FOUNDERS / FUNDRAISING PROCESS

# Due Diligence Checklist — Seed / Series A

*What a serious investor will ask for, organised by category, with the gap founders usually have.*

**Educational template** — not legal or financial advice. Consult qualified counsel before use. Market terms vary by jurisdiction and by deal.

This is the checklist a founder uses to get ahead of a serious investor's process, not the version handed to them — work through each category before diligence starts, not after it's requested. 42 items across 6 categories. The “Status” column is blank for your own use in tracking what's actually ready.

## 1. Corporate & Legal

| ITEM | WHY THEY ASK | COMMON GAP | STATUS |
|---|---|---|---|
| Certificate/Articles of Incorporation, all amendments | Confirms the entity exists, in what jurisdiction, and hasn't been informally restructured | Amendments filed but not reflected in the company's own data room | ☐ |
| Bylaws or Operating Agreement | Governs board/shareholder voting mechanics that affect how fast the deal can close | Never updated after early board composition changes | ☐ |
| Board consents & meeting minutes since incorporation | Verifies major decisions (grants, prior raises) were properly authorized | Minutes exist for some meetings, not all; several major decisions never formally minuted | ☐ |
| Founder stock purchase agreements, incl. vesting | Confirms founder equity is subject to vesting, protecting the company if a founder leaves early | Founder shares issued with no vesting, or vesting already fully accelerated | ☐ |
| IP assignment agreements — founders, employees, contractors | Confirms the company, not an individual, owns the IP it's raising money to build on | A contractor or early advisor built core product with no signed assignment | ☐ |
| Material contracts (customer, vendor, partnership, above threshold) | Surfaces exclusivity clauses, change-of-control triggers, unusual obligations | A key customer contract has an undisclosed exclusivity or MFN clause | ☐ |
| Litigation history — pending, threatened, or resolved | Undisclosed litigation is one of the fastest ways to kill confidence late in a process | A dispute with a former co-founder or contractor was resolved informally, never disclosed | ☐ |

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| Regulatory licenses or permits required for the business | Confirms the company can legally operate in the markets it claims to serve | Operating in a regulated vertical without confirming license requirements | ☐ |

## 2. Financial

| ITEM | WHY THEY ASK | COMMON GAP | STATUS |
|---|---|---|---|
| Historical financials (P&L, balance sheet, cash flow) | Establishes the actual trajectory, not the pitch-deck version of it | Exists only as a rough spreadsheet, never reconciled to bank statements | ☐ |
| Current fully diluted cap table | Every other diligence item gets checked against this one document | Maintained in an old spreadsheet, not reconciled with signed documents | ☐ |
| 18–24 month financial model / forecast | Tests whether the founder's own numbers are internally consistent and defensible | Built once for the pitch, never updated with actual results since | ☐ |
| Bank statements, recent 3–6 months | Verifies the cash position in the deck matches what's actually in the account | Shows materially lower runway than the deck's stated burn implies | ☐ |
| Outstanding debt, loans, or convertible instruments | Every SAFE/note outstanding affects the real fully diluted table at conversion | An early SAFE or friends-and-family loan was never formally documented | ☐ |
| Revenue recognition policy + underlying customer contracts | Confirms reported revenue is real, recurring, and correctly recognized | “Revenue” includes signed-but-unbilled contracts or one-time fees | ☐ |
| Tax filings and standing (federal, state, payroll) | Unpaid payroll tax or a lapsed registration is a liability that transfers to new investors | Payroll tax filed late, or a state franchise tax registration lapsed unnoticed | ☐ |
| Accounts payable / receivable aging | Shows whether the company is quietly self-financing by delaying vendor payments | No formal AP/AR tracking beyond what's visible in the bank account | ☐ |

## 3. Product & Technology

| ITEM | WHY THEY ASK | COMMON GAP | STATUS |
|---|---|---|---|
| Product architecture overview / technical documentation | Confirms the technical story in the deck matches what's actually been built | Documentation is out of date or was never written down | ☐ |
| Source code repository access and commit history | Shows real, ongoing development activity, not a one-time build | Most of the product was built by a departed contractor with no handover | ☐ |

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| Third-party dependencies and open-source licenses in use | A restrictive copyleft license can create real legal exposure | A core dependency's license was never checked against the company's own terms | ☐ |
| Data security and privacy practices, incl. prior incidents | Confirms data handling survives an actual audit, not just a written policy | A privacy policy exists on the website but isn't reflected in practice | ☐ |
| Uptime / reliability track record, last 6–12 months | Tests whether the product is production-grade or still a prototype | No monitoring or incident log exists; uptime claims are anecdotal | ☐ |
| Product roadmap, next 12–18 months | Shows whether the raise amount is actually sized to the plan, or a guess | Roadmap isn't linked to the financial model's hiring or spend assumptions | ☐ |
| Technical debt and known limitations | An investor would rather hear this from the founder than discover it after closing | Founders default to not raising this unless asked directly | ☐ |

## 4. Market

| ITEM | WHY THEY ASK | COMMON GAP | STATUS |
|---|---|---|---|
| TAM sizing methodology | Tests whether market size is derived bottom-up or borrowed from a generic report | TAM cited from a single top-down analyst report with no company-specific derivation | ☐ |
| Competitive landscape and positioning | Wants to see a clear, honest view of who else is solving this problem | Competitor list is incomplete or dismisses a well-funded rival too quickly | ☐ |
| Customer acquisition cost and channel performance | Confirms the go-to-market motion is working at the unit-economics level | CAC estimated from a small sample, or blends channels with very different real performance | ☐ |
| Customer references available for reference calls | A real customer conversation surfaces retention issues no deck will mention | Founder is reluctant, or the list is limited to friendly early adopters | ☐ |
| Churn and retention data, logo and revenue | Often the single most predictive metric for whether the model works | Tracked informally, not broken out by cohort — the real trend is invisible | ☐ |
| Regulatory or macro exposure specific to the sector | Some sectors carry exposure that isn't obvious from the product alone | Founder hasn't considered how a plausible regulatory shift affects the model | ☐ |

## 5. Team

| ITEM | WHY THEY ASK | COMMON GAP | STATUS |
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| Founder and key employee backgrounds | Confirms stated experience is accurate and relevant to the problem | Résumé details don't match a reference check or public record | ☐ |
| Organizational chart and reporting structure | Shows whether team structure matches actual stage and headcount | No formal chart exists; reporting lines are informal and undocumented | ☐ |
| Employment agreements and offer letters, key employees | Confirms key people are actually under contract, not on a handshake | Early hires never received a formal offer letter or signed agreement | ☐ |
| Equity incentive plan and option pool size | An undersized pool at raise time usually gets refreshed at founders' expense | Pool wasn't sized with the next 12–18 months of hiring in mind | ☐ |
| Advisor agreements and any advisor equity grants | Confirms advisor equity was documented, not just verbally promised | An advisor was promised equity in conversation; no agreement was signed | ☐ |
| Key-person dependency and succession considerations | Wants to know what happens if a single founder is unavailable for an extended period | Never considered; no contingency plan or key-person insurance | ☐ |

## 6. Cap Table

| ITEM | WHY THEY ASK | COMMON GAP | STATUS |
|---|---|---|---|
| Fully diluted cap table, current and pro forma | Every valuation and ownership conversation is anchored to this document | Current and pro forma tables don't reconcile to the same total share count | ☐ |
| All outstanding SAFEs, notes, and warrants with full terms | Each instrument converts differently; missing even one changes the ownership picture | An old, forgotten SAFE or advisor warrant surfaces late in the process | ☐ |
| 409A valuation (if applicable) and its date | Confirms option strike prices were set at a defensible fair market value | No 409A obtained, or the existing one is materially stale given growth since | ☐ |
| Prior round documents (SPAs, side letters, IRAs) | Prior investor rights (pro rata, information, protective) carry forward and constrain this round | A prior side letter grants a right the founder forgot existed | ☐ |
| Founder vesting schedules and acceleration provisions | Single vs. double-trigger acceleration materially affects what a founder retains on a sale | Terms copied from a template without the founder understanding what they do | ☐ |
| Repurchase rights, ROFR, transfer restrictions | Confirms the company can control who its shares end up with over time | No ROFR exists on early angel or friends-and-family shares | ☐ |

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| Confirmation of issuances filed correctly (board approval, 83(b) elections) | A missed 83(b) deadline (30 days from grant) is not fixable after the fact | An early hire or founder never filed on time, or has no proof of filing | ☐ |

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