FOUNDER RESOURCE | ANGEL CAPITAL ASSOCIATION

Due Diligence Prep

Get investor-ready: organize, reconcile, share safely, respond

Due diligence is where an interested investor **checks that what you told them is true**. Founders who treat it as a surprise lose weeks and sometimes the deal. Founders who prepare early show investors something just as valuable as the documents: that they run a tight company.

Here is what investors typically check, how to organize your records before anyone asks, how to share sensitive material safely, and how to handle the gaps every young company has. *U.S. practice as of October 2026.*

1 What diligence is, and how to get ahead of it

Due diligence is the investor's process of verifying your claims and understanding the risks before they commit money. Angel groups often work in stages: a first screen, a deeper look at the company, then verification of the details. Depth and speed vary by group and by deal, so **ask each investor what their process looks like, who is involved and what timeline they expect.**

1 Prepare	2 Reconcile	3 Share safely	4 Respond and fix
Name one coordinator. Gather your records into one organized place.	Make your documents agree with each other and with the deck.	Decide what to show now, when asked, or only with counsel.	Answer fast, keep a log, fix or explain every gap.

Reconcile means the cap table matches the signed agreements, the financials match bank and tax records, and what the deck says matches what the data room shows.

The seven areas investors usually look at are your **company and cap table, team, finances and taxes, market and traction, product, technology and IP, customers and operations, and legal and regulatory risk.** The checklist below turns them into a to-do list.

2 Your prep checklist: what to have ready

Not every company has every item, and a very early company shouldn't invent paperwork to fill a folder. Use three tiers: **Core** (have these ready before you start outreach), **If applicable** (have them when they apply to your business), and **Later stage** (expect to add these as you grow). For anything missing, write "not applicable" or "not yet created" and say why. **A clear gap is fine. A hidden gap is not.**

Area	Core	If applicable	Later stage
Company and cap table	Formation documents and good-standing proof; a fully diluted cap table; every signed SAFE, note or stock agreement with its approval and proof of funds; founder equity and vesting terms	Option plan and grants; shareholder agreements	Board minutes and consents; valuation reports for option grants
Team	Who is on the team, their roles and time commitment; founder bios; signed agreements with employees, contractors and advisors	Offer letters; equity grants for key hires	Org chart; benefit plans
Finance and taxes	Historical financial statements that tie to bank records; current cash and runway; forecast with clearly labeled assumptions; tax filings and payroll records	Debt, loans, grants and tax credits	Reviewed or audited statements
Market and traction	Evidence of demand: pipeline, usage or revenue data, pilots, letters of intent; sourced market sizing; competitor view	Customers ready to take reference calls	Cohort and retention analysis
Product, technology and IP	Roadmap; IP inventory showing who created what and who owns it; signed IP assignments from founders, employees and contractors; list of third-party and open-source components	Patent and trademark filings; university or former-employer rights	Freedom-to-operate review
Customers and operations	Standard customer and supplier contracts; key agreements; lease	Partner, distribution or reseller deals; permits	Review of customer or supplier concentration
Legal and regulatory	Any disputes, pending or threatened (or a clear "none"); licenses and permits; privacy policy and terms of service; securities records for past raises	Sector rules such as health, finance or data privacy	Insurance and compliance reviews

UNIVERSITY SPINOUTS AND DEEP TECH: confirm in writing who owns the technology and on what terms. These questions usually need a specialist attorney.

3 Build your data room, and share it in stages

A **data room** is an organized, access-controlled online folder where an investor can find your records. A secure shared drive or a dedicated data-room service both work. What matters is that it is tidy and that you control who sees what.

Set it up

- **Mirror the checklist.** One folder per checklist area, plus an index file listing what is inside and what is marked "not applicable" or "not yet created."
- **Name files clearly.** Use plain names and dates, such as "Cap Table - 2026-09." Keep one current version of each document.
- **Name one coordinator.** One person knows where everything is, has the authority to get it and handles every request.
- **Control access.** Give view-only access by folder, to named people, and keep a record of who has what.

Share in stages, not all at once

Stage	What	When
Open	Pitch deck, one-page summary, high-level financials	Early conversations
On request	Cap table, financial statements, core contracts, team agreements	The investor is seriously interested and asks
With counsel's input	Trade secrets, source code, sensitive customer or employee data, anything under a third-party confidentiality duty	Before sharing, and only if truly needed to decide

Share the minimum an investor needs at each stage, and redact personal data that isn't needed. Confidentiality practice varies. Some investors will sign a non-disclosure agreement and many early investors won't, so **talk to your attorney about staged disclosure and confidentiality rather than assuming one rule fits every deal.**

4 Gaps investors find, and how to fix them first

Every young company has gaps. Investors expect that. What worries them is a gap you didn't know about, or one you hid. Run your own review before they do.

Common gap	Why it matters	Fix it early
Cap table doesn't match the signed agreements	Ownership is unclear, so the price and terms are unclear	Rebuild it from every signed SAFE, note and stock agreement, with approvals and proof of funds
Missing IP assignments from founders, contractors or early helpers	The company may not own what it sells	Have a startup attorney paper the assignments now
Financials don't tie to bank or tax records	Investors can't trust the numbers	Reconcile each period to bank and tax records, and label forecast assumptions
Unsigned or lost contracts	Revenue and obligations can't be verified	Collect signed copies; if one is gone, say so and ask the other party for a copy
Informal promises of equity or pay	Hidden claims on ownership	List every promise and have counsel paper or resolve it
Claims in the deck you can't back up	Credibility damage spreads to everything else	Cut it, soften it or source it
Unknown legal or regulatory exposure	Surprises late in the process can end a deal	Ask counsel to check licenses, disputes and sector rules

KEEP AN ISSUE LOG. For every gap, record what it is, who owns the fix, what you will do and by when. Share the log with investors when appropriate. It shows you know your company.

5 Running the process

When an investor says "let's do diligence," start by asking: **Who will be involved? What do you need first? What is your expected timeline? How do you want to receive documents?** Then keep the process moving.

DO	DON'T
Route every request through your coordinator and log it	Let requests scatter across founders' inboxes
Answer fully and promptly, including what you don't have	Guess, stall or send partial answers hoping no one notices
Tell investors about a problem before they find it	Hide or minimize a known issue
Keep every investor's materials consistent, and update the data room when things change	Share different numbers with different investors
Offer reference customers and demos when asked, and prepare those people	Surprise a customer or team member with a call
Ask questions back and welcome deep ones	Treat investor questions as an attack
Bring in counsel for anything legal, tax or technical you aren't sure about	Rely on a template or a friend's advice for complex items

DILIGENCE IS TWO-WAY. While they check you out, check them out too: talk to founders they have backed, and ask how they behave when a company struggles. Your documents are only part of what they will weigh. They will also talk to your customers, test your product and judge how you handle hard questions. A clean data room does not replace honesty.

6 Legal sidebar: your fundraising paperwork

Diligence will test whether your own fundraising was done properly, so your securities records need to be in order.

- **Know your exemption.** Selling shares, SAFEs or convertible notes must be registered or fit an exemption. Your attorney should confirm which one you used for each raise.
- **File notices when required.** Many exempt offerings under Regulation D require a Form D notice filed with the SEC within 15 days after the first sale. The SEC explains the filing. State notice filings may also apply, so ask counsel.
- **Keep the paper trail.** For every investor, keep the signed agreement, the approval, proof of funds and any investor questionnaire, and make sure each ties to your cap table. Standard forms such as Y Combinator's SAFE are a starting point, and an attorney should review how you use them.

Who to call: a startup or securities attorney for offering compliance, contracts and IP; an accountant for books, tax records and the financial reconciliation. Rules differ by state, and this guide is general information only.

7 Optional modules for specific businesses

If your company...	Be ready to show	Start here
Handles customer data, sells software or operates in a regulated field	How you protect data: who has access, how you manage vendors, what you do if something goes wrong	NIST Cybersecurity Framework 2.0 Small Business Quick-Start Guide
Depends on technology, software or a creative asset	A simple IP inventory: what you own, who made it, and the agreements that prove it	Ask a U.S. IP attorney
Uses AI in the product	Where your data comes from, your right to use it, which third-party models you rely on and under what terms, and how you check the outputs	No stable standard yet. Ask your attorney

8 Your next steps

1. **Name your coordinator** and decide where the data room will live.
2. **Walk the checklist** and mark each item ready, not applicable, not yet created, or a gap.
3. **Reconcile.** Make the cap table, signed agreements, financials and deck agree.
4. **Start your issue log** with an owner and a date for every gap.
5. **Talk to your attorney** about your fundraising paperwork, IP assignments and what to share when.
6. **Ask each investor** for their process, timeline and first requests, then share in stages.
7. **Use your local network.** Your program, mentors and founders who have been through diligence can review your data room and ask the hard questions first.
8. **Keep learning.** Use the links below, and ask your angel group or program what help they offer.

+ Go deeper

Resource	Use it for
Coordinator, data room, self-audit	WilmerHale Launch: Preparing for Due Diligence
Sample request list and cap tables	Cooley GO: Startup Documents
Fundraising notice filings	SEC: Filing a Form D Notice
Standard SAFE forms	Y Combinator: SAFE
Cybersecurity basics	NIST: CSF 2.0 Small Business Quick-Start Guide

Links are provided for information only. Their inclusion is not an endorsement.

This guide is general information only. It is not legal, tax or investment advice. Talk to a qualified attorney or advisor about your situation.

ABOUT THE ANGEL CAPITAL ASSOCIATION

The Angel Capital Association is the professional association of angel groups and angel investors in North America. ACA supports angels and groups through education, market data and connections, and works with the people who bring investors and founders together. ACA is not a source of capital and does not review business plans.