**PRE-INVESTMENT DUE DILIGENCE CHECKLIST FOR FOUNDERS**

Dear founder,

We are thankful that you have found your way to the HedmanLift website!

Before making an investment the investors typically want to check whether the documentation and business of the company is in order and which potential risks may be involved with the investment. This process is called due diligence, DD in short. If in the course of conducting the due diligence it is discovered that in some areas the documentation related to the company is insufficient, then the investors as a rule require the company to solve such issues before making the investment.

Based on the above it is in the best interests of the company to be as well prepared as possible before acquiring an investment. Thus, we recommend the founders to conduct a pre-investment due diligence themselves within the company to evaluate whether all important matters have been sufficiently addressed. Having a clear and though-out legal framework within the company before acquiring an investment usually means that the whole investment process goes a lot smoother.

Below you will find a DD checklist that helps you to assess whether all the important legal matters are sufficiently covered. Please note that the list is non-exhaustive and may be amended. If you feel that there are other important issues in addition to the below, then please refer to those as well. The below DD checklist is suitable for use in the seed round, whereas post-seed rounds usually require a significantly more detailed checklist.

Best wishes,

HedmanLift

1. **CORPORATE**
   1. Is the company validly registered?
   2. Is the shareholding of the company allocated in accordance with the agreement between the founders? If not, then what is the desired allocation of the shares?
   3. Have the founders entered into a founders’ or shareholders’ agreement? If yes, then have the articles of association been amended to reflect the provisions of the relevant agreement?
   4. Has the company entered into any agreements with related parties (including founders and members of the management board)?
   5. Has the company entered into management board member agreements with the members of its management board?
   6. Have the company’s shares been pledged?
   7. Has the company entered into any option agreements, convertible loan agreements or any other agreements entitling a party to such agreement to acquire shares of the company?
   8. Have the shareholders or management board adopted any resolutions?
2. **EMPLOYMENT**
   1. Has the company entered into any employment agreements?
   2. Has the company adopted internal work procedure rules, occupational safety instructions or personnel employment policies, etc?
   3. Has the company terminated any employment agreements?
   4. Are there any possible arguments and/or disputes pending with any of the former employees?
   5. Does the company have any employee benefit or incentive schemes?
3. **COMMITMENTS**
   1. List the agreements with all the clients.
   2. List the agreements with all the service providers and co-operation partners.
   3. Does the company have a template based on which it provides the services to its clients?
   4. Has the company entered into any agreements or arrangements that in any way limit the commercial freedom of the company, e.g. setting out non-competition clauses, exclusivity rights, agreements on maximal (minimal) price, agreements on the division of markets or customer groups, etc?
   5. Are there any negotiations of material importance to the company currently in progress?
   6. List all the grants, allowances, subsidies or loans applied for or received by the company from any national or local authority or government agency or any domestic or international authority.
   7. List all the existing licences, permits, consents and authorisations, approvals and grants in connection with the operation of the company’s business.
   8. Prepare a summary of the terms of all verbal agreements, transactions, commitments or understandings which are or could be of important nature to the company.
4. **ASSETS** 
   1. List the assets owned by the company.
   2. List all the assets that are in the possession of the company based on a lease agreement or any other agreement of use.
5. **INTELLECTUAL PROPERTY**
   1. List all the software licenses, patents, trademarks and service marks, copyrights objects, and other intellectual property (including industrial property) rights objects that belong to the company or which the company uses in its activities (including but not limited to, logos and non-registered trademarks).
   2. List all the domain names or applications for domain names (regardless of whether owned by the company or not) used or intended to be used in the company's activities.
   3. List all the agreements and other documentation of the company which relate to the ownership, disclosure and use of IP, including IP licences granted to, or by, the company.
   4. Check if any agreement related to IP includes (i) any prohibition on assignment of any IP of the company or (ii) any provisions triggering termination of such agreement by reason of the change of ownership of the company.
   5. List all actual, threatened or potential material disputes (including infringement risks) relating to the use and/or validity of IP rights, whether the dispute relates to the company’s IP or the actions of the company in relation to other parties’ IP.
   6. Write down (i) details of the computer hardware, software and networks owned or used by the company (“**Computer System**”); (ii) details of any element of the Computer System owned by third parties and licensed or leased to the company, including copies of any relevant agreements and licenses; and (iii) details of whether the company is dependent on any third party for the maintenance of any element of the Computer System, including details of service levels and charges.
   7. Write down details of the ownerships by the company in relation to the IP (including copyright) in the design and content of the company’s website.
   8. Specify how personal data is collected, stored and processed by the company and include the rules and procedures on such data collection, storage and processing.
6. **FINANCE AND LIABILITIES**
   1. Prepare an up-to-date balance sheet of the company showing the assets and obligations of the company.
   2. List all the loan agreements and any other financing agreements (loan, credit, overdrafts, financial lease agreements, sale and leaseback transactions, etc).
   3. List all the outstanding guarantees, sureties, letters of credit and comfort letters given by and to the company.
   4. List any other off-balance sheet commitments.
   5. List five main debtors and creditors of the company.