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The Investor's Due Diligence Guide

Evidence, Risk & Investment Decision Discipline



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Audience: Venture investors, founders, investment analysts, family-office teams and investment committee members

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About this book

The purpose of due diligence is not to create the largest checklist. It is to discover what could make an investment decision wrong, obtain evidence proportionate to those risks, and document the remaining uncertainty without disguising it. A presentation is a starting hypothesis. A spreadsheet is a model of a business. Neither should be mistaken for independently verified fact.

This guide follows a decision from initial screening through a full investigation, an investment committee memo and the period after a decision. It is designed for readers who evaluate private, early-stage ventures, but many methods transfer to acquisitions, strategic partnerships and corporate innovation. Private investments can be difficult to value and sell; the SEC explicitly flags informational gaps and illiquidity among private-placement risks [R1].

A practical rule throughout: Keep facts, company representations, analyst estimates and unverified claims in separate fields. Escalate material integrity and legal concerns instead of compensating for them with a higher score elsewhere. A decision can be 'decline,' 'defer pending evidence,' or 'proceed to authorized decision' without being a judgment about the people involved.

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CHAPTER 01

1. The Purpose and Boundaries of Due Diligence

Investigation is a decision process

A decision-maker needs enough information to distinguish a potentially attractive company from a supportable transaction. Due diligence connects the two. It starts with the investment mandate: what sectors, stages, jurisdictions, check sizes, holding periods, concentration limits and prohibited activities are within scope? A company can be outstanding and still be a poor fit for a particular investor. A screening process that ignores mandate fit creates wasted diligence and pressure to rationalize an unsuitable deal.

Work backward from the actual decision. A seed investor may need credible evidence of problem severity, founder execution and legal ownership of the core product; a growth investor may concentrate on cohort retention, gross margin, audited financials and cash conversion. A strategic acquirer may scrutinize integration and antitrust risk more deeply. The scope should be written before the data room is opened and revised when discoveries change materiality.

Divide questions into four types. **Existence:** Does the asset, customer, contract or entity exist? **Accuracy:** Does the claim match the underlying record? **Rights:** Does the company own or legally control what it depends on? **Durability:** Could the present advantage, economics or relationship persist under adverse conditions? Each type needs a different source. A founder's statement may identify an issue; independent documentation or confirmation may be required to verify it.

Build a clean evidence trail

Record the date and version of every material source. A financial result from last quarter cannot prove this quarter's cash balance. A screenshot of a CRM pipeline is not evidence of signed bookings; a signed contract is not proof of cash collection. Preserve management explanations beside, not inside, the underlying evidence. If two sources disagree, mark an exception with owner, deadline and required reconciliation. Never silently choose the more favorable number.

A compact evidence log contains: question, claim, materiality, source, period, evidence grade, reviewer, exception and next action. Grant access on a need-to-know basis; avoid collecting sensitive personal data that are unnecessary to diligence. Establish confidentiality, conflicts and appropriate data handling before external information exchange. The WIPO guide on IP diligence encourages preparation of ownership and licensing records in an organized data room [R3].

Stop rules outrank point totals

Certain findings are not ordinary weaknesses. Suspected falsified records, unverifiable beneficial ownership, unlicensed regulated operations, known material misrepresentation, sanctions issues or a serious undisclosed dispute should trigger escalation and possibly an immediate stop. Qualified counsel should assess legal allegations rather than untrained reviewers making defamatory findings. Keep a documented account of what was observed and do not broadcast unverified suspicion.

Deliverable: One-page diligence mandate, risk scope and evidence register. **Decision gate:** Proceed only if the opportunity is within the applicable mandate and no unresolved integrity or legal stop flag prevents further work.

CHAPTER 02

2. The First Screening: Mandate, Market and Integrity

Use a short investment thesis

Before reading a pitch for an hour, state why this specific company could be interesting. A useful thesis names a customer, a costly problem, an advantage, an economic mechanism, a plausible path to scale and a reason the opportunity fits this investor. It should also describe what would falsify the thesis. A thesis without a falsifier is a preference, not a test.

The first screen needs a focused question set: What does the company sell? Who pays? What evidence shows current demand? How does it acquire customers? What capital is required before the next measurable milestone? What rights are being offered? Who must approve the decision? Review founder experience and gaps without treating pedigree, nationality, school or publicity as substitutes for evidence. A company can fail screening because its facts are incomplete; record this as insufficient evidence rather than manufacturing a negative assessment.

Separate the market story from accessible demand

A market report describing billions of dollars in an industry cannot establish the revenue reachable by one startup. Derive an accessible opportunity from defined buyer units, actual budget owners, purchasing frequency, reasonable contract size, geographic or channel constraints and adoption barriers. For enterprise markets, map procurement and integration as part of demand. For consumer markets, test repeat behavior and economics rather than download counts alone. Identify the status quo: spreadsheets, in-house staff, incumbent platforms, outsourcing and tolerating the problem.

A useful screening test asks for three recent customer episodes with evidence: a paid invoice, a signed agreement, usage records with permission, or independent references. A backlog of informal interested parties belongs in a lower evidence class. Customer data should be anonymized and shared under proper authority; never seek private customer records merely to strengthen a narrative.

Test the simplest explanation of traction

A company may report rising revenue while cash collections lag, or a user base may increase because free trials are not expiring. Ask what happened during the measurement window, what changed in product or pricing, whether large one-off contracts skewed the trend, and whether metrics changed definition. Recalculate one primary metric from a raw system export where authorization permits. If the reported result cannot be reproduced, that is an evidence gap, not necessarily proof of wrongdoing.

Red flags need careful language. For example: 'Bank statement not yet provided for claimed receipts' is an observation; 'revenue is fabricated' is a conclusion that requires far more proof. Create an independent review path for unresolved material discrepancies. The SEC's private-placement bulletin emphasizes scrutiny of financial statements, the business model, management and use of proceeds [R1].

Deliverable: Two-page screening note with mandate fit, market thesis, evidence quality and the five most consequential unanswered questions. **Decision gate:** A strong score may justify more work; it never approves investment.

CHAPTER 03

3. Market, Customers and Commercial Proof

Distinguish customer intent from customer behavior

Commercial diligence begins with the economic transaction. A prospect praising a demonstration is different from an authorized buyer approving a contract. A pilot can validate technical feasibility yet say little about renewal at full pricing. A purchase order may have cancellation rights. Ask exactly what has been promised, delivered, invoiced and collected; track these stages separately. Every customer metric must include its reporting period, numerator, denominator and exclusions.

Conduct references with customer permission and privacy controls. Use a structured script to avoid leading answers: What triggered the purchase? Which alternative did you replace? What value has been observed? What would make you discontinue the product? Who controls renewal? How difficult was deployment? What surprised the team? Seek contrary references, not only the founder's favorite accounts. In regulated sectors, confirm whether service claims require certifications or permissions; do not assume a customer contract itself proves compliance.

Evaluate concentration and repeatability

A venture with five customers may be attractive at seed stage yet fragile if one customer accounts for most revenue. Concentration matters across clients, partners, channels, vendors, cloud providers and intellectual property licenses. Review whether repeat sales require founder involvement, custom engineering or exceptional discounts. Distinguish productized revenue from one-time services. A company with excellent gross margin claims may actually rely on unpaid founder labor; normalize the economics for a plausible operating team.

An illustrative retention bridge starts with a cohort of 20 customers that together pay $200,000 of annual recurring revenue. If one $20,000 account cancels and surviving accounts expand by $15,000, the cohort ends at $195,000. Gross revenue retention is (200,000 - 20,000) / 200,000 = 90%; net revenue retention is (200,000 - 20,000 + 15,000) / 200,000 = 97.5%. These are fictional figures. Define how contractions, refunds and exchange rates are handled before comparing performance across companies.

Examine distribution as an operational system

Customer acquisition cost must match the same cohort and spending period as the customers being counted. Include sales payroll, outsourced acquisition, marketing software and commissions where relevant. Beware of comparing fully loaded acquisition cost with an optimistic gross-margin estimate from another period. Pipeline conversion should be observed at meaningful gates such as qualified meeting, proposal, signed contract and cash collected.

Test resilience by removing the largest customer, shortening contract terms or extending procurement cycles. These are not forecasts of disaster; they reveal dependency. In the committee memo, show what would still work if the current growth narrative were only half true. A well-understood small market is more useful than an impressive unknown market.

Deliverable: Customer evidence matrix, cohort bridge, pipeline funnel and concentration chart. **Decision gate:** Separate what is independently confirmed from what remains management-reported.

CHAPTER 04

4. Revenue Quality and Financial Reconciliation

Follow the chain from sale to cash

For a selected sample, trace commercial terms through signed agreements, invoice schedules, the revenue ledger, bank receipts and refunds or credit notes. The objective is not to audit every transaction; it is to understand whether reported metrics reconcile and where uncertainty remains. Ask a qualified accountant to interpret complex accounting judgments. A startup's cash position is often more decision-critical than an unaudited profitability presentation.

Review monthly revenue by product and customer, gross margin by service line, working capital, receivables aging, deferred revenue and cash flow. Identify revenue booked ahead of delivery, large unpaid invoices, intercompany transfers, contingent receivables or customer concentration. Financials can be unaudited without being invalid; the status must be labeled. If audited statements exist, read the audit opinion and subsequent events rather than assuming the audit resolves all operational risks.

Make cash runway explicit

Runway is commonly approximated by unrestricted available cash divided by a realistic net monthly cash burn. That approximation becomes weak if payments are lumpy, collections delayed, debt due, taxes unpaid or the organization has restricted balances. Use a monthly cash schedule of receipts and obligations. A fictional firm holds $900,000 in unrestricted cash with expected average net monthly outflow of $75,000; the simple runway ratio is 12 months. If a $240,000 payment is due in month four, the runway model must include it. Never turn the shortcut into an assurance that the company can operate for 12 months.

Build a downside case using operational drivers: slower contracting, churn, supplier costs, payroll, financing delays and currency shifts. A model should show opening cash, collection timing, capital expenditure, debt service and closing cash for each month. Identify a decision threshold before cash becomes critical. Compare management's assumptions with independent customer and supplier evidence when feasible.

Match unit economics to the actual model

For subscriptions, evaluate gross margin, churn, acquisition spending, support cost and payback. For marketplaces, separate total transaction value from the company's net revenue and include refunds, losses and payment fees. For services, model utilization, staff costs, project overruns and payment delays. A high gross margin in one line cannot justify assumptions across the entire business.

A useful financial exceptions register lists each unreconciled material balance, requested document, management response, reviewer and closure evidence. If the company cannot reconcile claimed cash or ownership, escalate. Discomfort should become a request for specific evidence, not an insinuation.

Deliverable: A 24-month monthly cash model, metric reconciliation workpaper and exception log. **Decision gate:** Never make an investment decision using figures whose definitions or reliability are materially unclear.

CHAPTER 05

5. People, Governance and Ownership

Evaluate operating capacity, not charisma

Founders communicate ambition; diligence must assess execution. Review who is responsible for engineering, product, finance, sales, legal and security, and which critical functions depend on a single person. Interview key team members about decisions made under pressure, customer feedback they changed their minds about, and work that failed. A credible team can describe a setback without rewriting it as success.

Founder background checks, references and conflicts assessments must be lawful, relevant and proportionate. Seek appropriate consent where required. Distinguish allegations, documentary findings and verified formal proceedings. Do not assume that a negative search result is proof of a clean history, or that a similar name refers to the same person.

Reconstruct the ownership record

Request the formation documents, shareholder register, option grants, convertible instruments, financing agreements, board approvals and a fully diluted capitalization table. Reconcile company-issued equity with the legal records and assess whether outstanding rights could change ownership. A cap table copied into a pitch can omit reserved options, SAFEs, notes, warrants, side letters and rights attached to classes of shares.

Look for founder vesting, IP assignments, related-party transactions and decision rights. A minority investor can face meaningful exposure from board-control provisions, veto rights, transfer restrictions or weak information rights even when the headline price seems fair. NVCA's model documents provide useful examples of the legal instruments and governance rights involved in US venture financings; they are starting points, not substitutes for jurisdiction-specific counsel [R5].

Watch for governance blind spots

Small companies seldom need cumbersome committee structures, but they do need evidence of authority. Who approves material spending, equity issuance, related-party arrangements and changes in strategy? What conflicts exist? Who keeps reliable accounts and controls bank access? Is the same person negotiating, approving and paying a large related-party invoice? Weak segregation of duties creates avoidable risk even without misconduct.

A governance finding should lead to a practical mitigation: appointment of a competent finance reviewer, dual approvals, periodic board reporting, accurate option records or stronger access controls. Ask whether the fix is affordable and likely before an investor conditions an investment upon it.

Deliverable: Team capability matrix, beneficial ownership and instrument map, governance exceptions list. **Decision gate:** Material discrepancies in ownership or legal authority are a hold point for specialist verification.

CHAPTER 06

6. Product, Technology, Data and Intellectual Property

Verify that a product can do what is claimed

A technical review should test the product in the environment that matters to customers. Demonstrations can conceal manual work, unstable infrastructure or unimplemented integrations. Obtain architecture overviews, deployment history, incident summaries, test coverage evidence and a risk-based view of technical debt. A small prototype is not inherently weak; it becomes a problem when presented as a scalable, fully operating product without evidence.

For AI products, understand which part is proprietary, which models or cloud services are third-party, what happens when prices or access change, and how outputs are evaluated. Record benchmark design, failure modes, human oversight, privacy limits and customer permissions. A model accuracy claim without dataset definition, evaluation protocol or reproducible results should be classified as unverified.

Map rights to every material asset

Intellectual property diligence follows the chain from creator to company. Review employee and contractor agreements, work-for-hire terms where valid, patent and trademark records, source-code and dataset licenses, university or research licenses and any restrictions on commercial use. A company may have built valuable software while lacking clear rights to parts of its code or training data. WIPO's July 2026 venture due diligence guide highlights IP registers, assignment chains, licensing obligations and software component inventories [R3].

Use a software bill of materials when appropriate, assess material open-source obligations and identify licenses requiring legal analysis. A patent filing does not automatically demonstrate freedom to operate; a trademark registration does not establish uncontested global rights. Evaluate ownership, enforceability, permitted uses, expiry and exposure separately. Professional IP counsel should review material uncertainties.

Treat security as governance

Evaluate who owns security decisions, asset inventories, access controls, incident response, backup restoration, vendor risk and testing. NIST Cybersecurity Framework 2.0 organizes cybersecurity around Govern, Identify, Protect, Detect, Respond and Recover; it provides a useful set of outcome categories without guaranteeing compliance or security [R4]. Verify actual practices: a policy written last week is not the same as a tested control. Ask when backups were restored, who could access production data, and how a customer incident would be handled.

A risk review should prioritize severe, likely and business-critical failures rather than count every software bug equally. It should avoid taking secrets, passwords, recovery codes or raw personal datasets into a generic diligence workspace. Request redacted reports or specialist attestations where sufficient.

Deliverable: Technology dependency map, IP chain-of-title matrix, security control summary and prioritized remediation plan. **Decision gate:** Confirm the venture has the necessary rights and permissions to operate its core product.

CHAPTER 07

7. Legal, Regulatory and Transaction Readiness

A legally formed company is not necessarily authorized for every activity

Review the legal entities in the structure and the jurisdictions of formation and operation. Identify contracts, licenses, intellectual property, employees and bank accounts held by each entity. Confirm the company's material activities are allowed where carried out. Education, payments, financial products, healthcare, employment and data processing may require different permissions. Counsel must assess the actual business rather than relying on a website label or broad description.

A securities offering can trigger rules even before any money changes hands. In the United States, an issuer generally needs a registered offering or a valid exemption; the SEC's Regulation D bulletin describes important private-placement risks and investor information needs [R1]. Do not assume a rule used for one country allows solicitations or adviser activity elsewhere. Cross-border fundraising, investment advice, brokering and fund management require separate legal analysis.

Inspect the contract stack

Inventory customer and supplier agreements, loans, equity documents, major licenses, related-party deals, employment commitments and outstanding disputes. For each material contract identify counterparty, term, payment obligation, change of control, termination, exclusivity, minimum purchase commitments, assignment constraints and data liabilities. Find the clauses that matter to the deal, rather than merely counting pages.

The transaction itself needs a controlled document review: security type, price, rights, restrictions, conditions, representations, governing law, dispute resolution and closing deliverables. In US venture financing, the NVCA model legal documents outline common categories of financing agreements, including investor rights and voting arrangements [R5]. Their content must be tailored; copying a template without qualified legal review can misstate rights or legal compliance.

Make the compliance gate visible

A diligence memo should include a table with: topic; jurisdiction; factual activity; license or exemption question; evidence; specialist reviewer; status; and stop or remediation decision. If the reviewer cannot establish whether a regulated activity is permitted, mark it **unresolved**. Never describe 'planned approval' as 'licensed.' Where customer data, health records or children are involved, seek a privacy and safeguarding assessment appropriate to the actual geography and service.

Deliverable: Legal and regulatory issue register with escalation owners and counsel advice placeholders. **Decision gate:** No binding investment, public capital solicitation or regulated activity is authorized by completion of this educational checklist.

CHAPTER 08

8. Valuation, Downside and Decision Architecture

Valuation is a conditional conclusion

A valuation is an interpretation of future economics, rights, market evidence, risk and transaction context. It is not established by multiplying an aspirational market share by an industry multiple. Early-stage ventures may lack mature cash flows; scenarios, market comparables and recent transactions may be used with careful adjustments. The 2025 IPEV Guidelines set out best practice guidance for fair-value measurements of private capital investments, which is not the same thing as a guaranteed transaction price [R8].

For screening, create a valuation range linked to observable milestones. State which revenue definition and multiple, if any, is used; note whether debt, cash, preferences and share classes matter. A priced round's post-money value is pre-money equity value plus new primary capital, assuming a simple conventional structure. That arithmetic does not capture option-pool changes, convertibles, discounts, liquidation preferences or other instruments; model those separately.

Model scenarios that expose failure

Start with a downside operating model. What happens if the top customer leaves, implementation takes twice as long, or the next round is not available? The purpose is not to predict a particular disaster. It is to estimate financing need, potential dilution and the conditions under which the company must change course. Include fixed obligations, contractual liabilities and potential inability to raise more capital.

An illustrative venture has a proposed $8 million pre-money price and a $2 million new-money financing. In a simplified priced equity round, post-money is $10 million and new investors purchase 20% of post-money equity before any other capitalization adjustments. But what if $1 million of convertible instruments exists or an option pool must be increased? Then the simple 20% description may not represent the final fully diluted outcome. Request a properly modeled cap table instead of guessing.

Score without automating authority

A 100-point screen can help prioritize review across strategic fit, market, demand, economics, team, finance, IP, legal risk and evidence quality. It must not determine the investment by itself. The largest danger is false precision: an opportunity could achieve 90 points and still be barred by an unresolved legal defect. For each score record a short justification and an evidence grade. Where evidence is missing, show 'not assessed' rather than substituting an optimistic score.

Define who may screen, who may negotiate, who may vote and who may sign. Reserve all commitments, capital transfers, binding terms, official investor outreach and legal judgments to their authorized human owners. The committee should be able to reach a rational **no**, even after substantial time has been spent.

Deliverable: A scenario model, reconciled cap table and scoring note with an explicit legal/integrity gate. **Decision gate:** The screen supports deliberation; it does not approve financing.

CHAPTER 09

9. Writing the Committee Memo and Monitoring Afterward

Write for an informed skeptic

A good investment committee memo can be read quickly but withstand detailed questioning. Begin with the decision being requested, proposed exposure, strategic fit and the most important unanswered question. Follow with a company overview, proven demand, financial position, team and rights, material risks, alternative interpretations, valuation scenarios and conditions for any next step. Cite every significant factual claim by document, date and reviewer. A memo that offers only reasons to invest is incomplete.

Make the negative case explicit. What does a rival believe? What if the customer pain is real but the product is not defensible? What if customers value the service but sales costs overwhelm revenue? What if the apparent market is limited by procurement or licensing? Discuss what evidence would change the recommendation and how expensive it would be to obtain.

Preserve a decision record

Record options considered, votes or authority basis, conflicts declared, conditions, abstentions and the date of review. If a transaction is declined, preserve a respectful, factual record rather than an accusation. If deferred, establish a specific evidence request and reopening condition. If authorized to proceed, capture legal, tax, banking, valuation and signature gates separately. Approval to conduct diligence is not permission to purchase securities.

After any authorized transaction, monitoring should focus on the original thesis. Quarterly reports might cover cash, customer retention, runway, hiring, governance, product security, material contracts and milestone delivery. Agree what constitutes an exception requiring escalation. Compare actual performance with the assumptions in the original memo; changing definitions can conceal deterioration.

Close the loop on learning

Every completed review should improve the method. Were red flags visible early? Did analysts over-weight founder storytelling? Did financial reconciliation reveal problems after weeks of less important research? Did the committee request information that was not material? Revise the checklist and evidence standards rather than increasing paperwork indiscriminately. A learning diligence process becomes faster because it knows which questions matter, not because it stops asking them.

Deliverable: Investment committee memo and a post-decision monitoring covenant proposal. **Decision gate:** Only the authorized body may commit capital or enter binding legal agreements.

REFERENCE MATERIAL

Appendix A. A 100-Point Screening Scorecard

This **internal educational framework** is used to triage the work. It is not a valuation, a recommendation, legal clearance or an automated decision. Use a separate red-flag gate. Score each criterion only after writing an evidence note.

Dimension	Maximum	Core question
Strategic fit	15	Does the opportunity fit the stated investment mandate?
Market and structural demand	15	Is there a credible reachable market with a real buyer?
Revenue model and unit economics	15	Can the business capture value with plausible economics?
Demand evidence	15	What actual behavior proves a customer wants this?
Team and governance	10	Are capabilities, authority and controls credible?
Financial position and capital need	10	Do the reconciled numbers support a funded milestone?
Competitive advantage and IP	5	Is the claimed differentiation supportable and owned?
Legal and regulatory risk	10	Are permissions and material obligations understood?
Evidence quality	5	Is the analysis reproducible and traceable?

Score interpretation, for workflow only: 0-39 often means fundamental information gaps; 40-59 suggests the thesis needs major validation; 60-79 may justify targeted deep diligence; 80-100 may justify committee consideration if the separate legal/integrity gate is satisfied. These are proposed internal bands, not empirical success probabilities. An opportunity with unresolved fraud indicators or material legal barriers is held regardless of score.

Evidence tags: V = independently verified; R = management-reported with record; E = analyst estimate; H = hypothesis; U = unavailable. For every scored field include source, date, reviewer, counterevidence and outstanding question.

REFERENCE MATERIAL

Appendix B. Due Diligence Request List and Data Room Index

Folder	Priority	Examples of requested evidence
01 Entity and ownership	Critical	Formation record, register, cap table, options, SAFEs, approval records
02 Financial and tax	Critical	Monthly statements, cash receipts, bank reconciliation, debts, tax matters
03 Commercial	High	Material contracts, invoices, collections, cohort definitions, customer consent
04 Product and technology	High	Architecture summary, service levels, incidents, key vendor and AI dependencies
05 Intellectual property	Critical	Assignments, licenses, register, material open-source obligations
06 People and governance	High	Organization map, key contracts, approvals, conflicts register
07 Legal and compliance	Critical	Permits, disputes, privacy governance, expert legal findings
08 Transaction	Critical	Proposed terms, rights, conditions, authority, counsel-reviewed documents

Define secure access, retention and deletion rules. Do not collect passwords, API secrets, identity documents or medical data in the general folder. Use redacted or specialist-reviewed extracts where sufficient. Set source ownership and an access log.

REFERENCE MATERIAL

Appendix C. Evidence Grading and Red Flag Register

Evidence level A: Independently confirmed primary record; the source and period are documented. **Level B:** Reconciled internal source with named preparer and reviewer. **Level C:** Management-reported support or a consistent directional sample. **Level D:** Opinion, unsupported projection or unverifiable statement. A claim can move between levels as evidence arrives. A and B do not guarantee truth; scope and controls still matter.

Register field	How to complete it
Claim or exception	State exactly what record or statement is at issue
Potential impact	Money, rights, compliance, customer safety or business continuity
Evidence and date	Link to a controlled source; identify the relevant period
Classification	Verified, reported, estimated, hypothetical or unresolved
Responsible reviewer	A named role with appropriate authority
Required cure	Specific confirmation, reconciliation or specialist opinion
Stop / resume trigger	What must happen before any decision can proceed

Escalation examples: unexplained ownership changes, inability to reconcile a material cash balance, evidence suggesting a knowingly false document, known unlicensed regulated service, or material unresolved IP control. Refer allegations to trained specialists; avoid premature definitive public claims.

REFERENCE MATERIAL

Appendix D. Interview Questions and Confirmation Log

Customer questions: Describe the last purchase decision. What made the problem urgent? Which alternative competed? What did implementation cost? What outcome have you actually measured? Who approves renewal? What could cause cancellation? Was the reference provided with permission?

Founder and team questions: Which assumption was proven wrong? Show a difficult tradeoff. Who approves stock issuance? Which customer or vendor concentration is most worrying? What would you stop doing if financing were delayed? What controls would fail if one senior person left?

Finance questions: Show the source of this KPI. Reconcile a sample contract to invoice to bank receipt. Explain deferred revenue and refunds. What restrictions apply to cash? What liabilities are due within six months? What happens if the largest expected receipt is delayed?

Technology and IP questions: Who originally wrote and assigned the code? Which third-party libraries impose obligations? Can the system be restored from backup? Which AI or cloud dependency is critical? How are customer data and secrets protected? Which performance claims can be reproduced?

Confirmation log fields: Reference, permission, evidence, period, confidence, exception, next step, owner, date. Do not record unnecessary personal details.

REFERENCE MATERIAL

Appendix E. A One-Page Investment Committee Memo

Opportunity and decision sought: [Company / illustrative or verified status] | [Security] | [Proposed capital] | [Date] | [Approving authority]

Thesis in one paragraph: [Customer problem; measurable proof; advantage; strategic fit; milestone]

Current evidence: [Revenue or usage definitions, customer evidence, cash position, team, ownership, sources]

Bear case / contrary evidence: [What could invalidate the thesis; competitive or regulatory alternatives]

Valuation and financing: [Assumptions, price/rights, dilution, downside and liquidity constraints]

Stop flags and residual risks: [Legal, identity, rights, data and cash; each with an accountable reviewer]

Alternatives considered: [Decline; defer for specific evidence; consider a different instrument or milestone]

Requested disposition: [Decline / Defer / Authorize further work / Seek formal committee authorization]. No statement on this page is an actual investment approval.

REFERENCE MATERIAL

Appendix F. Glossary, Reading and Source Register

Cap table: Record of outstanding ownership and potential equity-linked instruments. **Data room:** Controlled repository of diligence documents. **Evidence grade:** Internal label indicating how a claim has been tested. **Runway:** Approximate time a company can fund its operations under specified cash assumptions. **Post-money valuation:** Simplified equity value after primary capital is added to pre-money value, with structure-specific adjustments. **SAFE:** A contract for future equity subject to its terms. **Materiality:** Importance of a fact to the specific decision, not just the size of a number. **Investment committee:** The body designated by an organization to consider certain investment decisions; authority is organization-specific.

Primary reading sources (verified 30 October 2026):

- [R1] U.S. SEC Investor.gov, *Private Placements under Regulation D - Updated Investor Bulletin* (updated September 21, 2026). https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/private-placements-under-regulation-d-updated-investor-bulletin
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These sources explain concepts and examples from their respective jurisdictions. Their inclusion does not imply endorsement, accreditation or a relationship with Silicon Founders. Check each source again at the actual public release date.

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PRACTICAL WORKSHEET / 01

Diligence Scope and Evidence Log

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

Investment mandate and company identity

_____

_____

Investment hypothesis and falsification conditions

_____

_____

Five highest-materiality evidence questions

_____

_____

Named reviewer and confidentiality boundaries

_____

_____

Decision state and next evidence deadline

_____

_____

PRACTICAL WORKSHEET / 02

Revenue and Cash Reconciliation

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

Selected reporting period and metric definition

_____

_____

Sample contract, invoice and ledger references

_____

_____

Bank receipt and refund reconciliation notes

_____

_____

Unresolved variance and impact on investment thesis

_____

_____

Qualified financial reviewer and closure date

_____

_____

PRACTICAL WORKSHEET / 03

IP, Security and Legal Exceptions

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

Ownership of core software, data and brand rights

_____

_____

Material technology and AI vendor dependencies

_____

_____

Security controls actually tested and date

_____

_____

Jurisdictional permission questions for specialists

_____

_____

Stop flag, proposed mitigation and authority

_____

_____

PRACTICAL WORKSHEET / 04

Committee Decision Record

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

Decision requested and authority of reviewing body

_____

_____

Reasons to proceed and evidence supporting them

_____

_____

The strongest counterargument and downside scenario

_____

_____

Unresolved conditions and conflicts disclosed

_____

_____

Formal decision, owner, next step and review date

_____

_____

PRACTICAL WORKSHEET / 05

Quarterly Thesis Monitoring

Use this page as a reusable internal working tool. Record dates, sources and accountable owners; do not invent entries.

Prepared by: _____ Date: _____

Original thesis and measurable milestones

_____

_____

Current cash, collection quality and top customer risk

_____

_____

Important people, product and security changes

_____

_____

Changes in governance, rights and regulatory questions

_____

_____

Response owner and next committee review

_____

_____