

Technical due diligence: from deal shape to buyer action

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Worked example built with this method: olhash.com/samples/technical-due-diligence/

1 DEAL INPUTS Write these down before reading any code. They decide what matters most.

SIZE	TYPE	SEAT	THESIS
What is at stake and its protections: escrow, indemnity, insurance	What kind of deal founder sale · platform add-on · carve-out	Who is asking buy-side, reading a target · sell-side, preparing one	The buyer's plan hold · scale · integrate · run off

The default order below assumes: a founder-led software company acquired to run as a standalone business, one buyer or a small process, escrow small or absent, individual sellers, a buyer responsible for operations from day one.

2 DEFAULT RANKING Not by engineering severity. By what the buyer ends up paying for.

expected cost = probability of a material finding × cost when found × the share the buyer cannot shift back to the seller

MOVES UP WHEN	READ IN THIS ORDER	MOVES DOWN WHEN
	1 Product valuation multiple: is the revenue really product?	
	2 Rights & Defensibility close or stop: is what is bought actually owned?	
Run-off or distressed → OPERATIONAL ↑	3 Operational transition exposure: the weeks after close	Insured corporate seller → OPERATIONAL ↓
Regulated data or exposed ARR → SECURITY TO 1	4 Security tail risk: screen early, review fourth	
	5 Team retention dependency: handled through retention terms	
Platform integration or carve-out → ARCHITECTURE TO 2	6 Architecture roadmap cost: on the buyer's schedule	

OVERRIDE, NOT A RANK Confirmed cross-tenant access, or an unscoped historical breach, becomes the deal's first question whatever the order above.

3 FINDING PIPELINE Every question and every finding moves through the same four stages.

1	2	3	4
Question Answerable, not a topic, asked of a named artifact or person. Evidence cannot be named? Cut.	Evidence The repo, document, log or one-hour test. A founder-run demo is the seller's evidence, not the buyer's.	Confidence Verified · Observed · Inferred · Unverified. Split it when the parts differ.	Buyer's move Price, escrow, closing condition, disclosure, post-close cost, or walk. Nothing moves? A code-review comment. Cut.
01 EXAMPLE When did the last completed restore of production data happen, what came back, how long did it take, and what was missing?	EVIDENCE Restore logs, record counts or checksums, the ticket, RPO and RTO. None completed? Run one during diligence; an afternoon settles it.	CONFIDENCE Backup existence: Observed. Backup effectiveness: Unverified until a restore completes.	BUYER'S MOVE Backups without a completed restore are an unpriced total-loss scenario. Restore test as a closing condition.