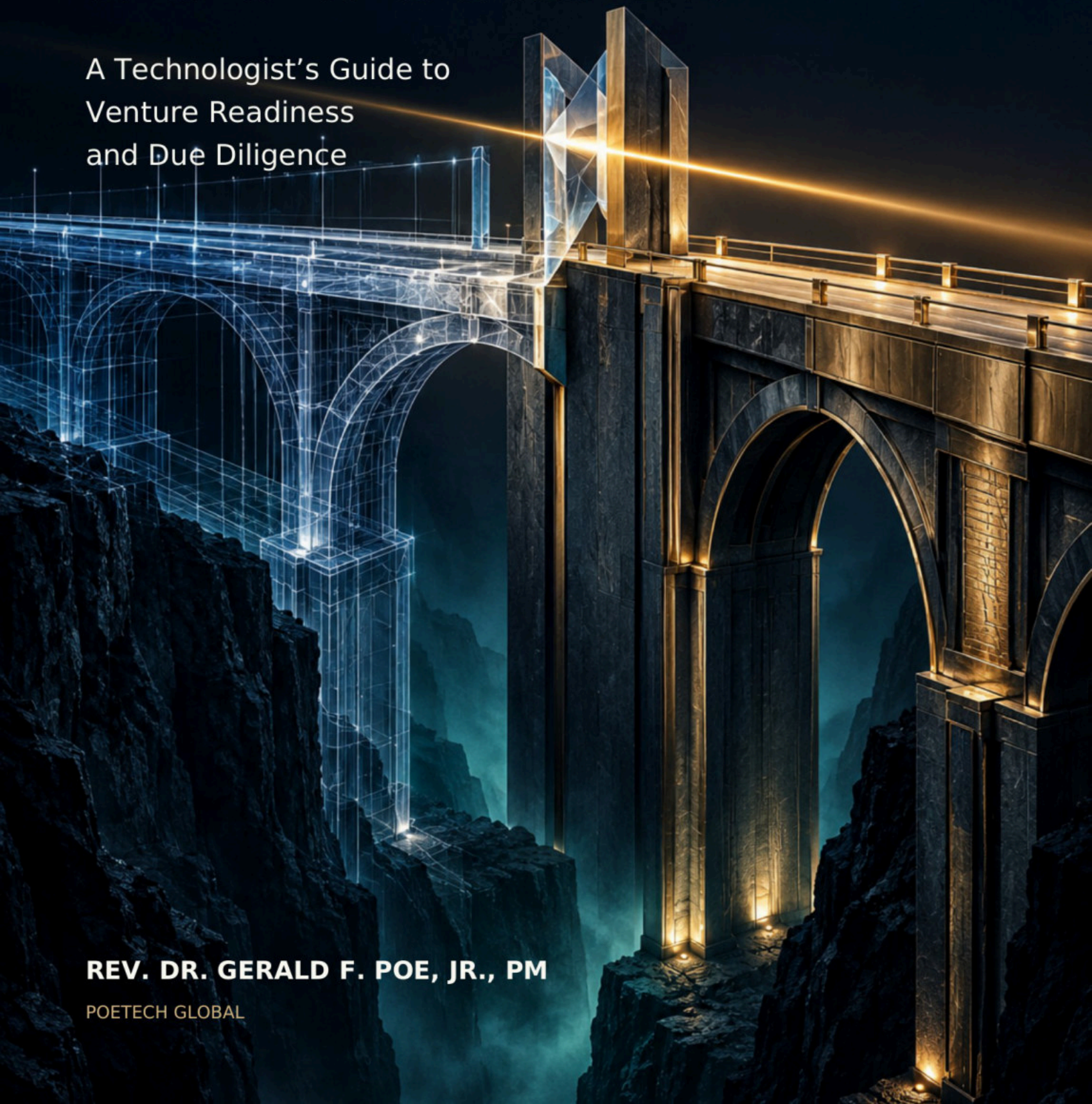
VENTURE READINESS / EVIDENCE / CAPITAL

BEFORE YOU FUND IT

A Technologist's Guide to Venture Readiness and Due Diligence



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POETECH GLOBAL

Before You Fund It

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Prepared for Rev. Dr. Gerald F. Poe, Jr., PM, in the professional context of PoeTech Global and KSI. This manuscript is a development deliverable. Publication, distribution for sale, and any implication of professional endorsement require the author's approval.

This book provides general education about evaluating technology ventures. It is not individualized investment, legal, tax, accounting, engineering, or cybersecurity advice. Private investments can be illiquid and can lose their entire value. No method in this book guarantees returns, prevents fraud, or establishes that a security is suitable for a particular person. Obtain qualified advice appropriate to the transaction, jurisdiction, industry, and your circumstances. [1]

Every company, transaction, customer, financial model, and investment decision in the worked examples is fictional unless specifically identified as a public source. Illustrative amounts are in U.S. dollars. Numbers are simplified to make the reasoning visible; they are not industry benchmarks or forecasts. The scoring framework is an original educational tool, not a validated predictor of investment performance.

Primary sources were checked on October 9, 2026. Laws, guidance, financing documents, technology, and market conditions change. The numbered notes identify supporting sources and the limits of their use. Recheck applicable requirements before acting. U.S. examples predominate; they do not describe the law everywhere.

The manuscript and original cover art were developed with AI assistance. Human author review, professional fact review where needed, rights clearance, and production checks remain necessary before commercial release. No private client correspondence, confidential deal history, family information, or unverified personal achievements are included.

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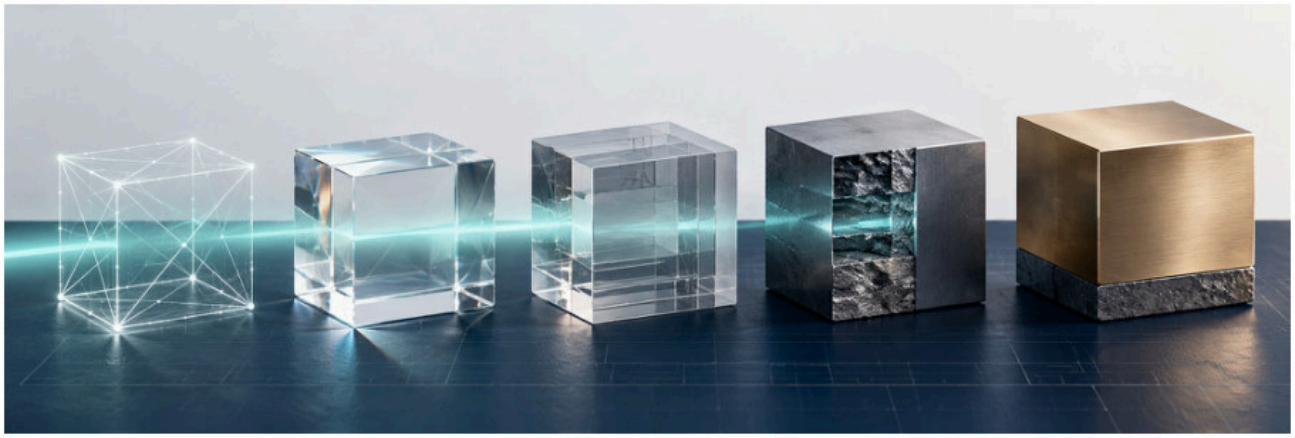
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How to use this book



Evidence is built in layers. Original AI-generated conceptual illustration.

Read the first two chapters before opening a data room. They establish the discipline that keeps the rest of the work honest: define the decision, identify what must be true, and separate a claim from the evidence behind it.

Founders can use the same process in reverse. Build the evidence before the fundraising conversation. Investors can use it to make diligence focused enough to finish and rigorous enough to matter. Technical advisers can use it to connect engineering findings to commercial consequences. A finding that does not change price, scope, timing, exposure, or a required action may be interesting without being decision-relevant.

Chapters 3 and 4 examine customers and distribution. Chapters 5 through 9 examine technology, AI, ownership, and controls. Chapters 10 through 13 connect those findings to economics, capital, people, and terms. Chapters 14 through 16 turn the analysis into a decision and an operating relationship.

The back of the book contains a scorecard, a diligence checklist, interview guides, a decision memo, an evidence register, a milestone plan, and a glossary. These are meant to be used. Adapt the questions to the company’s stage. A laboratory venture cannot provide mature retention cohorts; a growth company should not be allowed to hide behind laboratory uncertainty.

The central question is simple: What would have to be true for this opportunity to deserve this capital, on these terms, at this time? Keep answering that question as the evidence changes.

PART ONE EARN THE CONVICTION

CHAPTER 01

The decision before the valuation

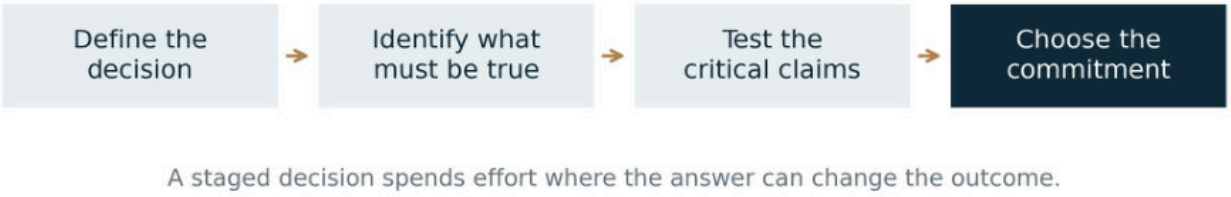


Figure 1. Let the decision determine the depth and sequence of the review.

A founder brings a polished demonstration into the room. The interface moves quickly. The market slide is enormous. The story ends with a small funding request compared with the opportunity on the screen. Someone asks what valuation would make the deal attractive.

That question has arrived too early.

Before price can carry meaning, the room needs a shared understanding of what it is buying. Is this a working product, an experiment with promising results, an unusually capable consulting team, a distribution advantage, or an option on a scientific breakthrough? Those can all have value. They require different evidence, different financing, and different patience.

The fastest way to waste diligence is to evaluate an undefined proposition. A hundred answered questions cannot repair a decision that was never framed clearly. Begin with a short investment thesis that can fail. Name the customer, the costly problem, the proposed solution, the reason this team can deliver it, and the path by which value might eventually reach the investor. Then name what could break that chain.

Separate the company from the investment

A company can be useful without fitting venture capital. A venture can be technically impressive without being economically attractive. An attractive business can still be a poor investment at a particular price or under particular terms. Keep those judgments separate long enough to inspect each one.

Consider a fictional engineering firm that earns healthy cash from a specialized industrial service. Its customers renew, its owners know the work, and its growth depends on hiring skilled people. It may be an excellent business. If an investor requires rapid expansion with limited incremental labor, the mismatch belongs in the financing discussion. Calling the business insufficiently innovative misses the point. The funding model may simply ask it to behave like a different company.

The reverse mistake is equally expensive. Software can be copied cheaply, yet the company selling it may need months of custom implementation for every customer. Labeling the revenue “recurring” does not make the labor disappear. A thoughtful investor follows the operating mechanism rather than the category printed on the pitch deck.

Write two paragraphs. The first explains why the company could create durable customer value. The second explains why the proposed security could create an acceptable outcome for the investor, considering risk, dilution, liquidity, time, and control. If the second paragraph consists mainly of a future buyer paying a higher multiple, the thesis needs more work.

Decide what you are underwriting

Every early venture contains uncertainty. The useful question is whether the uncertainty is named, bounded where possible, and priced into the decision. A seed investor may knowingly fund customer discovery. A later investor may expect a repeatable sales process. Neither should unknowingly fund unresolved ownership of the core technology.

Put each major uncertainty into one of three categories. A learning risk can be reduced through a defined experiment, such as whether a buyer will pay for a workflow improvement. An execution risk concerns the ability to deliver a known requirement, such as hiring an implementation lead. An external dependency lies substantially outside the company’s control, such as a permit, a platform policy, or a supplier’s capacity.

The categories can overlap. A hardware redesign may involve both a learning risk and a manufacturing dependency. The point is to expose who can act, what evidence would help, and how much money is at stake before the answer arrives.

Avoid the comforting phrase “the team will figure it out” when the plan has no time or budget for figuring it out. Confidence in people is relevant. It cannot substitute for a path through the problem.

Establish the mandate

Before analyzing a company, identify the investor’s constraints. Relevant considerations include the amount that can be lost, liquidity needs, investment horizon, concentration, follow-on capacity, sector competence, and legal eligibility. These are circumstances for a qualified adviser and the investor to assess, not conclusions a generic book can supply.

An otherwise compelling deal can be outside a mandate. A fund with limited remaining life may be poorly matched to a long regulatory pathway. An investor without reserves may face a different decision from one able to support later rounds. A strategic investor may value access or integration that a financial investor does not. State those differences rather than pretending there is one universal answer.

Private-placement risk deserves plain language. The SEC’s investor education materials warn that these securities may provide limited disclosure, may be difficult to resell, and can result in total loss. A professional-looking presentation or a familiar introduction does not remove that risk. [1]

Use a decision ladder

A practical process has intermediate decisions. First, decide whether the proposition is clear enough to review. Next, decide whether the accessible evidence warrants deeper work. Then decide which uncertainties justify specialist diligence. Only after those steps should the investor decide whether to negotiate, invest, defer, or decline.

This sequence prevents both extremes. Endless investigation can become a way to avoid making a decision. Immediate conviction can become a way to avoid learning something unwelcome. Each step should purchase enough information to justify the next step, with an explicit stopping condition.

Set a diligence budget in money and time. Allocate it according to the cost of being wrong. If ownership of a crucial patent could invalidate the business, resolve that before commissioning a detailed market model. If customer demand is the central unknown, spend early effort with customers rather than polishing a capitalization table for a deal that may never exist.

The first page of the file

The initial page should state the proposed decision, security or financing concept if known, company stage, intended use of funds, required milestones, major unknowns, conflicts, and who owns the review. It should also state what the investor is not yet assuming. For example: “The review does not yet establish that the pilot is paid, that the data can be reused for training, or that the production cost estimate includes support.”

This is useful candor. It keeps missing facts from quietly becoming premises. As the investigation develops, update the page instead of allowing old assumptions to survive because everyone has grown familiar with them.

The discipline begins before the impressive details. Know the decision you are trying to make. Otherwise, the venture will supply a story and the diligence team will spend weeks decorating it.

CHAPTER 02

Make every important claim traceable



Figure 2. Evidence can become stronger without becoming relevant to the claim.

The most dangerous word in a data room may be “validated.” It sounds conclusive while leaving almost everything unspecified. Validated by whom? Against what baseline? In what environment? With which exclusions? On what date? For which decision?

A serious review replaces that word with a record. The record connects a claim to an artifact, the artifact to a method, and the method to a limitation. It tells another reviewer how the conclusion was reached without requiring faith in the person who reached it.

Build an evidence register

For each material claim, capture the exact wording, the source, the date, the population or operating conditions, the method, the result, the limitations, and the next verification step. Add an owner and a link to the underlying artifact. A spreadsheet works. Sophisticated software is optional; traceability is not.

Suppose a founder says the product cuts processing time by 60 percent. Record the claim before discussing the number. Was the comparison against an old manual process or a current competitor? Did it measure active labor, elapsed time, or both? Were difficult cases excluded? Was quality held constant? Did the customer’s staff perform the work, or did the startup’s founders help invisibly?

A small pilot can produce valuable evidence. It should stay a small pilot in the record. Turning eight favorable observations into a statement about an entire industry creates confidence that the experiment did not earn.

Use an evidence ladder carefully

At the bottom sits an assertion. Above it is a plausible explanation. Above that is a documented test. Stronger evidence may include independently reproducible results, customer behavior under realistic conditions, and repeated performance over time. The order is useful, but context matters. A poorly designed independent study can be less informative than a transparent internal experiment.

Evaluate relevance and reliability separately. A reliable measurement of the wrong outcome is still the wrong answer. A benchmark may accurately measure model performance while saying little about customer adoption. A bank statement may establish cash received without showing whether the payment