

Due Diligence Checklist

The floor every small-business deal needs, across six workstreams. searchspheresource.com/tools/diligence-checklist

Financial

- ☐ Quality of earnings engaged or consciously waived, with the reason written down
- ☐ P&L reconciled to filed tax returns for three years, differences explained
- ☐ Every add-back verified against documents, not the seller's schedule
- ☐ Revenue by customer for three years; concentration above 15% understood and priced
- ☐ AR and AP aging reviewed; collectability of what conveys assessed
- ☐ Working capital baseline set and the peg negotiated into the purchase agreement
- ☐ All debt, leases, and off-balance-sheet obligations listed with payoff status at close

Legal

- ☐ Lien and UCC search run on the entity and assets
- ☐ Material contracts read for assignment and change-of-control clauses
- ☐ Lease reviewed: term, options, assignment consent, personal guarantees
- ☐ Litigation, disputes, and regulatory actions searched and disclosed
- ☐ Names, marks, domains, and any IP confirmed owned and transferring
- ☐ Every license and permit mapped: holder, transferability, timeline (see the License Rules table)
- ☐ Asset versus stock structure settled with tax advice on both sides

Operations

- ☐ Org chart with tenure, pay against market, and flight risk for key people
- ☐ Everything the owner personally does listed, with a named replacement plan
- ☐ Software, data, and account access inventoried and transferable
- ☐ Supplier concentration and terms reviewed; single-source risks named
- ☐ Equipment and fleet condition assessed with a real capex forecast
- ☐ Documented processes exist, or their absence is priced into the transition

Commercial

- ☐ Local market and competitive position sanity-checked beyond the CIM's story
- ☐ Review profile and reputation trajectory across platforms examined
- ☐ Pipeline, backlog, or recurring base verified against source records
- ☐ Pricing versus market checked; underpriced legacy relationships identified
- ☐ Customer retention or churn computed from data, not asserted

Insurance & Risk

- ☐ Insurance claims history pulled; policies reviewed for post-close continuity
- ☐ Safety record and workers-compensation experience examined where relevant
- ☐ Industry-specific compliance verified (the industry guide's diligence section)
- ☐ Environmental exposure assessed; Phase I ordered where the asset class warrants it

Closing Preparation

- ☐ Purchase agreement schedules complete and consistent with diligence findings

- ☐ Non-compete and transition-services terms agreed in substance
- ☐ Financing contingencies, appraisal, and lender conditions tracked to clearance
- ☐ Funds flow, prorations, and inventory count mechanics agreed before closing week
- ☐ Day-one plan written: payroll, banking, insurance, licenses, and the announcement

Educational information, not financial, legal, or tax advice. The working version of this checklist, with progress saving and industry specifics, is free at searchspheresource.com.