THE NDISPENSABLE QUESTIONS To Do: А ENTREPRENEUR SHOULD ASK ABOUTEVERY NEW VENTURE

A DUE DILIGENCE CHECKLIST





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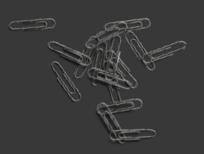
To Do:

No matter what type of of 10% Entrepreneurship you pursue, you are going to be asking lots of questions.

So whether you're investing in, advising, or starting a new venture, you are going to be conducting **due diligence.**

THAT'S THE PROCESS OF DOING YOUR HOMEWORK

by turning over all the stones and making sure that there are no surprises and that you're making your decision on the merits.



No matter the nature of a venture, you will focus your time and attention on the same three topics:



Below, you will find **three sets of checklists** that cover each of these topics. As you evaluate new opportunities, use these questions to guide your work. Over time, you will also add your own questions to the list based on your experiences and the lessons you learn with each new endeavor.

Once you've completed these three checklists, you'll move on to a fourth checklist - the one that guides you as you make a Final Decision.





1. DUE DILIGENCE CHECKLIST: THE BUSINESS

Is this business positioned for success, and does it operate in an attractive industry? Will your return on investment compensate for the risks?

Who is going to be managing the business? Why are these people positioned for success?

What are the drivers of success and failure for this company? How will it make money? Who are its customers?

What are the competitive dynamics in this industry? What is the size of the market? How can the company gain and defend market share?

Wh

What are the key risks? What could cause it to fail, and how likely is such a scenario?

What will this business and industry look like in three to five years? What does success look like?



What kind of ta	lent will the compar	ny need to attract to be
successful?		,

Does the company adequately protect its intellectual property, if necessary?

What has been the financial and operational performance of the company to date? How achievable are its growth projections?

How much capital will be required for this business? What are the sources of capital?

Will you be able to invest more if the business is successful? Will you be expected to invest more?

What will be the form of your investment? What will be offered in exchange for your investment of time and/or money?

What is the time horizon for this investment? When can you expect to see returns?

What are the potential financial returns for this investment under various scenarios?

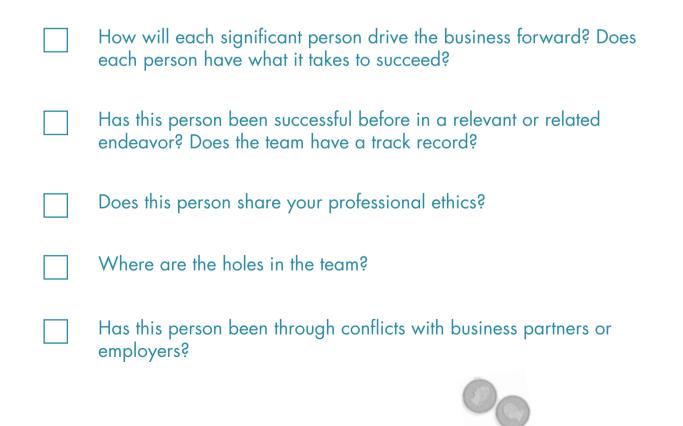
Will the founders or other shareholders of the company make money before you do? Is the upside fairly distributed between founders, management, and investors? YOUR PARTNERS





2. DUE DILIGENCE CHECKLIST: YOUR PARTNERS

Are your partners, from the investors to the managers, competent and ethical? Are all parties' incentives properly aligned?



YOUR PARTNERS
Is this person open about his past experiences, both successes and failures?
Is this person willing to accept advice, feedback, and criticism?
Are there any conflicts of interest?
Will this person share information and keep you advised of key developments?
Does this person value your contribution? Will he pick up the phone when you call?
Do the founders of the business have meaningful "skin in the game"? Have they made a significant investment in terms of time, money, or both?
Do the founders and managers have appropriate incentives (i.e., ownership in the company) to keep them focused and committed?
Who are the other Angels, Advisors, and investors in the venture? Why are they involved, and how do they view the opportunity? Has the company attracted "smart money"?







3. DUE DILIGENCE CHECKLIST: YOUR ROLE

Will this venture fit within your 10% Plan so that you can (I) contribute meaningfully to the company, and (II) make connections or gain experience and intellectual capital for future endeavors?

How do your resources map to the needs of the company both today and in the future?
Do you have intellectual capital and relationships that will allow you to contribute meaningfully to the success of the venture?

Does the management team value your input and ideas? Will they want to engage with you and seek your advice?

Do you feel comfortable with the team? Are you able to have straightforward conversations based on facts and data, rather than emotion?





Is the company responsive to your requests? Do they provide information and answer questions in a timely manner?

What can you learn in this venture that will make you a better 10% Entrepreneur?

Will you be able to form relationships that will help you to grow your 10%?

If you're an Advisor, does the company set specific objectives and expectations with regard to your role?

If you're a Founder, are your partners ready to commit? Are all parties prepared to sign agreements with respect to each person's specific level of involvement and economic stake?



4. DUE DILIGENCE CHECKLIST: FINAL DECISION

Once you have completed due diligence, you are ready to decide whether you are going to move forward. When you're making your final decision, you will once again return to the questions that framed the entire due diligence process:

Is this business positioned for success?

Can you achieve an attractive return on your investment?

Are your partners competent and ethical?

Are all parties' incentives properly aligned?

Can you contribute something meaningful to the company's success?

Can you make connections or develop intellectual capital that will have future benefits?





NOW THAT YOU HAVE COMPLETED THIS CHECKLIST, YOU'VE FINISHED THE SECOND STEP ON YOUR WAY TO BECOMING A SUCCESSFUL **10% ENTREPRENEUR.**

> IF YOU DON'T KNOW THE FIRST STEPS YET,

DOWLOAD THE E-BOOK

O BECOME

ENTREPREN

GET OUT THERE AND BUILD YOUR 10%





Learn more at **patrickmcginnis.com**

