

## AcquiringCo

### IT Due Diligence Request List: TargetCo

Date

| IT Staff |   |
|----------|---|
| 1.       | An organization chart for the technology staff. Include employee names, titles, full or part-time status and local or remote location.  |
| 2.       | A list of all IT employees, a summary of their responsibilities and copies of their resumes.  |
| 3.       | A list of any inactive employees, stating the reason for their inactive status and the prognosis for their return.  |
| 4.       | A list of terminated employees for the past three years, and any confidentiality, non-solicitation, severance agreements etc. that apply to them.   |
| 5.       | Copies of any non-compete or non-solicitation agreements signed by the employees, and a list of any employees without such agreements.  |
| 6.       | A list of any open positions and planned hires in the technology organization, including anticipated salaries.  |
| 7.       | A list of all staff salaries and bonuses for the past three years and any raises or bonuses expected in the next 12 months.   |
| 8.       | A description of any existing, pending or anticipated lawsuits related to IT or IT employees.   |
| 9.       | A description of how the technology staff collaborates.   |
| 10.      | A description of the training and education that the technology staff receives.   |
| 11.      | A list of new hires required to accomplish planned new objectives or development projects.  |
| Products |   |
| 12.      | A list and description of all software products sold or built for internal use. For each, include delivery method, key competitors, number of active customers, status (in production, planned, beta, etc.), high-level market strategy and any unique or proprietary technology. |
| 13.      | A description of any administrative interfaces to existing products and systems, and a list of all people who have had access for the past three years.   |
| 14.      | Copies of any documents related to industry certifications for any of the company's products.   |
| 15.      | A listing of all awards or industry recognition, dates and selection criteria.  |
| 16.      | An estimate of how the company's software and systems would handle a significant increase in volume.  |
| 17.      | The opportunity to see a demonstration of all products, internal tools and support software, including administrative interfaces.   |
| 18.      | A description of any products under development or product prototypes / wireframes.   |
| 19.      | A description of how customer data is stored in the database. Is each customer's data stored separately?  |

| <b>Software Development Process</b> |  |
|-------------------------------------|--|
| 20.                                 | A description of the software development tools and environment utilized by the company.   |
| 21.                                 | A description of the version control process and system(s) utilized.   |
| 22.                                 | A description of the process for approving and developing new software products or features.   |
| 23.                                 | A description of any outsourced software development arrangements and copies of the related agreements.  |
| 24.                                 | A description of the software development model that is used (i.e. are “AGILE” or “waterfall”).  |
| 25.                                 | A description of the process in place for identifying, tracking and correcting product bugs.   |
| 26.                                 | A description of the process for designing product user interfaces.  |
| 27.                                 | A description of the database design process.  |
| 28.                                 | A description as to how product security is considered during product development.   |
| 29.                                 | A description of the software development coding standards used by the company.  |
| <b>Documentation</b>                |  |
| 30.                                 | A list of people with access to the company’s source code for the past three years.  |
| 31.                                 | A list of any software developed by the company for which the source code is no longer available.  |
| 32.                                 | Product development roadmaps for the next twelve months.   |
| 33.                                 | Copies of any end user software documentation.   |
| 34.                                 | Monthly traffic reports including page views, unique visitors and top referrers for the past three years and estimates for next twelve months. |
| 35.                                 | Copies of any data dictionaries for both products and systems developed for internal use.  |
| 36.                                 | Copies of any internal or public white papers or case studies describing the technology.   |
| <b>Software Utilized</b>            |  |
| 37.                                 | A list of product development tools utilized, including costs and current licensing terms.   |
| 38.                                 | A list and description of database software utilized, including the version, licensing model and costs.  |
| 39.                                 | A list of all software licenses maintained by the company.   |
| 40.                                 | A list of any third-party tools or content that are utilized by or embedded within the company’s software products.                            |
| 41.                                 | A description of how the company tracks the software it licenses for its own use.  |
| 42.                                 | A description of the internal technology systems: email, network, payroll, accounting, customer relationship management etc.                   |
| 43.                                 | A list of any software that is not properly licensed.  |
| <b>Hardware</b>                     |  |
| 44.                                 | A list of all computer server hardware, whether it is owned or leased, and current value. Include operating systems and versions.              |
| 45.                                 | An inventory of all laptops and desktop computers, including model, approximate age,   |

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|-----------------------------------|--|
|                                   | approximate cost, operating system, operating system version, and whether the computer is leased or owned.   |
| 46.                               | A description of how computer systems are maintained.  |
| <b>Network and Infrastructure</b> |  |
| 47.                               | A network diagram showing network entry points, firewalls, servers etc.  |
| 48.                               | A list of any monitoring tools in place for the company's IT infrastructure.   |
| 49.                               | A description of the current server / hosting environment. Is it hosted in-house, via a third party, etc?  |
| 50.                               | A description of the process by which the sales and operations staff communicate sales and marketing information to the IT staff so proper capacity planning can be performed. |
| 51.                               | A description of any redundancies built into the hosting platform and hardware.  |
| 52.                               | An explanation of any unscheduled network or system downtime in the past twelve months.  |
| <b>Backup and Recovery</b>        |  |
| 53.                               | Copies of any existing disaster recovery and / or business continuity plans.   |
| 54.                               | Copies of any backup policies, and details regarding how long they have been implemented.  |
| <b>Intellectual Property</b>      |  |
| 55.                               | A list of all domain names controlled by the company (also Twitter handles and corporate LinkedIn or Facebook accounts).   |
| 56.                               | A list of any patents or trademarks applied for or held by the company related to company technology.  |
| 57.                               | A list of any copyrights related to software developed by the company.   |
| 58.                               | A description of any software escrow deposits related to the company's software products, and copies of any related agreements.  |
| <b>Customers</b>                  |  |
| 59.                               | A description of the technical support process.  |
| 60.                               | A log of customer technical support calls / questions for the past four months.  |
| 61.                               | A description of the implementation process for a new customer.  |
| <b>Quality</b>                    |  |
| 62.                               | A description of the software development QA / testing process.  |
| 63.                               | A list of known software bugs / limitations / outstanding customer feature requests.   |
| <b>Financial</b>                  |  |
| 64.                               | A description how new software development projects and ongoing maintenance are capitalized and expensed.  |
| 65.                               | A list of the technology capital expenditures for the past three years and those planned for next 12 months.   |

| <b>Security and Compliance</b>              |  |
|---|--|
| 66.   | A description of how the company stays up to date on all vendor software patches.  |
| 67.   | A description of any system vulnerability, intrusion detection or penetration testing that has been performed.   |
| 68.   | A list and description of any firewalls maintained by the company, including their purpose and any monitoring that is performed on a regular basis.  |
| 69.   | A description of any wireless networks maintained by the company, including password protection and data encryption settings, and any monitoring that is performed on a regular basis.                                     |
| 70.   | A description of any VPNs or other remote access systems that allow access to the company's networks, including password protection and data encryption settings, and any monitoring that is performed on a regular basis. |
| 71.   | A description of how access to the company's source code and other critical resources (documents, contracts etc.) is monitored and tracked.  |
| 72.   | For web-based products, a description of the process of releasing changes to the products, including the use of any test or staging servers, and the level of access that developers have to the production environment.   |
| 73.   | A copy of any acceptable use policy regarding company computers and systems that all personnel are required to sign.   |
| 74.   | A list of any users that are not subject to the standard security policies of the company.   |
| 75.   | A description of any areas where users or network administrators share access to systems.  |
| 76.   | A list of any regulatory requirements relating to technology to which the company is subject, and a description as to how the company complies.  |
| 77.   | A list of any non-employees who have access to critical company information (source code, documentation, etc).   |
| 78.   | A description of the communication between company human resources staff and the IT staff to remove access for employees and contractors that are terminated.  |
| 79.   | A description of any encryption of company or product data during transmission or at rest.   |
| 80.   | A description of how any data that is no longer needed is purged or destroyed, along with any associated data retention policies.  |
| 81.   | A description of password policies for the company networks and systems, including length and complexity, and any expiration policies.   |
| 82.   | A copy of any procedures in place to identify, report and remediate any security breaches.   |
| 83.   | A description of any background checks performed on potential new employees prior to their being hired.  |
| 84.   | A description of any physical access restrictions to critical company assets such as servers and data.   |
| 85.   | Copies of any IT operational or security audit (i.e. SAS 70) performed in the past 3 years.  |
| 86.   | A description of any security breaches in the past 5 years.  |
| 87.   | A description of the process for operating system and security updates for employee computers and servers.   |
| 88.   | A list of any server, laptop or desktop without anti-virus software installed.   |
| <b>Agreements and Other Legal Documents</b> |  |

|              |   |
|--------------|---|
| 89.          | Copies of any hosting company agreements.   |
| 90.          | Copies of any third party software or technology agreements.  |
| 91.          | A list of any external contractors or consultants who have been involved in the development of any software or systems and copies of any agreements with those contractors. |
| 92.          | Details of any contractually-obligated product features or service level agreements.  |
| 93.          | Copies of customer software license or subscription agreement templates.  |
| 94.          | Copies of any hardware maintenance or support agreements.   |
| 95.          | A description of the company's property and liability insurance coverage as it relates to computer equipment and marketed products.   |
| 96.          | Copies of any telecommunications agreements.  |
| 97.          | Copies of customer and supplier contracts with change of control and assignment provisions.   |
| <b>Other</b> |   |
| 98.          | A source code review.   |

Thanks for reading.

The *IT Due Diligence Guide* includes much more than this checklist.

It's an eBook that provides a detailed explanation of each question on the checklist – why it's important and what the potential answers can tell you about your acquisition target.

It also includes an IT due diligence report template to help you create a due diligence report in a format that will be useful to financial executives.

You can see a sample chapter and other supporting content here:

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For less than the cost of one hour of a consultant's time, you can be well on the way to an effective IT due diligence process.