



Basswood Counsel

Are You Diligence-Ready Or Just Fundraising-Hopeful?

Seven Questions That Reveal What Investors Will Find Before You Raise

Most founders -C suite leaders preparing for fundraising focus on refining their pitch. Diligence ready teams prepare by making sure everything behind the pitch holds up under scrutiny. This isn't a task checklist — it's a set of honest questions to show you where you stand, so you can decide what to do about it on your own timeline.

The Seven Questions

1 If an investor asked for your data room tomorrow, could you send it?

Not "we could pull something together." Could you send a current, organized set of your key documents within 24 hours?

2 Does your cap table tell one clean story — or does it need a translator?

Every convertible note, SAFE, and option grant should tie back to a board approval. If converting them into a priced round requires guesswork, that's a problem investors will find.

3 Is it clear — on paper — who owns what and who decides what?

Founder roles, IP assignment, decision rights, vesting. If any of these lives in memory or handshakes instead of signed documents, it's not real yet.

4 Could your board minutes survive a careful read?

Not just "do they exist" — do they reflect what happened? Are key approvals documented? Would a lawyer reviewing them see order or gaps?

5 Do you have a clear picture of your compliance exposure?

Privacy. Security. Industry-specific regulations. You don't need everything solved, but you need a map that shows you know where the risks are and have a plan.

6 When you close a customer or partner deal, does the contract protect you or just get the signature?

Templates, standard terms, liability caps, IP protections. If every deal is negotiated from scratch with no playbook, you're leaving risk and speed on the table.

7 Are you building for this round — or for the three that follow it?

The terms you accept now become the baseline for every future negotiation. The governance you set up today determines your flexibility tomorrow. Short-term thinking here has long-term costs

Interpreting Your Answers

Confidence Level	Readiness Assessment
6-7	Your foundation is strong. A light review before your raise should be enough to confirm it.
3-5	You have meaningful gaps that will surface during diligence. The good news: you have time to address them if you start now.
0-2	You're a fundraising-hopeful, not diligence-ready. Raising in this state means slower closes, tougher terms, and valuation and terms leverage you're giving away without realizing it.

Why This Matters Beyond The Next Round

Every gap you carry into a fundraise doesn't just affect that round — it sets the floor for the next one. Messy governance becomes an investor concern that follows you. Unclear equity becomes a negotiation tool used against you. The companies that raise consistently well aren't the ones with the best metrics. They're the ones whose foundation tells a story that holds up every time someone checks.

What To Do With This

Sit with it. Share this with your leadership team, your Advisors, your Board. Answer the questions honestly. This framework is designed to give you clarity, not create pressure. The best decisions come from seeing things clearly, not from being rushed into action. If you want to talk through what you found, I'm here for a real conversation. No agenda beyond that.

Let's Talk

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