# Due Diligence Checklist

## What Investors Will Ask For

**Project:** saas202509 **Date:** October 2025

**Purpose:** Be prepared for investor due diligence by having these documents ready

## What is Due Diligence?

**Due diligence** is the process where investors verify your claims and assess risks before investing.

**Typical timeline:** - Friends & Family: Minimal due diligence (1-2 days) - Angels: Light due diligence (1-2 weeks) - VCs: Thorough due diligence (2-8 weeks)

**Your goal:** Have everything organized and ready to share instantly

## Due Diligence Checklist

### 1. Company Formation & Legal

* ☐ **Certificate of Incorporation** (Delaware C-Corp recommended)
* ☐ **Bylaws** (company governance rules)
* ☐ **Stock Purchase Agreements** (founder stock)
* ☐ **Board Consents** (approving key decisions)
* ☐ **Cap Table** (who owns what %)
* ☐ **83(b) Elections** (founders filed with IRS within 30 days of stock grant)
* ☐ **Intellectual Property Assignment Agreements** (founders assigned IP to company)
* ☐ **Founder Vesting Agreements** (if applicable)

**Status:** - [ ] All documents complete and filed - [ ] Stored in Google Drive folder - [ ] Ready to share with investors

### 2. Intellectual Property

* ☐ **Patents** (if any filed or pending)
* ☐ **Trademarks** (company name, logo, product name)
* ☐ **Copyright registrations** (if applicable)
* ☐ **Domain names** (list of all domains owned)
* ☐ **Open source licenses** (list all open source software used)
* ☐ **IP assignment from contractors** (if you hired any developers/designers)

**Key Question:** “Does the company own all IP, or did a founder create it before incorporating?”

**Status:** - [ ] All IP assigned to company - [ ] No third-party IP claims - [ ] Trademark search complete (no conflicts)

### 3. Financial Information

* ☐ **Bank statements** (last 6 months)
* ☐ **Financial projections** (5-year model)
* ☐ **Burn rate** (monthly expenses)
* ☐ **Runway** (months of cash remaining)
* ☐ **Revenue** (if any - ARR, MRR, customer list)
* ☐ **Unit economics** (CAC, LTV, CAC payback, margins)
* ☐ **Existing cap table** (before this investment)
* ☐ **Prior funding** (any SAFEs, convertible notes, or equity rounds)

**For Pre-Revenue:** - Focus on projections and burn rate - Explain path to first revenue - Show customer pipeline (LOIs, pilots)

**Status:** - [ ] Financial model ready (see 03-FINANCIAL-PROJECTIONS.md) - [ ] Burn rate documented - [ ] Realistic revenue assumptions

### 4. Product & Technology

* ☐ **Product demo** (live or video)
* ☐ **Product roadmap** (what you’re building, when)
* ☐ **Technical architecture** (system diagram)
* ☐ **GitHub repository** (code review - may be requested by technical investors)
* ☐ **Tech stack** (languages, frameworks, infrastructure)
* ☐ **Security & compliance** (GDPR, SOC 2, data protection)
* ☐ **Scalability plan** (how product handles growth)

**For MVP Stage:** - Screenshots or mockups - Technical architecture document - Explanation of multi-tenant strategy

**Status:** - [ ] Demo available (working prototype or video) - [ ] Architecture documented - [ ] Tech stack defensible (not excessive complexity)

### 5. Market & Customers

* ☐ **Market size** (TAM, SAM, SOM calculations)
* ☐ **Competitive analysis** (who are competitors, how you differentiate)
* ☐ **Customer discovery** (# of interviews, key learnings)
* ☐ **Letters of Intent (LOIs)** (if any HOAs committed)
* ☐ **Pilot agreements** (if any HOAs testing product)
* ☐ **Customer testimonials** (if applicable)
* ☐ **Pricing strategy** (how you determined $400-$800/month)

**Key Investor Question:** “How do you know customers will pay for this?”

**Evidence:** - 50+ customer discovery interviews - LOIs from 3-5 HOAs - Pilot program agreements - Market research showing $70K current cost

**Status:** - [ ] Market size calculations documented - [ ] Competitive landscape analyzed - [ ] Customer validation evidence ready

### 6. Team & Advisors

* ☐ **Founder bio** (LinkedIn, resume)
* ☐ **Team members** (if any)
* ☐ **Advisor agreements** (if any advisors involved)
* ☐ **Employment agreements** (for any employees)
* ☐ **Contractor agreements** (if hired any freelancers)
* ☐ **Non-disclosure agreements (NDAs)** (if applicable)
* ☐ **Non-compete agreements** (if applicable - rare for startups)

**Investor Focus:** - Can this team execute? - Domain expertise? - Prior startup experience? - Gaps in team? (e.g., need CTO)

**Status:** - [ ] Founder background documented - [ ] Team hiring plan clear - [ ] Advisor relationships formalized (if any)

### 7. Fundraising History

* ☐ **Term sheet** (from this round, if applicable)
* ☐ **SAFEs or convertible notes** (from prior rounds)
* ☐ **Prior investor list** (names, amounts, dates)
* ☐ **Use of funds** (how you’ll spend this raise)
* ☐ **Milestones** (what you’ll achieve with this capital)
* ☐ **Next round plan** (when and how much you’ll raise next)

**Transparency is key:** Show all prior funding, even small amounts

**Status:** - [ ] All prior investments documented on cap table - [ ] Use of funds clearly allocated ($400K budget) - [ ] Milestones tied to funding (MVP in 6 months, $200K ARR in 12 months)

### 8. Legal & Compliance

* ☐ **Contracts** (customer contracts, vendor contracts)
* ☐ **Insurance** (D&O insurance if incorporated, liability insurance)
* ☐ **Employment law compliance** (if have employees)
* ☐ **Tax filings** (federal and state tax returns if applicable)
* ☐ **Regulatory compliance** (financial software regulations if applicable)
* ☐ **Privacy policy** (GDPR, CCPA if handling personal data)
* ☐ **Terms of service** (if product is live)

**For Pre-Revenue:** - Most of these won’t apply yet - Focus on incorporation docs and IP - Show awareness of compliance (e.g., “We’ll pursue SOC 2 after MVP”)

**Status:** - [ ] No outstanding legal issues - [ ] Compliance plan documented - [ ] Insurance obtained (or plan to obtain)

### 9. Business Model & Strategy

* ☐ **Business model canvas** (or equivalent)
* ☐ **Go-to-market strategy** (how you’ll acquire customers)
* ☐ **Sales process** (enterprise sales to HOA boards)
* ☐ **Marketing channels** (direct outreach, partnerships, content)
* ☐ **Partnership strategy** (property management companies)
* ☐ **Exit strategy** (acquisition targets, IPO timeline)

**Investor Question:** “How will you get to $1M ARR?”

**Answer:** - Pilot program (Months 1-6): 3-5 customers - Direct sales (Months 6-18): 10-50 customers - Partnerships (Months 18+): Scale via property managers - Self-serve (Year 3+): DIY onboarding

**Status:** - [ ] GTM strategy documented - [ ] Sales process mapped out - [ ] Realistic customer acquisition plan

### 10. References

* ☐ **Customer references** (HOA board members willing to vouch for you)
* ☐ **Industry references** (CPAs, property managers who know the space)
* ☐ **Personal references** (professional contacts who can vouch for founder)
* ☐ **Advisor references** (if you have advisors investors can call)

**Why it matters:** Investors call references to de-risk investment

**Status:** - [ ] 3-5 customer references ready - [ ] 2-3 professional references ready - [ ] References briefed on your fundraise

## How to Organize Due Diligence Materials

### Option 1: Google Drive Folder

**Structure:**

/Due Diligence - [Company Name]  
 /01-Company Formation  
 - Certificate of Incorporation.pdf  
 - Bylaws.pdf  
 - Stock Purchase Agreements.pdf  
 - Cap Table.xlsx  
 /02-Financial  
 - Financial Projections.xlsx  
 - Bank Statements (Last 6 Months)/  
 - Burn Rate Analysis.pdf  
 /03-Product  
 - Product Demo Video.mp4  
 - Technical Architecture.pdf  
 - Product Roadmap.pdf  
 /04-Market  
 - Market Size Analysis.pdf  
 - Competitive Landscape.pdf  
 - Customer Discovery Summary.pdf  
 /05-Team  
 - Founder Resume.pdf  
 - Advisor Agreements/  
 /06-Legal  
 - IP Assignments.pdf  
 - Contracts/  
 /README.md (index of all documents)

**Share with:** View-only access via link

### Option 2: Data Room (Professional)

**Use for:** Series A+ rounds

**Platforms:** - DocSend: https://www.docsend.com ($10-$50/month) - Dropbox: Business tier with permissions - Carta: Includes data room feature

**Benefits:** - Track who viewed what - Revoke access easily - Professional impression

## Due Diligence Timeline

### Friends & Family Round

**Timeline:** 1-3 days

**Investor asks for:** - Pitch deck - Financial projections - Cap table

**They care about:** You (the founder), not extensive diligence

### Angel / Pre-Seed Round

**Timeline:** 1-2 weeks

**Investor asks for:** - All of the above - Product demo - Customer validation - Market analysis

**They care about:** Team, market size, early traction

### Seed / Series A Round

**Timeline:** 2-8 weeks

**Investor asks for:** - Comprehensive due diligence (all 10 sections above) - Reference calls with customers - Code review (if technical investor) - Legal review (they send to their lawyers)

**They care about:** Everything (thorough vetting before large check)

## Red Flags Investors Look For

### Legal Red Flags

* ❌ Founders don’t own all IP
* ❌ No 83(b) elections filed
* ❌ Outstanding legal disputes
* ❌ Cap table discrepancies

### Financial Red Flags

* ❌ Unrealistic projections (10x revenue growth every year)
* ❌ Burn rate too high relative to progress
* ❌ Unclear use of funds

### Product Red Flags

* ❌ No working prototype or demo
* ❌ Over-engineered for stage (building for 1M users when you have 0)
* ❌ Tech stack doesn’t match problem

### Market Red Flags

* ❌ No customer validation (zero interviews)
* ❌ Underestimating competition
* ❌ Tiny market (<$100M TAM)

### Team Red Flags

* ❌ Solo founder with no plan to build team
* ❌ Founder has full-time job elsewhere
* ❌ Team lacks domain expertise
* ❌ Founders have equity disputes

## Preparing for Due Diligence (Action Plan)

### Week 1: Legal & Formation

* ☐ Ensure Delaware C-Corp incorporated
* ☐ Confirm all founder stock issued
* ☐ File 83(b) elections (if not already)
* ☐ Get all IP assignment agreements signed
* ☐ Create cap table

### Week 2: Financial

* ☐ Build 5-year financial model
* ☐ Document current burn rate
* ☐ Calculate unit economics (CAC, LTV)
* ☐ Gather bank statements
* ☐ Prepare use of funds breakdown

### Week 3: Product & Market

* ☐ Create product demo (video or live)
* ☐ Document technical architecture
* ☐ Summarize customer discovery findings
* ☐ Calculate market size (TAM/SAM/SOM)
* ☐ Analyze competitive landscape

### Week 4: Organize & Share

* ☐ Create Google Drive folder
* ☐ Upload all documents
* ☐ Create index/README
* ☐ Test sharing permissions
* ☐ Brief references (who investors might call)

**Total Prep Time:** 2-4 weeks (can do in parallel with fundraising)

## Due Diligence FAQ

### Q: What if I don’t have something on this checklist?

**A:** Be honest. Say “We haven’t done that yet, but here’s our plan…”

**Example:** - Investor: “Do you have a trademark?” - You: “Not yet. We’ll file after we close this round and finalize our name. Preliminary search shows no conflicts.”

**Investors expect gaps at pre-seed stage.** Honesty > pretending you have something.

### Q: How much should I share before they commit?

**A:** Depends on the investor:

**Before term sheet:** - Share pitch deck - Share financials (high-level) - Product demo

**After term sheet (signed):** - Share everything (full due diligence)

**Never share before NDA (if sensitive):** - Customer lists - Detailed financials - Proprietary technology details

### Q: What if they find something concerning?

**A:** Address it head-on:

1. Acknowledge the issue
2. Explain context
3. Show how you’ll fix it
4. Don’t hide or minimize

**Example:** - Issue: Founder doesn’t have 83(b) filed - Response: “You’re right, I missed that. I’ll file immediately (still within 30 days). My lawyer will handle it this week.”

### Q: Can due diligence kill a deal?

**A:** Yes, if there are major red flags: - Founder lied about something material - Cap table is a mess (conflicting claims) - Outstanding lawsuit - Product doesn’t work as claimed

**Prevention:** Be honest from the start, keep clean records

## Checklist: Pre-Meeting Preparation

**Before meeting with an investor:**

* ☐ Send pitch deck 2-3 days in advance
* ☐ Prepare 10-minute demo (practice!)
* ☐ Print handouts (if in-person)
* ☐ Prepare answers to common objections
* ☐ Research the investor (investments, thesis)
* ☐ Have financial model ready on laptop
* ☐ Prepare questions to ask them
* ☐ Dress appropriately (business casual)
* ☐ Arrive 10 minutes early (or test Zoom link)

## Resources

**Due Diligence Tools:** - DocSend: https://www.docsend.com - Carta: https://carta.com (includes data room) - Google Drive: Free, good for early stage

**Legal:** - Clerky: https://www.clerky.com (incorporation, SAFEs) - Gust Launch: https://gust.com/launch (incorporation + legal) - Local startup lawyer (find via referrals)

**Templates:** - YC Document Library: https://www.ycombinator.com/documents - Cooley GO: https://www.cooleygo.com/documents/

**REMEMBER:** Investors expect gaps at pre-revenue stage. Be honest, organized, and responsive.

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