BlackOak
Business Advisors

A DUE DILIGENCE PREP GUIDE

# Due Diligence Preparation Checklist

What buyers will ask for once a deal is underway, organized so you can have it ready before they ask.

# Before the Clock Starts

*Due diligence moves at the speed of your paperwork, not the buyer's patience.*

Once a letter of intent is signed, due diligence typically runs 30 to 60 days, sometimes longer. In that window, a buyer's team, often lawyers, accountants, and lenders, will request documentation across every part of the business: financials, legal and corporate records, operations, customers and contracts, and tax and compliance.

Owners who wait until due diligence begins to gather these records routinely derail their timeline. A slow, disorganized response doesn't just delay closing. It erodes buyer confidence and gives them leverage to renegotiate on price or walk away altogether.

This guide breaks down the five categories of documentation every buyer's team will ask for, so you can have a data room organized and ready before your business ever goes to market.

**30-60**

days is the typical due diligence window after a letter of intent is signed. Disorganized records are the most common reason that window stretches longer.

01 Financial Documentation

02 Legal & Corporate Records

03 Operational & Employee Records

04 Customer, Sales & Contracts

05 Tax, Insurance & Compliance

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CATEGORY ONE

# Financial Documentation

Financial due diligence goes well beyond the summary numbers you shared during negotiations. A buyer's accountant will want the source documents that support every figure in your financials, and they will want them organized, not scattered across email threads and old folders.

Start with three years of profit and loss statements and balance sheets, alongside matching business tax returns. Add accounts receivable and payable aging reports, a schedule of any outstanding debt, and year-to-date financials measured against budget. If there is a gap between what your books show and what your tax returns show, resolve it and document why before a buyer's team finds it themselves.

The businesses that move through financial diligence quickly are the ones where every number can be traced back to a source document in minutes, not days.

**WHAT BUYERS WILL REQUEST**

Expect requests for source documents behind every line item, not just summary statements. The faster you can produce them, the more confidence a buyer has in the rest of the deal.

- ◇ 3 years of profit & loss statements and balance sheets
- ◇ 3 years of business tax returns
- ◇ Accounts receivable and payable aging reports
- ◇ Debt schedule and loan agreements
- ◇ Year-to-date financials and budget-to-actual

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CATEGORY TWO

# Legal & Corporate Records

Legal diligence establishes exactly what a buyer is acquiring and confirms there are no hidden claims against it. This is usually handled by the buyer's attorney, and it moves fastest when your corporate records are complete and current rather than scattered across old filing cabinets and a lawyer's inbox from years ago.

Start with the entity's formation documents and any ownership records, then gather every material contract and lease the business is party to. Buyers will also want a clear picture of litigation history, including anything resolved in the past few years, and confirmation that any intellectual property the business relies on is properly registered and owned by the company, not by you personally.

An issue disclosed early is a conversation. The same issue discovered by the buyer's counsel during due diligence is a negotiating weapon.

**WHAT BUYERS WILL REQUEST**

Legal counsel typically requests a complete contract file early in due diligence. Missing or unsigned agreements are one of the most common causes of delay at this stage.

- ◇ Articles of incorporation or organization, and bylaws or operating agreement
- ◇ Business licenses and permits, current and transferable
- ◇ Copies of all material contracts and leases
- ◇ Litigation history and any pending claims
- ◇ Intellectual property registrations, if applicable

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CATEGORY THREE

# Operational & Employee Records

Operational diligence is where a buyer confirms the business can actually run the way you've described it. That means understanding who does what, what everything is worth, and how the work actually gets done day to day.

A current organizational chart paired with an employee roster and compensation is usually the first request, along with any employment agreements and non-compete or non-disclosure agreements that are in place. Buyers will also want a list of equipment and assets with condition and estimated value, since this often factors directly into deal structure. Where processes exist only as institutional knowledge in someone's head, start writing them down now. Due diligence moves quickly when that knowledge is already on paper.

An employee handbook and a summary of benefits round out this category. Even a simple one is far better than none, since its absence raises questions about how consistently the business is run.

**WHAT BUYERS WILL REQUEST**

Expect close attention to compensation structure and any key employees the buyer will want retained after closing. Undocumented processes are a common source of follow-up requests.

- ◇ Organizational chart and employee roster with compensation
- ◇ Employment, non-compete, and non-disclosure agreements
- ◇ Equipment and asset list with condition and value
- ◇ Documented standard operating procedures
- ◇ Employee handbook and benefits summary

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CATEGORY FOUR

# Customer, Sales & Contracts

Revenue quality gets as much scrutiny as revenue size. A buyer's team will want to understand exactly where the money comes from, how secure it is, and what happens to it once the business changes hands.

The starting point is a customer list with revenue by account over the trailing twelve months, which immediately surfaces any concentration risk. From there, gather signed customer contracts and their terms, along with vendor and supplier agreements the business depends on. A sales pipeline or backlog report helps a buyer see beyond historical numbers to what's already in motion, and marketing materials and digital assets, your website, social accounts, and any branded content, round out the picture of how the business generates new business.

If any single customer represents a large share of revenue, be ready to address it directly. Buyers will find it regardless, and a prepared answer lands very differently than a defensive one.

**WHAT BUYERS WILL REQUEST**

Expect a specific request for revenue concentration by customer. Above roughly 15 to 20% from any single account, expect follow-up questions on contract terms and retention.

- ◇ Customer list with revenue by account, trailing 12 months
- ◇ Signed customer contracts and terms
- ◇ Vendor and supplier agreements
- ◇ Sales pipeline and backlog reports
- ◇ Marketing materials and digital assets

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CATEGORY FIVE

# Tax, Insurance & Compliance

This category catches the items owners most often assume are "handled" simply because nothing has gone wrong yet. Buyers, and their lenders, want to see confirmation, not assumptions.

Start with sales tax and payroll tax filings, and confirm the business is in good standing with state and local authorities; an outstanding balance or lapsed filing here can stall a closing even when everything else is in order. Gather current certificates of insurance, including general liability, workers' compensation, and commercial auto if applicable, since a lender will typically require proof of coverage before funding. If the business operates in a regulated trade, pull together the industry-specific licenses and certifications that make it legally able to operate, and any environmental compliance records the industry requires.

None of this is glamorous work, but it is often the fastest part of due diligence to prepare and one of the most common places a deal quietly loses momentum when it isn't.

**WHAT BUYERS WILL REQUEST**

Lenders in particular will not fund a deal without current proof of insurance and confirmation that tax filings are current. Build this file early.

- Sales tax and payroll tax filings, current and in good standing
- Certificates of insurance, general liability, workers' comp, and auto
- Industry-specific licenses and certifications
- Environmental compliance records, where applicable
- Confirmation of good standing with state and local authorities

DON'T FORGET

# Additional Documents Commonly Requested

The five categories in this guide cover the core of what a buyer's team will request. A handful of additional items come up often enough, and catch enough owners off guard, that they're worth calling out separately.

Bank statements matter because they let a buyer's advisor cross-check reported revenue against what actually hit the bank, which is often the very first reconciliation they perform. Monthly financial statements matter for a similar reason: they reveal seasonality and month-to-month trends that an annual or year-to-date number can hide entirely.

A few of these items affect deal structure directly rather than just building buyer confidence. Employee vacation and PTO liabilities are frequently negotiated as a purchase price adjustment, since the buyer inherits that obligation at closing. Equipment leases determine whether equipment transfers with the sale or needs to be renegotiated. And pending capital expenditure commitments tell a buyer what cash the business is likely to require immediately after closing, which can shape both price and terms.

**WHY IT MATTERS**

Most of these items fold directly into the financial and operational files you're already building. Gathering them now, rather than when a buyer asks, keeps momentum on your side.

**FINANCIAL DOCUMENTATION**

- ◇ Bank statements, last 12 months
- ◇ Monthly financial statements
- ◇ EBITDA or SDE add-back schedule
- ◇ Owner discretionary expense schedule
- ◇ Pending capital expenditure commitments

**OPERATIONAL & EMPLOYEE RECORDS**

- ◇ Fixed asset register
- ◇ Equipment leases
- ◇ Employee vacation and PTO liabilities
- ◇ Inventory listing, where applicable

# Building Your Data Room

*Set up five folders now. Fill them in as you gather each document.*

- [ ] **01. Financial Documentation**
  Statements, tax returns, aging reports, debt schedule, and year-to-date financials.

- [ ] **02. Legal & Corporate Records**
  Formation documents, licenses and permits, contracts and leases, litigation history, IP registrations.

- [ ] **03. Operational & Employee Records**
  Org chart, employment agreements, equipment and asset list, SOPs, employee handbook.

- [ ] **04. Customer, Sales & Contracts**
  Customer list by revenue, signed contracts, vendor agreements, pipeline reports, marketing assets.

- [ ] **05. Tax, Insurance & Compliance**
  Tax filings, certificates of insurance, industry licenses, environmental and compliance records.

*Due diligence moves fast when your data room is ready before it starts.*

THE NEXT STEP

# A confidential conversation, before due diligence begins.

Every document on this list can be gathered and organized well before a business goes to market. The owners who do this work in advance consistently move through due diligence faster, with fewer surprises and far less leverage handed to the other side.

BlackOak Business Advisors offers a confidential, no-obligation readiness conversation for owners who are thinking about a sale, whether that's in the near future or five years from now.


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BlackOak Business Advisors helps Florida business owners prepare for and sell privately held businesses with professionalism, discretion, and a focus on maximizing value, including building a data room ready for due diligence well before a business goes to market. Founder Simon Harrison holds the Master Certified Business Intermediary (MCBI) and Certified Exit Planning Advisor (CEPA) designations.