

Founder due diligence checklist

The company, financial and legal records investors typically request during diligence.

Overview

Diligence rarely kills a good company. Disorganised diligence kills momentum, and lost momentum kills rounds. Structure the data room before it is requested.

Data room structure

- 01 Corporate — incorporation, charter documents, resolutions, statutory registers.
- 02 Cap table — current table, all instruments, ESOP grants and vesting schedules.
- 03 Financials — audited or reviewed statements, monthly management accounts, model.
- 04 Tax and compliance — GST, TDS, PF/ESI, ROC filings and any notices.
- 05 Commercial — customer contracts, vendor contracts, pricing, pipeline.
- 06 Product and IP — architecture overview, trademarks, IP assignment agreements.
- 07 People — org chart, employment agreements, consultant agreements.
- 08 Legal — litigation, disputes, regulatory correspondence.

Items that most often cause delay

- IP created by early contractors without a signed assignment.
- Founder equity with no vesting, or vesting that was never documented.
- ESOP grants promised verbally but never issued.
- Overdue ROC filings or unresolved GST mismatches.
- Revenue recognised on invoices that were never collected.

Disclosure discipline

Disclose known issues in writing at the start of diligence with the remediation plan attached. An issue an investor finds themselves is treated as a risk; the same issue disclosed by the founder with a plan is treated as competence.

Nominate one person to own the data room and log every request with the date it was answered. Diligence that takes four weeks instead of ten is often the difference between closing and re-starting.

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