

31 Things of Due Diligence

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Need money? This is a rhetorical question and one that seems to be on the mind of many business owners today. We keep it pretty simple in our consulting practice by studying common requirements of Chartered Banks, the Business Development Bank of Canada (BDC), Venture Capitalists, Angel Investors, business acquisitions and mergers, the process of going public and there are 31 things that every one of these processes require and the more attention to detail you take on these things the higher your chances of getting funded.

We use the **AMSI** (Audit, Modeling, Strategy, and Implementation) methodology to gather this information and to develop the information at a very detailed and useful level. Much of the information seems redundant, but when you look at the categories it becomes obvious that your due diligence package will be poked and prodded by several people along the way before you reach your objective of receiving financing.

There are several objectives that you must have to get funded and they are showing your ability to model your business, to clearly lay out projects and initiatives that will help you to reach your objective revenue flow, it will show that you can focus and gather your thoughts in a tangible and professional manner, and probably most important of all that you are open and forthcoming and willing to do what you say you are going to do.

These 31 things become a living document that you will update often and regularly and certainly as long as you want to receive bank or investment funding. The documents are confidential and only to be exposed to those agreeing to sign a non-disclosure agreement.

This can be a painful experience for those who don't like paperwork, strategy planning, and all the time spent explaining your plans with bankers and venture capital people, but if you can anticipate what is behind the questions, it actually becomes quite a rewarding experience.

Here are a few of the documents that you will need:

1. Term Sheets, Corporate Summary Fact Sheet
2. Business Plan
3. Marketing Plan
4. Key Personnel Resumes
5. Financial Planning, Cash Flow Model, Analysis Reports, Glossary
6. Financial Statements
7. Profit and Loss Statements
8. Balance Sheets, Intercompany Transfers
9. Accounts Receivable / Accounts Payable Aging Summaries
10. Tax Returns
11. Asset Ledger
12. Client List and Actual Sales
13. Shareholder Statements
14. Credit and Security Agreements
15. Minute Book
16. Summary of Litigation
17. Non-Competition, Non-Solicitation or Non-Disclosure Agreements
18. Filings with agencies (U.S. and foreign) having jurisdiction over business operations
19. Customer and Vendor Contracts
20. License or Royalty Agreements
21. Promissory Notes, Bonds or Debentures
22. Options or Rights for Capital Stock or Company Assets
23. Partnership, Joint Venture, Marketing or Similar Agreements
24. Material Contracts and Agreements
25. Cost Sharing Agreements, Intercompany Transfers (Company Affiliates)
26. Contracts or Other Documents Affecting the Business Assets
27. Development or Technology Agreements and Documents Relating to Business Assets
28. Corporate Policies (Insurance, Operational, Health, Safety, HR)
29. Summary of Pending or Proposed Assessments or Tax Liens
30. Listing of Sales and Use Tax Returns (All Affected Jurisdictions)
31. Implementation Plan

Put these documents together and you are well on your way to getting your funding that you need.

Tom West, planglobal consulting ltd., twest@planglobal.ca, +1 403 235-3495 x201, <http://www.planglobal.ca/>, Skype: [twest1960](#)