



# The seller's checklist

It's due diligence time. What documents does your buyer need to see? No two deals are identical, but most require the same core list. Based on our experience of over 10,000 deals a year, here's our ultimate checklist for the sell side.

Bring the Datasite checklist to every deal and get due diligence done and dusted.

## Finance

### General financial statement information

- Audited financial statements & annual reports
- Internal financial statements
- Detail monthly trial balances / general ledger (P&L and BS)
- Summary of adjustments to reconcile from internal financial records/trial balance to audited financial statements
- Monthly management package (e.g., financial statements and explanatory comments such as variances from budget, performance highlights, etc.).
- Access to external auditor workpapers
- Provide summarized financial statement forecasts (Profit and Loss Account/ Balance Sheet/Cash Flow) for the next 3 years

### Tax

- Copies of all jurisdiction income tax returns, state/local income, intangible, franchise, sales, property, excise and any other tax returns
- Copies of any income tax authority correspondence, Revenue Agent Reports or other reports or notices regarding income or other taxes for the last 5 years
- Copies of any notices from state or local authorities regarding returns, deficiency claims and Unemployment Tax Assessment Notices with regard to income, sales, property or other taxes received during the past five years

## Finance continued

### Balance sheets

- Accounts receivable aging schedule as well as reconciliations to the general ledger
- Summary of credit memos, returns and other adjustments
- Summary of all accounts in dispute or in process of legal collection
- Analysis of allowance for bad debts, including annual roll-forward to the allowance (bad debt expense, write-offs)
- Summary of all receivables from other than normal trade accounts
- Summary of property, plant and equipment and accumulated depreciation broken down into category totals (i.e. land, building, equipment, etc.) as well as any PP&E additions or deletions
- Accounts payable listing (aged, if available) and reconciliations to the general ledger
- Schedule of other accruals and liabilities (e.g. commissions, bonus plans, utilities, marketing programs and deferred revenue) with description of their calculation methodology

## Legal

### Corporate records for each entity

- Articles of incorporation and by-laws and/or other organizational document(s) of each of the Company Entities
- List of all current owners of each Company Entity, including a description of the stock or other and equity rights held by each
- Minutes or written consents for all meetings of the shareholders, board of directors, or other managing authority and any committees of each Company Entity for the last five years
- Chart showing legal, organizational and ownership structure of the business. Also, indicate any interest that the Company holds in joint ventures, corporations, LLC's, etc.
- List of all officers and directors of each Company Entity

### Material Agreements

- List of 20 largest suppliers and 20 largest customers of products or services (and associated amounts paid to such suppliers) for last three fiscal years.
- All agreements with distributors, buying groups, wholesalers or other customers who constituted more than 1% of total consolidated sales for the last full fiscal year or the current year-to-date (Material Customers)

## Legal continued

### Intellectual Property

- Listing of all registered and unregistered trademarks, trade names, copyrights, software, patents and other proprietary rights (collectively, "Intellectual Property") owned by any Company Entity, identifying any registration of the Intellectual Property and the respective registrant
- Agreements and other documentation of the allocation of ownership of Intellectual Property made, conceived, developed or reduced to practice in the course of operations of any Company Entity, including under supply, purchase, services, consulting, development or similar agreements
- Licensing, royalty or similar agreements by which (a) Intellectual Property owned by any Company Entity is used by others, or (b) Intellectual Property of others is used by any Company Entity

### Litigation

- List of each pending, threatened and concluded (within the last five years) material written claim, litigation, arbitration or other proceeding or investigation relating to any Company Entity, or any of the shareholders, directors, or officers of any Company Entity, of a judicial, regulatory or administrative nature
- All consent decrees, judgments, other decrees or orders, arbitration awards, settlement agreements and other agreements in the past five years to which any Company Entity is a party or beneficiary or is bound, which limit, require or prohibit any future activities
- All current material governmental, regulatory and administrative permits and licenses of each Company Entity, including waste water discharge and air emission permits, and waste handling permits

## Information technology

- Engineering / R&D budget vs. actuals
- Product development pipeline, NPI Funnel, Recently Released Products, R&D Projects
- List of software licensing and entitlements as well as renewal/expiry dates
- Advise web-site hosting and e-commerce provider and provide contract if applicable
- List of hardware (servers, network gear, backups, desktops, LTs, etc.) licensing and entitlements as well as renewal/expiry dates, operating systems, vendor models, age.
- List the critical applications to run the business on a day to day basis (ERP/ Payroll/Engineering Systems, Desktops, In-House Developed Apps, etc.). Also list IT people, business users, and vendors that support IT function.
- Advise regarding current Anti-Virus protection in place
- List of all desktop software licenses
- List of outsourcing/hosting agreement (including original implementation partner), e.g. Verizon, Time Warner Cable, etc.
- Are third party audits or security testing conducted? If yes, provide results for the current and previous year.

## Human resources

Most recent organization charts by functional area with job titles, job descriptions and employee names

Employee Census: list of all employees by department with title, annual salary, variable pay/bonus information, location, hire date, service date (as it differs from hire date), Reg/Temp status, standard hours/week scheduled, bargaining unit membership, and other cash compensation

Employee handbook(s), policy guide(s) and/or descriptions of policies regarding work hours and rest periods, pay practices with respect to illnesses, vacations, leaves of absence, holidays, personal time; policies regarding overtime compensation; flexible working arrangements; any other employment policies (hourly and salaried)

Statement of accrued employee benefits such as vacations, sick days, and sick leave (paid and unpaid)

Turnover data and rates for the past 5 years to include a list of all employees terminated from employment with the company (voluntarily or involuntarily) by location and in total, including the reasons for termination

Schedule of employees supporting the business that are not transferring with the business (e.g. Shared Services)

Schedule listing all sales persons including dollar amount of sales per person, commissions, and base compensation

List of any relatives that directly or indirectly report into a people leader



# Sell-side M&A made easy

When everything's on the line, you want best-in-class support and M&A data room technology behind you.



**Prep**



**Market**



**Diligence**



**Close**

- **Organize fast** | Lean on bulk upload, AI-enabled auto-categorization, and document previews. Email info directly into the data room.
- **Track buyer activity** | Assess interest by seeing who's accessing the data room and what documents they're looking at. Customize and receive reports on automatic so you're always up-to-speed.
- **Speed-up** | Save 50%+ in time and money with embedded workflow tools like Redaction AI and document translation.

- **Stay safe** | Protect sensitive information with intuitive user permissions, in-app Q&A, and ironclad security. Keep GDPR/CCPA compliant.
- **Extend Your Team** | Deals are relentless. You need service like that. Just tap, type or talk, 24/7/365. We're always there to keep your deal moving. That's the Datasite Experience.



**The site was extremely easy to spin up and very intuitive. Any questions I had were addressed in a very timely way by the service team and they were a pleasure to work with.**

Chief Financial Officer

    #Wheredealsaremade

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