Due Diligence Preparation Guide

Building the response engine before the requests arrive.

Diligence does not begin when an investor requests it. By the time a formal request lands, a company should already know what it will produce, in what order, and what each document is likely to raise.

01 The Three Phases of Diligence

Investors rarely announce which phase they're in — but the requests reveal it. Preparing by phase, rather than reacting item by item, keeps the process moving on your timeline instead of theirs.

Phase	Focus	Typical duration
Confirmatory	Validating the thesis already formed from earlier conversations	1–3 weeks
Deep operational	Financial, legal, technical, and commercial verification	3–8 weeks
Final / pre-close	Closing conditions, third-party consents, final documentation	2–4 weeks

02 Building the Response Engine

- [ ] **A single owner for the diligence process, empowered to say no to scope creep**
  Diligence requests expand to fill whatever access is granted. One accountable owner keeps the process bounded.
- [ ] **A live request tracker — what was asked, by whom, when answered, and by which document**
- [ ] **Pre-drafted answers to the questions every diligence process asks**
  Customer concentration, key-person risk, pending litigation, related-party transactions — these come up in nearly every process. Have the honest answer ready before it's requested.
- [ ] **Internal alignment on which issues are disclosed proactively versus in response to direct questions**

03 Areas That Slow Every Process

- **Customer concentration.** If one relationship represents a meaningful share of revenue, address it directly with a mitigation narrative rather than waiting to be asked.
- **IP ownership gaps.** Contractor agreements without clear assignment clauses are one of the most common late-stage surprises. Resolve before the room opens, not during.
- **Related-party transactions.** Undisclosed arrangements — a lease with a founder's entity, a vendor relationship with a board member — read as far worse when discovered than when disclosed.

- **Inconsistent numbers across documents.** A revenue figure that doesn't match between the deck, the model, and the financial statements erodes trust in everything else, even when the discrepancy is explainable.

> **A NOTE ON PACING**
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> The instinct under diligence pressure is to answer every request immediately, in full. The more effective posture is measured: complete, accurate, and sequenced — because a rushed answer that requires correction costs more time than a delayed one that doesn't.

04 What Investors Are Actually Evaluating

Beyond the specific documents, diligence is an extended evaluation of two things: whether the numbers hold up, and whether the team can be trusted to run a process. Every response — its accuracy, its timing, its completeness — is evidence toward the second question as much as the first.

Preparation compresses timelines. Companies that enter diligence with a response engine already built typically close four to six weeks faster than those building the engine in real time.