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Startup Legal Due Diligence Checklist: What Investors Actually Look At

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Once a term sheet is on the table, the questions change. Investors stop asking "why should we believe in this business" and start asking "can we prove it." That's legal due diligence — and it's where deals slow down, get repriced, or fall apart entirely.

This checklist covers what a due diligence process on a Nigerian startup typically reviews. Not every item applies to every business — a pre-seed SaaS company and a Series A fintech will face different depth of scrutiny. Use it to work out where you actually stand, not just to tick boxes.

The direct answer

Legal due diligence generally checks six categories: corporate structure and records, ownership and cap table, key agreements, intellectual property, contracts and liabilities, and regulatory compliance. Investors are checking one underlying question in every category: is the business actually what the founder says it is, and does it belong to who the founder says it belongs to?

1. Corporate structure and CAC records

This is where diligence starts, because everything else depends on it.

- Certificate of incorporation and memorandum/articles of association
- Current CAC status report — directors, shareholders, registered address, share capital, all matching reality
- Board resolutions for major decisions (share issuances, changes in directors, significant contracts)
- Statutory registers (members, directors, charges)
- Any pending or historical filings that haven't been completed

What investors are actually checking: whether the paperwork reflects the business as it actually operates today, or whether it's frozen at whatever state it was in at incorporation. A company that raised a friends-and-family round two years ago and never reflected it in its CAC filings has a structural gap, not a paperwork inconvenience — the share allotment needs to be formally completed and filed, which takes real time to fix.

2. Ownership and the cap table

- A cap table that reconciles exactly with CAC's shareholder records
- Documentation for every issuance, transfer, or cancellation of shares
- Any informal equity promises — advisor grants, early contributor arrangements — either formalised or resolved

- Founder vesting terms, if any
- Details of any previous financing rounds, SAFEs, or convertible instruments and their conversion mechanics

What investors are actually checking: whether the ownership table they're being shown is the same one that would exist if every promise made to date were honoured. Undocumented equity is the single most common source of last-minute renegotiation, because it changes how much of the company the new investor is actually buying into.

3. Founder and shareholder agreements

- Founder agreements addressing roles, vesting, and what happens if a founder leaves
- Shareholders' agreement addressing terms of shares ownership including transfer restrictions, exit provisions, decision-making rights, drag-along/tag-along terms
- Any side letters or informal arrangements between founders that aren't reflected in the main agreements

What investors are actually checking: what happens to the company if a founder leaves, disagrees, or wants out. A business with no shareholders' agreement is, from an investor's perspective, one dispute away from paralysis.

4. Intellectual property

- Assignment agreements from every contractor, agency, or early technical collaborator who wrote code, built the product, or created core IP
- Employment contracts with IP assignment clauses for current staff
- Trademark registrations, or at least a documented position on brand protection
- Any third-party licences the product depends on, and whether they're properly documented

What investors are actually checking: whether the company can prove it owns the thing it's raising money to scale. This is frequently the slowest item to fix, because it means going back to people who may have left the company, are hard to reach, or see an opportunity to negotiate.

5. Commercial contracts and liabilities

- Signed agreements with key customers and vendors (not email threads or verbal understandings)
- Any material liabilities, guarantees, or outstanding disputes
- Employment and contractor agreements for the current team
- Insurance coverage, where relevant

What investors are actually checking: whether the revenue and relationships described in the pitch are actually secured in writing, and whether there are liabilities sitting off the radar that could affect the business after investment.

6. Regulatory and sector compliance

- Data protection position under the Nigeria Data Protection Act 2023 — whether the business meets the NDPC's thresholds for a data controller or processor "of major importance," and if

so, whether registration, a designated data protection officer, and breach-notification procedures are in place
- Sector-specific licences (fintech, healthtech, and similarly regulated categories carry obligations beyond general company law)
- Tax registration and compliance status
- Startup Label status under the Nigeria Startup Act 2022, where relevant — a labelled startup unlocks real commercial advantages for investors, including a capital gains tax exemption and a 30% investment tax credit on their investment, so founders who qualify but haven't applied are leaving a negotiating point on the table

What investors are actually checking: exposure. A licensing gap in a regulated sector isn't just a compliance issue — it's a risk that the business could be forced to pause operations, which directly threatens the investment.

Featured checklist: fast self-assessment

Category	Ready if...
Corporate records	CAC filings match reality today, not at incorporation
Cap table	Every shareholder's stake is documented and filed, not just agreed
Shareholders' agreement	Exists and covers exit, transfer, and decision-making
IP ownership	Every contributor has signed an assignment; no gaps
Contracts	Key relationships are in signed agreements, not email
Compliance	NDPC position and sector licensing have been assessed, not ignored

If more than one row isn't a clean "yes," that's where diligence will slow you down.

Why checking the box isn't the same as being ready

A checklist tells you what will be reviewed. It doesn't tell you which gaps are fatal, which are cosmetic, and which ones will take three days versus three months to fix.

Some items on this list — an outdated CAC filing, a missing signature — are quick administrative fixes. Others — a co-founder dispute over equity, a contractor who never assigned IP and is now unreachable — are not. Founders who work through this list on their own often fix the easy items and miss the ones that actually matter, because from the outside, an unsigned IP assignment looks the same as a signed one: it's just a document that either exists or doesn't, until someone asks the right question at the wrong time.

This is also where timing matters. Fixing a cap table gap or completing a share allotment before an investor asks costs you administrative time. Fixing it after an investor's legal team has already flagged it costs you leverage — you're now negotiating from a position where the gap is known, not hidden.

Common mistakes founders make with due diligence prep

1). Building the checklist after the data room request, not before. By then, every fix is happening under a deadline the investor controls.

2). Assuming "we have a contract" answers the question. A signed agreement that doesn't actually cover IP assignment or confidentiality provides less protection than founders assume. The existence of a document isn't the same as the document doing its job.

3). Treating compliance items as optional because "we're too small." Investors in data-driven or regulated sectors increasingly ask the compliance question directly, and "we haven't looked into it" reads worse than a clear, deliberate answer either way.

4). Not knowing your Startup Label eligibility. Founders who qualify for a label under the Nigeria Startup Act but never applied are missing both the tax position and a commercial incentive that could make the round easier to close.

When to get professional help

A founder can gather documents. Assessing whether those documents actually do what they need to do — whether an IP assignment is properly drafted, whether a shareholders' agreement covers the scenarios that matter, whether the business meets the NDPC's compliance thresholds — takes legal judgment, not just a checklist.

If you're preparing for an investor conversation and you're not confident in more than one or two rows of the table above, that's the point to get a proper review rather than assembling documents and hoping.

Where Leap Wise fits

Leap Wise LP's Investor Readiness Review works through exactly this checklist. We examine your company's corporate structure, cap table, IP, contracts and compliance and tell you which gaps are cosmetic and which ones need fixing before an investor's due diligence team finds them.

If you are preparing for fundraising, Leap Wise LP can review your corporate, contractual and compliance position and identify issues that may surface during investor due diligence.

FAQ

How long does legal due diligence usually take? It depends on how prepared the business is going in. A company with clean records can move through diligence in a few weeks. A company with undocumented equity, missing IP assignments, or compliance gaps can see the process stretch to months, with the investor's confidence declining the longer it takes.

Do investors use a standard checklist? Most investors and their lawyers work from a fairly consistent framework — corporate structure, ownership, key agreements, IP, contracts, compliance — but the depth of review scales with deal size and sector. A regulated fintech will face a deeper compliance review than a pre-seed consumer app.

Can I do this checklist myself without a lawyer? You can identify most of the gaps yourself using a

list like this one. What's harder to self-assess is whether an existing document actually provides the protection it's supposed to — an IP assignment clause that looks fine to a founder may not hold up to an investor's legal team.

What's the single most common issue that slows down Nigerian startup deals? Undocumented equity and cap tables that don't match CAC's actual records — usually the result of informal arrangements from the early days of the company that were never formally allotted and filed.

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