyer's specific situation.

This document endeavors to provide a general list that may be used for small and medium business asset sales. Based on the type and size of the business being sold, many of these issues may not apply BUYERS SHOULD USE THE SERVICES OF PROFESSIONALS TRAINED IN DUE DILIGENCE, not this checklist.

1. **Organization and Good Standing.**

- A. A Certificate of Good Standing from the Secretary of State of the state where the Company is incorporated or established.
- B. Complete set of corporate/LLC minutes plus corporate resolution to sell, if applicable
- C. Bylaws.
- D. Any shareholder agreements, or an LLC's operating agreement.
- E. Documentation showing the ownership of the company and the owners' specific ownership interests, accounting for 100%
- F. Any franchise agreement.
- G. A list of the company's assumed names, DBAs, etc.
- H. Spouses consent if applicable.

2. **Financial Information.**

- A. Complete financial statements, profit and loss statements as well as balance sheet, for past three to five years.
- B. The most recent monthly statements for the current year.
- C. Any reports from accountants for past three years.
- D. Any projections, budgets and strategic plans.
- E. A schedule of all indebtedness and contingent liabilities.
- F. A schedule of accounts receivable showing aging.
- G. A schedule of accounts payable showing aging.
- H. A description of depreciation and amortization methods used.
- I. A list of any "off balance sheet liabilities" not appearing in most recent financials.
- J. Make ready for easy examination, banking records, sales back up, purchase orders, sales receipts, sales tax reports, payroll records, utilities receipts, royalty/franchise fee payments, other expenses, etc. required to support financial data reported to seller.
- K. List of jobs in progress.

3. **Taxes.**

- A. Federal, state, and local income tax returns for the last three years.
- B. States sales tax returns for the last three years.
- C. Any audit and revenue agency reports.
- D. Any tax settlement documents for the last three years.
- E. Employment tax filings for three years.
- F. Any tax liens.

4. **Physical Assets included in the sale (FF&E).**

- A. A schedule of furniture, fixtures and equipment with their serial numbers and locations, fair market value, whether they are leased or owned and purchase dates.
- B. Complete list of inventory with "at cost" value to be transferred to the buyer.

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5. **Real Estate.**

- A. A schedule of the Company's business locations including counties.
- B. Lease for each location (with landlord contact information) or deeds.
- C. Appraisals of real property – if seller owns property.
- D. Legal descriptions of the business properties.

6. **Intellectual Property.**

- A. A schedule of trademark and trade names and any license agreements.
- B. A schedule of copyrights and any license agreements, including software licenses.
- C. A schedule of patents and any licenses.

7. **Employees and Employee Benefits.**

- A. A list of employees including positions, current salaries, salaries and bonuses previously paid during last three years, and number of years of service.
- B. All employment, consulting, nondisclosure, non-solicitation or non-competition agreements between the Company and any of its employees and consultants.
- C. Resumes of key employees.
- D. The Company's personnel handbook and a schedule of all employee benefits and holiday, vacation, and sick leave policies.
- E. Summary plan descriptions of qualified and non-qualified retirement plans.
- F. Any OSHA audit or citation information, OSHA injury and annual reports or filings.
- G. I-9 Forms for each employee
- H. Workers compensation claims filings.
- I. Organization chart

8. **Licenses and Permits.**

- A. Copies of all governmental licenses, permits or consents.
- B. If a specialized business, a copy of zoning approvals, variances or special use permits.
- C. Copies of all correspondence and reports related to any regulatory approvals or disapprovals of any Company's products or services.

9. **Environmental Issues.**

- A. Environmental audits, if any, for each property leased/owned by the Company.
- B. A listing of hazardous substances used in the Company's operations and MSDSs for each.
- C. A list of environmental permits and licenses existing and required.
- D. EPA regulatory issues.
- E. Hazardous waste disposal contracts.

10. **Material Contracts.**

- A. Any guaranties to which the Company is a party.
- B. Any installment sale agreements.
- C. Any distribution agreements, sales representative agreements, marketing agreements, and supply agreements.
- D. List of contracts for service.
- E. Any security agreements and U.C.C. filings.
- F. Any leases for equipment.
- G. Insurance policies and coverage related to the business and past claims.
- H. Loan agreements and mortgages.
- I. Consulting agreements
- J. Standard terms of sale; purchase order acknowledgements, purchase order and invoice forms.
- K. Insurance policies

11. **Customer Information/Sales Information.**

- A. Any supply or service agreements.
- B. Any company brochures and marketing materials available.
- C. Any client lists, marketing plan/strategy and key client information

12. **Litigation.**

- A. A schedule of all pending litigation or statement to the contrary.
- B. A description of any threatened litigation.