



Venture Capital Due Diligence Checklists

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If you want to raise money from a venture capital firm, you'll need to prepare a due diligence checklist to help them assess their potential investment in you.

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Using a due diligence checklist to prepare your VC presentation will help ensure that you've included all information that the investors need to make their decision.

When you're raising capital for your startup, your potential investors will conduct an [assessment](#) of your company's strengths and weaknesses, known as due diligence. For both the business owner and investor, due diligence is an important part of the investment process: you demonstrate your business's potential value, and the investor analyzes the risk of their investment.

Startups that want to raise funds from venture capitalists (VCs) have a long road ahead of them and must prepare specific information about their company. Therefore, startups seeking funding from VCs should prepare a due diligence checklist to audit their company and prepare for the first round of funding.

Here's what you need to know about this process and what to include on your checklist.

What is a due diligence checklist?

A due diligence checklist is an organized, comprehensive method VC firms use to fully analyze and understand the inner workings of a business. [As part of the due diligence process](#), investors will request access to [important information](#) about the business they want to invest in, such as its inventory, financial numbers, assets, contracts, intellectual property and outstanding legal issues, if any.

3 examples of VC due diligence checklists

Startups that want to raise funds from venture capitalists (VCs) have a long road ahead of them and must prepare specific information about their company.

VCs will carefully consider every aspect of the business before investing in it, so the more information you can provide about your business, the better chance you will have in attracting an investor.

These three due diligence checklist examples will help you prepare your business for VCs and, hopefully, lead to a successful outcome.



Example No 1.

For a comprehensive list: UpCounsel

UpCounsel, an online marketplace for legal services, provides a comprehensive [due diligence checklist](#) that is broken into 19 categories:

- Antitrust and regulatory issues
- Information technology concerns.
- Publicity.
- Outsourced professionals.
- Insurance coverage.
- Litigation.
- Products and services.
- Customer information.
- Tax information.
- Material contracts.
- Licenses and permits.
- Environmental issues.
- Real estate.
- Physical assets.
- Intellectual property (trade secrets, copyrights, patterns, trademarks).
- Employees and benefits.
- Organization and good standing of company.
- Financial information.
- Revenue streams.

Each category includes a list of steps with different moving parts and provides a helpful overview of what VCs look for. This is one of the most comprehensive due diligence checklists that covers most, if not all, the bases.

Example No 2. For a streamlined list: 50Folds

50Folds, founded by startup mentor, Alexander Jarvis, offers a different take on the due diligence checklist with a more streamlined list:

- Historical financials
- Business model/financial projections
- General legal, corporate, and compliance matters
- General overview of assets
- Materials, contracts, negotiations, and arrangements
- Employees
- Intellectual property
- Insurance
- Compliance with statuses and regulations
- Litigation
- Technology
- Other

The checklist is available as a [free Excel download](#) that you can use to answer questions including (1) if the audited financial statements from the last three fiscal years are applicable; (2) if the structure chart of the entire company (including subsidiaries, associated companies, branch, equity investments, etc.) apply; and (3) details of any material adverse change in the financial position, prospects or turnover of the company or of any known event or matter which has occurred or is likely to occur.

Below you can find copy of this free Excel table:

Example No 3. For a more condensed list: Cooley GO

Cooley GO provides an even tighter [sample checklist](#) that you can use to cover your bases. This due diligence checklist is broken into nine primary categories, each with its own smaller list of items you should prepare before seeking funding from a VC.

- Actions and minutes.
- Charter documents.
- Capital stock.
- Legal and regulatory.
- Intellectual property.
- Management, employees and consultants.
- Debt financing.
- Other agreements.
- Miscellaneous.

Based on these templates, you can decide which due diligence checklist is best for your business or craft your own. Remember, venture capital firms often receive hundreds of requests each month and they will quickly overlook companies that appear disorganized.

CO— aims to bring you inspiration from leading respected experts. However, before making any business decision, you should consult a professional who can advise you based on your individual situation.