

XXX Group Due Diligence Checklist

Note: This checklist is designed to be appropriate for early stage, angel-led investments. The "Information Request" and "Tasks" column lists those items and tasks, respectively, that are generally required, at a minimum, to complete diligence. The "Key Questions" column is representative of typical questions the diligence effort should address. The information request, tasks, and key questions should all be reviewed and revised, as needed, for the particular situation. The "Summary Points" column may be used by the team to summarize the answers to key questions in preparation for drafting the diligence report.

Diligence Topic	Information Request	Tasks	Key Questions
Leadership Assessment	Resumes for key leadership team members	Review resumes	Does the CEO possess the experience and leadership abilities to succeed?
	Professional references for key team members	Interview references (see interview guidelines)	Do they have skills for where they are going, as opposed to where they have been?
	Resumes and contact info for board members and advisors	Gather additional information from network as available (asking around, checking LinkedIn - anything to find blind reference checks)	Do the CEO and team have a proven track record?
		Assign team member(s) to spend time with CEO	Does the team possess the appropriate balance of experience and skill sets?
		Assess CEO and team for leadership, integrity, track record, required competencies	Are the board members and advisors suitable and committed?
		Assess suitability and commitment of board members and advisors	What key hires are needed to address gaps?
	Technology, IP and Product Roadmap	Descriptions of technology and product	Review information and meet with technical team
Relevant technical publications		Assess critical technologies, tool choices, software architecture choices, scalability of solution	How strong are the technology and IP positions?
Patents and patent applications		Assess IP defensibility	Is the product roadmap achievable?
Related IP info (defense: FTO?, offense: enforceability?)		Conduct additional secondary research as needed	What are the remaining risks related to technology, IP and product roadmap?
Product roadmap with key milestones		Conduct additional expert interviews if needed	Are their superior technologies on the near term horizon?
Competing technologies and commercialization status		Assess remaining technical risk, IP defensibility, competitive technical position	

Diligence Topic	Information Request	Tasks	Key Questions
Regulatory Strategy	Regulatory strategy, if relevant	Review regulatory strategy	Is the regulatory strategy well thought through and feasible?
	Status of dialogue with regulatory authorities and/or consultants, copies of relevant communications	Interview regulatory experts	Are the company's financial resources sufficient to implement the regulatory plan?
		Assess comparable regulatory pathways for other products as appropriate	Are assumptions about partners/acquirors' roles in the regulatory plan reasonable?
		Assess regulatory climate	What are the remaining regulatory risks?
Customer Need and GTM Plan	Go-to-market plan with key milestones and granular detail on sales approach	Review information and meet with marketing and sales team	Is the GTM plan reasonable?
	Partner identification and relationship status	Interview customers, partners, prospects as appropriate	Is the sales pipeline adequate, and are key metrics for adoption rate, conversion rates, etc. conservative?
	Sales pipeline by stage, factored to be truly realistic and achievable	Gather information on industry comparables as appropriate	Do customers confirm the need and likely adoption rates?
	Any current marketing/jv/distribution agreements	Collaborate with financial team to assess revenue and pricing model	Beyond verifying some demand, do we understand the customers buying priorities? Is this Oxygen, Asprin or Jewelry?
	Customer, prospect, and partner references (see guidelines for interviewing customers)		What are the major risks in marketing awareness, customer adoption rates and sales cycle?
Uniqueness and Competition	List of current and prospective competitors	Gather additional competitive intelligence as needed	Is the company well positioned with respect to current and likely future competitors?
	Competitive analysis including market share, relative strengths and weaknesses	Assess competitive environment, competitor positions, barriers to entry	Is the founding team well-informed about their market and industry? Do they have a good competitive sense, or are they unaware of key issues
			What are the major competitive risks?
Market Size and Market Opportunity	Market estimates from the company, properly segmented down to a reasonable addressable market segment	Gather additional market data as needed	Are the top-down and bottoms-up market estimates consistent and attractive?
	Published market data and industry reports by segment, industry vertical, and/or	Interview industry experts as needed	Are the market share projections reasonable?
		Assess market opportunity and product/market fit	What are the remaining risks in market development?
		Assess company's market estimates and market share assumptions	

Diligence Topic	Information Request	Tasks	Key Questions
Financial Projections and Funding Strategy	Current balance sheet	Assess balance sheet	Does the balance sheet make sense, and are there any showstopper issues, e.g., accrued liabilities?
	Historical financials	Assess historical and projected financials including revenue model, key assumptions, use of funds	Are the financial projections reasonable and conservative in light of past performance?
	Model of projected financials with sensitivity analyses on key assumptions	Conduct sensitivity analyses on key assumptions	What are the implications of variances in key assumptions?
	Fundraising history	Assess future financing needs	Is the future financing risk manageable?
	Use of funds - past and projected		What are the remaining financial risks?
	Future financing needs and assumptions		Are the assumptions about scaling expense (e.g. G&A, etc.) reasonable, or is the model unrealistic?
	Exit Strategy	Exit strategy	Discuss exit scenarios with CEO
	Likely acquirors and comparables	Assess realism of exit strategy	Is the exit strategy reasonable?
		Develop reasonable exit scenarios	What exit multiples can be predicted under representative scenarios?
		Model exit multiples under representative scenarios	Does the CEO know people in the industry? Is she a networker who will make the relationships and do the thought-leadership necessary to get a buyer interested?
Company Structure, Deal Terms	Documents of incorporation	Confirm legal entity (C Corp, state of incorp)	What changes to legal structure need to be undertaken?
	Cap table	Review existing investors, classes of stock	Are there any showstopper issues (pre-existing agreements, complex shareholder structure, high vendor payables, loans to management, informal promises or undocumented issuances of stock, etc.)?
	Proposed deal terms	Assess deal terms	What terms should be changed/negotiated (e.g., valuation, employee stock option pool, etc.)?