

DUE DILIGENCE

PURCHASING A BUSINESS

BUSINESS INFORMATION

- ☐ Legal business information (name, address, phone, DBA, etc.)
- ☐ Sales tax permit number (if applicable)
- ☐ Employer number issued by EDD
- ☐ Federal employer identification number (EIN) by the IRS
- ☐ List of products and services offered and in development

COMPANY GOOD STANDING

- ☐ All formation documents and subsequent amendments
- ☐ All corporate documents pertaining to business operation
- ☐ List of company bylaws or operating agreements and subsequent amendments
- ☐ Copies of stock certifications

APPRAISAL

- ☐ Analysis of return on investment, return on equity, and return on sales
- ☐ Earning Before Interest & Taxes (EBIT)

REVENUE STREAMS

- ☐ Documentation of recurring revenue stream

SALES AGREEMENTS

- ☐ Non-disclosure/Confidentiality agreement
- ☐ Letter of intent
- ☐ Purchase agreement
- ☐ List of local and state laws pertaining to purchase
- ☐ Transfer of ownership

ANTITRUST AND REGULATORY ISSUES

- ☐ Prior and potential antitrust and regulatory issues

INFORMATION TECHNOLOGY CONCERNS

- ☐ List of software used by the company
- ☐ List of software licenses bought
- ☐ Outsourcing agreements with IT companies

PUBLICITY

- ☐ Local media coverage references
- ☐ Portfolio of articles and press releases about the company
- ☐ Press release templates

OUTSOURCED PARTNERSHIPS AND PROFESSIONALS

- ☐ List of all independent professionals and suppliers
- ☐ List of outstanding contracts

INSURANCE COVERAGE

- ☐ Copy of insurance claims
- ☐ Copy of company's insurance coverage

LITIGATION

- ☐ List of any pending litigation
- ☐ Documents about injunctions and settlements
- ☐ Any government clearances

CUSTOMER INFORMATION

- ☐ List of competitors
- ☐ Current ad programs, marketing budgets, and marketing materials

CONTRACTS

- ☐ List of contracts to be taken over
- ☐ Any necessary consents to be obtained

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SELLING A BUSINESS CHECKLIST

TAX INFORMATION

- ☐ Federal, state, and local tax returns
- ☐ IRS Form 5500
- ☐ Tax registration documents

MATERIALS CONTRACTS

- ☐ Monthly manufacturing yields
- ☐ Agreements with any subsidiaries and partnerships
- ☐ List of any unfilled purchase orders and backlogs

LICENSES AND PERMITS

- ☐ Copies of federal, state, and local licenses
- ☐ Business sector license
- ☐ Liquor license (if applicable)
- ☐ Business handover permits
- ☐ Motor vehicle titles

ENVIRONMENTAL ISSUES

- ☐ Environmental standards documentation
- ☐ List of any environmental liabilities
- ☐ Any environmental permits

REAL ESTATE

- ☐ Listings of all owned and leased properties
- ☐ Any necessary consents for lease agreements
- ☐ Land use/Property permits
- ☐ Additional contracts for property purchase (if applicable)
- ☐ Irrevocable trust

PHYSICAL ASSETS

- ☐ Inventory subject to agreement contract
- ☐ List of UCC filings
- ☐ List of goodwill assets
- ☐ List of included equipment, furniture, and fixtures
- ☐ List of leased equipment

INTELLECTUAL PROPERTY

- ☐ List of foreign and domestic patent applications
- ☐ List of copyrights and trademarks

EMPLOYEES AND BENEFITS

- ☐ Employee manual
- ☐ Copies of stock purchase and stock option benefits
- ☐ Insurance coverage options and policies
- ☐ Worker's compensation and unemployment claims history
- ☐ List of all employees and their positions, salaries, years of service, and total compensation
- ☐ Information on staff qualifications and professional development

FINANCIAL INFORMATION

- ☐ Audited and unaudited financial statements
- ☐ Company credit report
- ☐ List of key company figures
- ☐ List of up-to-date balances
- ☐ Securities for debts

LIABILITIES

- ☐ Acknowledgment of liabilities excluded from sale
- ☐ Documentation of liability allocation between buyer and seller

POST-SALE

- ☐ Conflict waiver
- ☐ Post-close employment or independent contractor agreement
- ☐ References for CPA and Trust & Estate attorney

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