M&A and Business Due Diligence

Category	Specific Documents / Information Needed	Purpose / Notes
Scenario Overview & Funding Expectations	☐ **Transaction Type:** (e.g., Acquisition, Merger, Buyout) ☐ **Purchase Price / Valuation:** total purchase consideration and allocation of assets, stock, or goodwill ☐ **Parties Involved:** borrower (purchasing corporation) and target ☐ **Deal Rationale:** strategic objective, synergy plan, or expansion goal **Funding Structure & Expectations:** ☐ Type(s) of funding sought: ☐ Debt (bank, SBA, private credit) ☐ Private Equity or Investor Capital ☐ Hybrid / Mezzanine Financing ☐ Seller Financing (if applicable) ☐ Expected **Leverage Ratio** (debt-to-equity or debt-to-EBITDA) ☐ **Equity Contribution** (% or total) ☐ **Use of Funds:** acquisition, working capital, debt refinance, or expansion ☐ **Repayment Source:** free cash flow, business operations, or equity inflows	Provides a clear transaction outline, funding structure, and repayment expectations for lender review.

A. Purchasing Corporation (Borrower)

Category	Specific Documents / Information Needed	Purpose / Notes
Financials – Borrower	☐ 3 years of corporate tax returns (federal & state) ☐ Audited or compiled financial statements (3 years) ☐ Year-to-date Profit & Loss, Balance Sheet, Cash Flow ☐ Monthly or quarterly comparative summaries ☐ General Ledger for 3 years (if any) ☐ If **Single-Member LLC:** ☐ Personal tax returns (3 years) ☐ Personal financial statement ☐ Schedule of personal business holdings or investments	Evaluates borrower's credit strength, financial health, and potential guarantor support.
Accounts Receivable – Borrower	☐ Aged receivables report (current, 30, 60, 90+ days) ☐ Key customers and outstanding balances ☐ Write-offs and collections policy ☐ Allowance for doubtful accounts	Measures cash inflows, timing, and credit reliability from receivables.
Accounts Payable – Borrower	☐ Aged payables schedule ☐ Vendor list and contract terms	Reviews liabilities, vendor exposure, and short-term financial obligations.

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	☐ Outstanding amounts owed ☐ Deferred or extended payment agreements	
Assets & Inventory – Borrower	☐ Detailed list of all **fixed and movable assets** (machinery, vehicles, equipment, etc.) ☐ **Inventory List:** must include Year, Make, Model, Serial/VIN number (if applicable) ☐ Itemized description of **asset type, quantity, and location** ☐ Purchase or lease documentation (if financed) ☐ Asset valuation or appraisal (if available)	Establishes collateral base, asset condition, and value for financing or security purposes.
Corporate Structure – Borrower	☐ Organizational chart (parent, subsidiaries, and affiliates) ☐ Ownership and control breakdown ☐ Articles of Incorporation, Bylaws, or Operating Agreement ☐ Shareholder or Member ledger ☐ Capitalization table	Confirms ownership hierarchy and governance structure of borrowing entity.

B. Target Corporation (Acquired Entity)

Category	Specific Documents / Information Needed	Purpose / Notes
Financials – Target	☐ 3 years corporate tax returns (federal & state) ☐ Audited or compiled financial statements (3 years) ☐ Year-to-date Profit & Loss, Balance Sheet, and Cash Flow ☐ Monthly or quarterly reports ☐ General Ledger (3 years)	Confirms target company's financial stability and historical profitability.
Accounts Receivable – Target	☐ Aged receivables detail ☐ Major customers and balances ☐ Collection history and write-offs ☐ Allowance for doubtful accounts	Evaluates receivable liquidity and potential credit risk exposure.
Accounts Payable – Target	☐ Aged payables report ☐ Key vendor list and balances ☐ Payment schedules and supplier dependencies ☐ Any extended payment arrangements	Measures short-term debt exposure and supplier reliance.
Assets & Inventory – Target	☐ Detailed list of tangible and fixed assets ☐ **Inventory List:** Year, Make, Model, Serial or VIN number (if applicable) ☐ Physical location and condition of assets ☐ Asset ownership documentation and liens (if applicable) ☐ Recent appraisals or depreciation schedules	Verifies asset ownership, valuation, and suitability for collateral or acquisition.

Category	Specific Documents / Information Needed	Purpose / Notes
Corporate Structure – Target	☐ Corporate organizational chart ☐ Ownership percentages and voting rights ☐ Articles of Incorporation or Operating Agreement ☐ Shareholder/Member ledger (if any) ☐ Capitalization table (if any)	Confirms target structure, control, and capitalization for legal and financial due diligence.
Legal & Compliance – Both Entities	☐ Pending or historical litigation summary ☐ Material contracts (vendor, customer, lease, employment) ☐ Licenses, permits, and regulatory filings ☐ Insurance coverage ☐ Compliance or environmental reports	Identifies legal exposure, regulatory risk, and contractual obligations.
Strategic & Operational Information – Both Entities	☐ Overview of business operations and key personnel ☐ Top customer and supplier relationships ☐ Strategic goals and growth forecasts ☐ Staffing or integration plans post-transaction	Provides operational understanding and future business continuity strategy.

C. Combined / Consolidated Information

Category	Specific Documents / Information Needed	Purpose / Notes
Five-Year Pro Forma Financial Projection	☐ Combined 5-year consolidated projection (Borrower + Target) ☐ Individual projections for each entity ☐ Projected Profit & Loss, Balance Sheet, and Cash Flow ☐ Key assumptions (revenue, margins, capital expenditures) ☐ Base, Upside, and Downside scenarios	Demonstrates projected performance, repayment capacity, and long-term financial feasibility for the merged operation.