



Brokerage/Team Due Diligence Checklist

The **Brokerage/Team Due Diligence Checklist** is designed to provide a comprehensive framework for evaluating all aspects of a brokerage or team that you are considering acquiring. This tool helps ensure that you don't overlook any critical details that could impact the value or viability of the acquisition.

Sections:

The checklist is divided into key categories, each focusing on specific aspects of the brokerage or team. Here's a more detailed breakdown of each section, with examples and guidance on what to look for:

A. [Financial Due Diligence](#)

Understanding the financial health of a brokerage is fundamental. This section ensures that you have a clear picture of the revenue, expenses, profitability, and financial liabilities.

Checklist Item	Description	Required Documentation
Review Profit and Loss Statements	Analyze revenue, expenses, and profitability over the last 3 years.	Last 3 years of P&L Statements
Verify Balance Sheets	Check assets, liabilities, and equity to understand the brokerage's net worth.	Last 3 years of Balance Sheets
Evaluate Cash Flow Statements	Ensure that the business has healthy cash flow to cover its expenses.	Last 3 years of Cash Flow Statements
Review Tax Returns	Check for discrepancies between tax returns and financial statements.	Last 3 years of Corporate Tax Returns
Assess Outstanding Debt Obligations	Identify any loans or lines of credit that could impact future cash flow.	Loan Agreements, Debt Schedules
Analyze Accounts Receivable and Payable	Determine how quickly the brokerage collects from clients and pays its vendors.	AR/AP Aging Reports
Audit Commission Splits	Verify the accuracy of agent commission payouts and review any pending commissions.	Commission Reports

B. Legal and Compliance Due Diligence

A thorough legal review is essential to identify potential risks that could arise from pending litigation, non-compliance, or contractual obligations.

Checklist Item	Description	Required Documentation
Assess Technology Systems	Review the CRM platform, lead management tools, and digital marketing capabilities.	List of Software and Licenses
Evaluate Lead Generation Strategies	Understand how the brokerage generates and manages leads.	Marketing Plans
Review Transaction Management Process	Analyze how transactions are managed, including compliance and documentation.	Sample Transaction Files
Audit Training and Onboarding Programs	Ensure that new agents are effectively trained and integrated.	Training Manuals, Onboarding Materials
Verify Data Security Measures	Ensure that client and transaction data are stored securely.	IT Security Policies, Data Backup Reports
Evaluate Office Lease and Facilities Costs	Review the costs associated with office space, equipment, and utilities.	Lease Agreements, Equipment Inventories

D. Human Resources Due Diligence

The strength of the team being acquired is critical. This section focuses on understanding the dynamics, compensation structures, and overall satisfaction of the team.

Checklist Item	Description	Required Documentation
Review Compensation and Commission Structures	Ensure that agent compensation is competitive and in line with industry standards.	Compensation Plans, Commission Payouts
Evaluate Employee and Agent Turnover Rates	High turnover can indicate cultural or management issues.	Turnover Reports, Exit Interview Summaries
Analyze Benefits Packages	Review any health, retirement, or other benefits offered to employees.	Benefits Plans, Insurance Policies
Conduct Agent Satisfaction Surveys	Get feedback from agents on leadership, culture, and work satisfaction.	Survey Results
Verify Background Checks for Key Employees	Ensure that top management has a clean background and is fit for leadership.	Background Check Reports