

Here is a comprehensive listing of due diligence items the CFO and board members might require. It covers such items as; financial information and documents; tax status; contracts and agreement; litigation; products and services and much more.

Due Diligence Checklist

1) Corporate Documents

- a) Articles of Incorporation
- b) Bylaws and operating agreements
- c) Shareholder agreements
- d) Minutes of Board of Directors and Shareholder meetings
- e) All documents furnished to shareholders and directors
- f) Certificates from all states and jurisdictions where the company does business

2) Previous Securities Issuance

- a) Copies of stock certificates, warrants and option agreements
- b) Complete Stockholder contact information
- c) Number of outstanding shares, dates of issuance, and percent ownership
- d) All outstanding preferred stock, including covenants
- e) All outstanding options, warrants or convertible securities
- f) Employee stock benefit programs; stock options, stock purchases or others

3) Financial Information

- a) Audited financial statements since inception
- b) Income statements, balance sheets, cash flow statements
- c) Records of all changes in equity position
- d) Accounting methods and practices
- e) Company prepared monthly or quarterly statements
- f) A three-year budget and financial projections
- g) A complete and current business plan
- h) Accounts receivable aging and accounts payable aging
- i) Product or service pricing plans and policies
- j) Revenue and gross margins by product or service
- k) Extraordinary income or expense details
- l) Explanation of any material write-downs or write-offs
- m) A summary of all bad debt experiences
- n) Details of any outstanding contingent liabilities
- o) Accountant report on the company's financial condition

4) Tax Status

- a) Federal and state income tax returns for the last three years
- b) Detail of any tax audits

5) Contracts and Agreements

- a) List of Bank and non-Bank lenders
- b) Joint venture and partnership agreements
- c) License agreements
- d) Purchase agreements
- e) Liens, equipment leases, mortgages or any other outstanding loans

- f) Insurance contracts and agreements
- g) Contracts with suppliers, vendors and customers
- h) Any additional agreements or contracts relevant to the business of the company

6) Governmental Regulations

- a) Copies of all permits and licenses
- b) Copies of reports made to government agencies
- c) Detail of any inquiries made by any local, state or federal agencies

7) Litigation

- a) Description of any current litigation including potential damages
- b) Description of any potential litigation including potential damages
- c) Settlement documentation

8) Products and Services

- a) Detail of product offering including market share by product line
- b) Inventory analysis including turnover, obsolescence and valuation policies
- c) Backlog analysis by product line including analysis of seasonal issues
- d) List of all major suppliers including dollar amount purchased per year

9) Marketing

- a) List of competitors and detail of market share
- b) List of major clients
- c) Analysis of pricing strategy
- d) Current brochures and marketing materials
- e) Sales commission structure
- f) Sales projections by product line
- g) Any pertinent marketing studies conducted by outside parties

10) Management and Personnel

- a) Management organizational chart and bios of senior personnel
- b) Detail of any labor disputes
- c) Employee compensation plans including pension, options, profit sharing, deferred compensation
- d) and retirement
- e) Management incentive plans including pension, option, profit sharing, deferred compensation,
- f) retirement and any non-cash compensation
- g) Employee confidentiality Agreements
- h) Listing of any consulting Agreements
- i) Number of employees, turnover, absentee problems and hiring projections
- j) Employee HR, benefits, and insurance manuals
- k) List of Company's Directors
- l) Reference verification on management team—2 references each

11) Property and Equipment

- a) An appraisal of all equipment and fixed assets
- b) List of all real property owned by the company
- c) Copies of titles, mortgages, and deeds of trust
- d) Detail of any easements or other encumbrances
- e) Leases and sub-leases
- f) Company space expansion plans
- g) Patents, trademarks and other intangible assets

12) Research & Development

- a) Detail all research and development in progress
- b) Commercial analysis of R&D efforts
- c) Documentation policies including examples

13) Other Company Information

- a) Copies of all past and planned company press releases
- b) Existing articles relating to the company and its industry
- c) Company newsletters and any investor relations material

14) Other Information

- a) Contact information for and introductions to at least 5 company references, including partners, customers, prospects or accounts

(Source: CFOLC)