

# ■ THE ULTIMATE INVESTOR DUE DILIGENCE CHECKLIST

*Your Complete Roadmap to Fundraising Readiness*

This comprehensive checklist guides entrepreneurs through every document, record, and proof investors typically require during due diligence. Complete this checklist systematically to ensure you're fully prepared for investor scrutiny. Organized, transparent documentation accelerates deals and builds investor confidence.

- ✓ **Transparency Accelerates Deals:** Clean documentation signals professionalism
- ✓ **Organization = Trust:** Well-organized materials demonstrate execution capability
- ✓ **Preparation Wins:** 90% of due diligence issues are preventable with proper preparation

# ■ CHECKLIST SUMMARY PAGE

*Quick-Scan Overview: Are You Investor-Ready?*

Category	# Items	Priority	Status
■ Corporate Documents	12	■ Critical	
■ Legal & IP	10	■ Critical	
■ Financial Information	15	■ Critical	
■ Team & HR	8	■ Important	
■ Product & Technology	9	■ Important	
■ Market & Business Model	7	■ Supporting	
■ Customer & Revenue Data	11	■ Critical	
■ Fundraising & Cap Table	9	■ Critical	
■ Compliance & Risk	8	■ Important	
■ Founder Readiness Tools	6	■ Supporting	

## ■ Your Readiness Score:

- **90-100% Complete:** You're investor-ready. Go get that capital! ■
- **70-89% Complete:** You're close. Focus on critical gaps before pitching.
- **50-69% Complete:** Significant work needed. Prioritize red items first.
- **Below 50%:** Start here and work systematically through each section.

■ **Golden Rule of Due Diligence:** "The cleaner your documents, the faster the deal closes. Messy due diligence kills momentum and creates doubt. Organization = professionalism = trust = funding."

# ■ SECTION 1: CORPORATE DOCUMENTS

## Why This Matters:

Investors need to verify your company legally exists, is properly structured, and has clean governance. This establishes the foundation of their investment and protects both parties.

## Document Checklist:

### Foundational Documents:

- Certificate of Incorporation (or Articles of Organization for LLCs) - Filed with your state and stamped/approved
- Bylaws (or Operating Agreement for LLCs) - Current, adopted version
- Corporate Charter / Amended and Restated Certificate - Shows authorized shares, classes of stock, voting rights
- Good Standing Certificate (from your state) - Dated within last 30 days

### Governance & Meeting Records:

- Board Resolutions - All major decisions: funding rounds, equity issuances, major contracts
- Stockholder Resolutions - Any stockholder votes or consents
- Board Meeting Minutes - All meetings since inception (or last 2 years minimum)
- Stockholder Meeting Minutes - Annual meetings and special meetings

### Organizational Records:

- List of Current Shareholders - Names, addresses, share counts, percentage ownership
- List of Current Directors and Officers - Full names, titles, appointment dates
- Organizational Chart - Shows corporate structure if you have subsidiaries
- Registered Agent Information - Current registered agent and address on file with the state

## ■ PRO TIPS FOR FOUNDERS:

✓ **Keep a Corporate Records Binder:** Create a digital folder titled 'Corporate Records' and store everything chronologically. Update it after every major event.

✓ **If You Haven't Held Formal Board Meetings:** Use 'Unanimous Written Consent' documents instead—they have the same legal effect.

✓ **Missing Documents?** Work with a startup attorney to 'clean up' your records retroactively. This is common and fixable—but do it BEFORE due diligence starts.

✓ **Good Standing Certificate:** Request this from your Secretary of State 1-2 weeks before investor meetings. It usually costs \$10-50.

**✓ Red Flag to Avoid:** Investors hate discovering unauthorized shares, undocumented equity grants, or governance confusion. Clean this up early with legal counsel.

## ■ SECTION 2: LEGAL & INTELLECTUAL PROPERTY

### Why This Matters:

Investors want to confirm you own what you claim to own—especially your IP—and that there are no hidden legal liabilities. Your IP is often your most valuable asset, so proving ownership is critical.

### Document Checklist:

#### Intellectual Property:

- List of All IP Assets - Patents, trademarks, copyrights, trade secrets, domain names
- Patent Applications & Issued Patents - Full documentation, filing receipts, office actions
- Trademark Registrations - Federal (USPTO) and state registrations, proof of use in commerce
- Copyright Registrations - For software, content, creative works (if applicable)
- IP Assignment Agreements - Every founder, employee, contractor must assign IP to the company
- Domain Name Ownership Records - WHOIS records showing company ownership

#### Contracts & Agreements:

- Material Contracts List - Customer agreements, supplier contracts, partnership deals (anything over \$10K annually)
- Licenses (Inbound & Outbound) - Software licenses you use and licenses you've granted
- Non-Disclosure Agreements (NDAs) - With employees, partners, customers (if sensitive IP involved)
- Litigation History - Any past, pending, or threatened lawsuits, claims, or disputes

### ■ PRO TIPS FOR FOUNDERS:

✓ **IP Assignment is Non-Negotiable:** If even ONE founder or early contractor didn't sign an IP assignment agreement, fix it immediately. Use a lawyer to backdate assignments if necessary.

✓ **Open Source Software = Disclosure:** Create a 'Software Bill of Materials' (SBOM) listing all dependencies and their licenses. Avoid GPL licenses unless you know what you're doing.

✓ **Trademark Your Brand Early:** Filing a trademark costs ~\$250-350 per class and takes 6-12 months. Do this before your Series A.

✓ **Clean Up Old Agreements:** Review contracts from your early days. If you have sketchy terms, renegotiate or document them as 'legacy' agreements.

✓ **No Lawsuits is Good, But:** If you've been threatened with legal action, disclose it. Hiding it and having investors discover it later is far worse.

## ■ SECTION 3: FINANCIAL INFORMATION

### Why This Matters:

Your financials tell investors whether your business is real, scalable, and fundable. Clean, accurate financials = credibility. Messy financials = red flags and delayed deals.

### Document Checklist:

#### Core Financial Statements:

- Income Statements (P&L;) - Monthly for last 12-24 months and year-to-date
- Balance Sheets - Monthly for last 12-24 months and current (within 30 days)
- Cash Flow Statements - Monthly for last 12-24 months showing operating, investing, financing activities
- Financial Projections - 3-5 year forward-looking model with assumptions document

#### Accounting & Tax Records:

- Tax Returns - Last 2-3 years of corporate tax returns with proof of filing
- Bank Statements - Last 6-12 months for all operating accounts
- Accounts Receivable (AR) Aging Report - Who owes you money and when it's due
- Accounts Payable (AP) Aging Report - Who you owe money to and when it's due
- Debt Schedule - All loans, notes, credit lines with amounts, terms, payment schedules
- Accounting Policies Document - Revenue recognition method, depreciation policies

#### Fundraising Financial Details:

- Use of Funds Breakdown - Detailed budget for how you'll spend the capital you're raising
- Burn Rate Analysis - Monthly cash burn and runway calculation
- Budget vs. Actual Reports - Shows how well you forecast and manage finances
- Key Financial Metrics (KPIs) - CAC, LTV, MRR/ARR, gross margin, churn rate
- Cap Table Impact Model - Pro forma cap table showing ownership after proposed investment

### ■ PRO TIPS FOR FOUNDERS:

✓ **Use Accounting Software from Day One:** QuickBooks, Xero, or Wave. Don't use spreadsheets for core accounting.

✓ **Accrual vs. Cash Accounting:** Most startups should use accrual accounting (revenue recognized when earned, not when cash received).

✓ **Get Your Books Reviewed or Audited:** Pre-Seed/Seed needs clean bookkeeping. Series A needs a financial review (\$5K-15K). Series B+ needs a full audit.

- ✓ **Burn Rate is King:** Investors obsess over burn rate. Know your monthly burn down to the dollar.
- ✓ **Revenue Recognition Matters:** If you have subscription revenue or deferred revenue, make sure your revenue recognition follows GAAP.
- ✓ **Separate Personal and Business Finances:** Open a business bank account and credit card immediately. Commingling funds screams unprofessional.

## ■ SECTION 4: TEAM & HR

### Why This Matters:

Investors invest in people as much as ideas. They need to see you have the right team, proper agreements, and clean HR practices. Team issues = execution risk.

### Document Checklist:

#### Founder & Employee Agreements:

- Founder Agreements - Equity split documentation, vesting schedules (4-year vest with 1-year cliff), roles
- Employment Agreements - For all full-time employees including salary, title, start date, benefits
- Offer Letters - Signed copies for every team member
- Consultant & Contractor Agreements - For all freelancers, agencies, advisors with IP assignment clauses

#### Equity & Compensation:

- Stock Option Plan (Equity Incentive Plan) - Board-approved plan document showing option pool size
- Stock Option Grants & Exercise Agreements - All grants issued with vesting schedules and strike prices
- 83(b) Election Forms - Filed with IRS within 30 days of restricted stock grants
- Advisor Agreements - Equity grants for advisors (typically 0.1-1% over 2 years)

### ■ PRO TIPS FOR FOUNDERS:

- ✓ **Founder Vesting is a Must:** Even if you're a solo founder, put yourself on a 4-year vesting schedule. Investors want to see commitment.
- ✓ **The 83(b) Election:** If you bought founder shares for pennies, file an 83(b) election within 30 days to avoid a massive tax bill later. Keep proof you filed it.
- ✓ **Option Pool Pre-Funding:** VCs often require you to create or expand your option pool BEFORE they invest. Expect a 10-20% post-money option pool.
- ✓ **Clean Up Advisor Equity:** If you promised equity to advisors verbally, document it NOW using FAST agreements.
- ✓ **Employment Law Compliance:** Make sure you're classifying people correctly (W2 employee vs. 1099 contractor). Misclassification can trigger IRS penalties.
- ✓ **Remote Team = Extra Complexity:** If your team is distributed, you may need to register in multiple states. Consult an employment attorney or use a PEO.

## ■ SECTION 5: PRODUCT & TECHNOLOGY

### Why This Matters:

Investors need to understand what you've built, how defensible it is, and whether your technology is scalable, secure, and well-architected. This is especially critical for tech startups.

### Document Checklist:

#### Product Documentation:

- Product Roadmap - Current features and planned features (6-12 months out) with prioritization rationale
- Technical Architecture Diagram - High-level system design (front-end, back-end, databases, APIs)
- Technology Stack Documentation - Languages, frameworks, infrastructure (AWS, GCP, etc.)
- Product Demo or Video Walkthrough - 3-5 minute demo showing core functionality with link or access credentials
- User Flow Diagrams - How users navigate through your product
- API Documentation - For developer-facing products or platforms (if applicable)

#### Development & Security:

- GitHub/Code Repository Access - View-only access for investors to review code quality
- Security & Privacy Policies - Data encryption methods, security audit results, penetration testing
- Dependency List & Open Source Licenses - Software Bill of Materials (SBOM) and license compliance review

### ■ PRO TIPS FOR FOUNDERS:

✓ **Document Your Tech Stack:** Create a one-page 'Technology Overview' with diagrams. Investors will scrutinize your architecture for scalability.

✓ **Code Quality Matters:** If investors request code access, make sure your repo is clean with good comments and consistent style.

✓ **Security is Table Stakes:** At minimum, ensure SSL/TLS encryption, encrypted databases, SOC 2 compliance (for B2B SaaS at Series A+), and regular security updates.

✓ **Avoid Technical Debt Horror Stories:** If your product is held together with duct tape, investors will find out. Be transparent about technical debt.

✓ **Open Source = Double-Edged Sword:** Know your licenses: MIT/Apache/BSD = Safe. GPL/AGPL = Requires legal review.

✓ **Patents and Trade Secrets:** If you have proprietary algorithms, consider filing provisional patents (~\$3K-5K) to establish 'patent pending' status.



## ■ SECTION 6: MARKET & BUSINESS MODEL

### Why This Matters:

Investors need to believe the market is big enough, growing fast enough, and that your business model is scalable and capital-efficient.

### Document Checklist:

- Market Research Reports - TAM, SAM, SOM calculations with sources and industry reports from reputable firms
- Competitive Analysis - Detailed competitor comparison (features, pricing, market share) and SWOT analysis
- Customer Personas - Detailed profiles of your ideal customer segments
- Go-To-Market (GTM) Strategy Document - Customer acquisition channels, costs, sales process and cycle length
- Pricing Strategy & Rationale - How you price, why, and how it compares to competitors
- Unit Economics Model - CAC, LTV, payback period, gross margin by customer segment
- Case Studies or Customer Success Stories - Real examples of how customers use and benefit from your product

### ■ PRO TIPS FOR FOUNDERS:

✓ **Market Sizing Bottom-Up > Top-Down:** Don't say '1% of the \$10B market.' Instead: '50,000 businesses in our category, 10,000 fit our ICP, we can capture 1,000 in Year 3 = \$5M ARR.' Much more credible.

✓ **Show Your Research:** Use real data from reputable sources like Gartner, Statista, government data, or your own primary research.

✓ **Competitive Intelligence:** Investors expect you to know your competitors inside and out. Use a 2x2 matrix or feature comparison table.

✓ **Unit Economics = Fundability:** If your LTV:CAC ratio is below 3:1, you have a problem. Healthy SaaS companies aim for 3:1 to 5:1.

✓ **Pricing Power:** Can you raise prices without losing customers? That's a sign of strong product-market fit. Document any successful price increases.

## ■ SECTION 7: CUSTOMER & REVENUE DATA

### Why This Matters:

Traction talks. Investors want to see proof that customers want your product, will pay for it, and will stick around. This is your 'proof of concept.'

### Document Checklist:

#### Customer Metrics:

- Customer List - Names, industries, contract values, start dates (anonymize if necessary)
- Customer Acquisition Metrics - Monthly/quarterly new customer counts, acquisition channels, conversion rates
- Customer Retention & Churn Analysis - Monthly/annual churn rates by cohort and retention curves
- Net Revenue Retention (NRR) - Measures expansion revenue from existing customers (>100% is ideal)
- Customer Testimonials & Reviews - G2, Capterra, Trustpilot reviews and written testimonials

#### Revenue Metrics:

- Revenue Breakdown - MRR/ARR by customer segment, product line, geography
- Revenue Growth Trends - Month-over-month and year-over-year growth rates
- Contract Details - Average contract value (ACV), contract length, payment terms
- Pipeline & Sales Funnel Analysis - Current sales pipeline value and conversion rates at each stage
- Backlog or Deferred Revenue - Contracted revenue not yet recognized
- Cohort Analysis - Revenue and retention by customer cohort (month/quarter they joined)

### ■ PRO TIPS FOR FOUNDERS:

✓ **Traction = The Great Equalizer:** Strong traction can overcome team weaknesses or competitive threats. If your numbers are good, lead with this.

✓ **Pre-Revenue? Focus on Leading Indicators:** Show waitlist size, LOIs from potential customers, pilot program participation, user engagement from beta.

✓ **Cohort Analysis is Gold:** Break down metrics by cohort. This shows whether your product is improving over time.

✓ **Customer Concentration Risk:** If one customer represents >25% of revenue, that's a red flag. Have a plan to diversify.

✓ **Reference Customers:** Be ready to offer 2-3 customer references who will speak highly of you. Investors WILL call them.

✓ **NDAs and Customer Names:** Some customers require confidentiality. Provide anonymized data and offer to disclose under NDA later.



## ■ SECTION 8: FUNDRAISING & CAP TABLE

### Why This Matters:

Investors need to understand your ownership structure, past fundraising, and how their investment fits in. A messy cap table is a deal-killer.

### Document Checklist:

#### Capitalization Table:

- Fully Diluted Cap Table - Current ownership: founders, employees, investors, options, including all outstanding equity
- Cap Table Model (Pre- and Post-Money) - Pro forma showing ownership after current fundraise
- Vesting Schedules - For founders, employees, advisors with acceleration clauses
- Option Pool Analysis - Allocated vs. unallocated options and future hiring plans

#### Previous Fundraising:

- Previous Financing Documents - All past SAFEs, convertible notes, equity rounds with term sheets
- Side Letters or Special Terms - Any special agreements with previous investors (pro-rata rights, board seats)
- Term Sheets from Prior Rounds - Signed copies
- Investor Rights Agreements - Information rights, pro-rata rights, drag-along/tag-along provisions
- Shareholder Consent Documents - Approval for new funding rounds, amendments

### ■ PRO TIPS FOR FOUNDERS:

- ✓ **Keep Your Cap Table Updated:** Use Carta, Pulley, or Shareworks to manage your cap table digitally. Update it after every equity event.
- ✓ **SAFEs and Convertible Notes Stack Up:** If you've raised multiple SAFEs/notes, model how they'll convert in your next priced round.
- ✓ **Avoid Over-Complicating Early Fundraises:** Too many SAFEs with different terms create a conversion nightmare. Keep valuation caps consistent.
- ✓ **Clean Up Zombie Equity:** If you granted equity to early advisors who never contributed, buy them out or negotiate cancellations before diligence.
- ✓ **Founder Dilution is Normal:** By Series A, founders typically own 50-70%. By Series B, 30-50%. Focus on growing the pie, not protecting your slice.
- ✓ **Board Composition Matters:** Investors will want a board seat. Make sure your board is properly constituted with founder, investor, and independent seats.



## ■ SECTION 9: COMPLIANCE & RISK

### Why This Matters:

Investors need to confirm you're operating legally, ethically, and aren't hiding skeletons. Compliance issues can sink deals or trigger expensive fixes post-investment.

### Document Checklist:

#### Legal Compliance:

- Business Licenses & Permits - State/local business licenses and industry-specific licenses
- Insurance Policies - General liability, D&O; insurance, E&O;/professional liability, cyber liability
- Privacy & Data Protection Compliance - GDPR, CCPA, HIPAA compliance and data processing agreements
- Terms of Service & Privacy Policy - Publicly available and compliant with laws
- Regulatory Filings - SEC filings, industry regulator filings (FDA, FCC, etc.) if applicable

#### Risk Disclosures:

- Material Risks Document - List of business risks (competitive, regulatory, operational) and mitigation strategies
- Litigation & Claims - Any lawsuits, arbitrations, government investigations (even if resolved)
- Related Party Transactions - Any deals with founders, family members, or affiliates

### ■ PRO TIPS FOR FOUNDERS:

✓ **Get D&O; Insurance Before You Raise:** Directors & Officers insurance protects your board from personal liability. VCs often require it. Costs ~\$2K-10K/year.

✓ **Data Privacy is Non-Negotiable:** If you collect ANY customer data, you need compliant Terms of Service and Privacy Policy. Use generators like Termly or hire a lawyer.

✓ **GDPR and CCPA Apply to You:** Even if you're US-based, if you have EU or California customers, you must comply with cookie consent, data deletion requests, and privacy by design.

✓ **Related Party Transactions = Disclosure:** If your company does business with family or affiliates, disclose it. These aren't necessarily bad, but hiding them is.

✓ **Regulatory Sandboxes:** If you're in a heavily regulated industry (fintech, healthtech, crypto), explain how you're navigating regulations.

✓ **No Litigation is Great, But:** If you have been sued (even frivolously), don't hide it. Disclose it proactively with context about the outcome.

## ■ SECTION 10: FOUNDER READINESS TOOLS

### Why This Matters:

Beyond the formal documents, investors expect you to have polished, founder-facing materials that tell your story clearly and compellingly.

### Document Checklist:

- Pitch Deck (Investor Version) - 12-15 slides in PDF format, branded, no typos, updated within last 30 days
- Executive Summary / Investment Memo - 1-2 page summary of your business, traction, ask for email introductions
- One-Pager / Teaser - Single-page visual summary great for cold outreach or conferences
- Data Room Index - Organized folder structure of all due diligence documents using Dropbox, Google Drive, DocSend, or Carta
- Key Metrics Dashboard - One-page snapshot of critical KPIs updated monthly (MRR, burn rate, runway, CAC, LTV, churn)
- FAQ Document - Answers to common investor questions: Why now? Why you? What's your moat? What's your biggest risk?

### ■ PRO TIPS FOR FOUNDERS:

✓ **Set Up a Virtual Data Room Early:** Create a Google Drive or Dropbox folder structure NOW with sections for Corporate, Legal, Financials, Team, Product, Market, Customer, Fundraising, Compliance, and Pitch Materials.

✓ **Use DocSend for Pitch Decks:** DocSend lets you track who views your deck, for how long, and which slides they focus on. Gold for follow-up conversations.

✓ **Update Your Deck Monthly:** Your pitch deck should reflect current metrics. Stale metrics = lack of momentum.

✓ **Executive Summary = Your 'Trailer':** Write a compelling 1-2 page exec summary that makes investors WANT to read your full deck with Problem, Solution, Market, Traction, Team, and The Ask.

✓ **Answer FAQs Proactively:** Create a doc answering the 10-15 questions you get asked repeatedly. Share it during diligence to save time and show preparation.

## ■ FINAL PRE-INVESTOR MEETING CHECKLIST

### 48 Hours Before Your First Investor Meeting:

- Confirm your data room link works (test it from an external email)
- Review your pitch deck and practice your pitch 3+ times
- Update all financial metrics to current month
- Prepare printed or digital copies of exec summary
- Have your laptop demo-ready (charged, wifi backup plan)
- Bring business cards (or digital equivalent)
- Review investor's portfolio and background (reference their investments)
- Prepare 3-5 thoughtful questions to ask THEM (show you're selective too)
- Have a clean, professional Zoom background (if virtual)
- Send calendar invite with meeting link, agenda, and any pre-reads

### After Every Investor Meeting:

- Send thank-you email within 24 hours
- Provide any follow-up materials they requested
- Update your investor CRM/tracker (interest level, next steps, concerns raised)
- Ask for intro to other investors if they pass (most will help if you ask)

# ■ YOUR ACTION PLAN: 30-DAY DUE DILIGENCE SPRINT

## Week 1: Foundation

- Set up virtual data room folder structure
- Gather all corporate documents and check for gaps
- Organize financial statements and tax returns
- Audit your cap table and equity agreements

## Week 2: Legal & IP

- Collect all contracts, licenses, IP assignments
- Fix any missing IP assignment agreements
- Document your technology stack and security practices
- Review and update Terms of Service / Privacy Policy

## Week 3: Traction & Customers

- Pull all customer and revenue reports
- Create cohort analysis and retention curves
- Calculate unit economics (CAC, LTV, payback period)
- Gather customer testimonials and case studies

## Week 4: Polish & Presentation

- Update pitch deck with latest metrics
- Write executive summary and one-pager
- Create FAQ document
- Do mock pitch with advisors/mentors and iterate
- Review this entire checklist and fill gaps

# ■ INVESTOR DUE DILIGENCE: WHAT THEY'RE REALLY LOOKING FOR

## 1. Trust & Transparency

*"Is this founder honest and organized?"*

Clean, accessible documentation = trustworthy. Missing docs or evasiveness = red flags.

## 2. Execution Capability

*"Can this team actually build and scale this business?"*

Strong financials, customer traction, and team docs prove execution. Messy operations = concern about future performance.

## 3. Risk Mitigation

*"What could blow up this investment?"*

IP ownership issues, legal liabilities, regulatory problems. Your job: show you've identified and mitigated key risks.

## 4. Return Potential

*"Can this become a \$100M+ business?"*

Market size, unit economics, growth trajectory. Investors need to see a clear path to 10x returns.

## 5. Competitive Advantage

*"What makes this hard to replicate?"*

IP, network effects, data moats, team expertise. Commodity businesses don't get funded.

## ■ FINAL WORDS OF WISDOM

### 'Due Diligence Starts Before Your First Meeting'

Investors are evaluating you from the moment they read your cold email. Professional materials signal a professional operation.

### 'Transparency Accelerates Deals, Secrecy Kills Them'

If you have skeletons (most companies do), disclose them early with context. Investors expect problems—they don't expect dishonesty.

### 'Every "I Don't Know" Costs You Credibility'

You should know your business inside and out: every metric, every contract, every risk. If you don't, figure it out before fundraising.

### 'Clean Diligence = Fast Closes'

The best founders close deals in 4-6 weeks because their diligence is airtight. Messy diligence drags out to 3-6 months and often falls apart.

### 'This Checklist is Your Competitive Advantage'

Most founders wing it. You won't. By completing this checklist, you'll be in the top 10% of prepared founders—and that gets funded.

**Due diligence isn't about perfection—it's about preparation, transparency, and demonstrating you're a founder who has their act together.**

The investors you want to work with will appreciate your thoroughness. The ones who don't? You didn't want them anyway.

**Now go build something incredible and get the funding you deserve. ■**

*This Due Diligence Checklist was created for entrepreneurs by Entrepreneuria.io - Empowering founders to overcome roadblocks and build successful businesses.*