

## **Spiritual Due Diligence™**

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“Due diligence” is a well-worn and often-used term in investing, and typically refers to research on a variety of topics for potential investments, including such basic areas as Markets (size, CAGR, competitive landscape, positioning and analysis). Management (background checks, reference checks, site visit), Intellectual Property (IP) (patent searches, trademark, service mark and copyright searches), Capital Structure (number of shares authorized, number of shares issued and outstanding, how many classes of stock, voting rights of the stock, debt to equity ratio, size and stage of round, number and type of co-investors, monthly burn rate, cash reserves), Metrics (financial projections and pro forma, scalability, cost of goods sold, sustainable margins, EBIT and EBITDA), Valuation (pre-money and post-money), Sales (how many sales leads are in the pipeline, average cost per lead, are they qualified, average time to close a sale, customer references, etc.).

These and other indicators of corporate and fiscal health form an Early Warning System for professional investors regarding red flags or problem area or “hot spots” that can signal danger in a potential investment. This approach has been the standard procedure and “modus operandi” for VC and buyout fund managers since the beginning of the industry, along with the more informal supplement of asking other VC’s what they know or think about a particular company, and hiring consultants who are experts to give their opinion. To entrepreneurs it can be a frightening, mysterious, annoying, and even painful experience that can become either a learning experience or a “black hole” ranging from three months to a year from which some companies never recover and were not adequately prepared for. Those that survive have a chance of getting a term sheet.

The due diligence results then get factored into a weighting scale or grid that typically concentrates on two primary things – Management and Market – and several secondary things – IP, Metrics, Milestones, Momentum, Money – and are ranked against all other deals in the deal queue and the portfolio. Of these, Management is almost always the most important factor in an investment for most professional investors, although some seed stage investors focus on IP and Market and are willing to form a management team around a promising technology.

As regards Management, most VC's invest in the head and the grey matter between the ears—an entrepreneur’s or team’s education, knowledge, track record, intellect and experience—plus their chemistry as a team and with the VC. Those attributes and characteristics are important to Kingdom Venture Partners as well, but we look for holistic opportunities and management teams where there is integration between the head and the heart, not just one or the other. So we are equally concerned about what is in the heart as well as in the head because we believe that when we invest, we are investing in the whole company with all of its assets and liabilities, and not just one part or dimension of it. And from a spiritual perspective, we look for teams who “walk the walk,” not just “talk the talk.”

Finally, Spiritual Due Diligence™ includes prayer. We have an intercessory prayer shield of 50 people who have committed and are called to pray for our Fund, our investors, our general partners, our Advisory Board, and our potential investment opportunities and deals on a regular basis. We keep them informed via weekly email updates and prayer requests and they send us spiritual feedback from their “prayer closet” on a real-time basis. These prayer warriors are a secret weapon that gives us an unfair competitive advantage over competitors, and we factor their spiritual intelligence into our decision making process, mixed along with our own prayers.