

Venture Studio Diligence Handout

Companion to *Manufacturing Equity: The venture studio as a new investable asset*. Tom West, CFA. CFA Society Indonesia, 15 October 2026.

Studio under review	
Vehicle and seat	☐ Factory equity ☐ Fund investment ☐ Product equity
Structure	☐ Single studio ☐ Studio + syndicate ☐ Single fund ☐ Studio + dedicated fund ☐ Dual entity ☐ Dual entity + syndicate ☐ Outside-priced dual entity
Analyst	
Date and data room version	

1 SCOPE AND USE

A venture studio makes companies instead of buying into them. It finds the idea, builds the company, recruits the CEO and keeps a founder's stake. Studio decks usually lead with the companies; most of what an investor is buying sits in the factory behind them. Start with one question: **am I buying the products, or the factory?**

Sections 2 to 6 are reference. Sections 7 to 13 are the working sheets. Conflict references (C1 to C10) link every question back to section 4.

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Terms used

Term	Meaning
Studio OpCo	The studio's operating company. It employs the team and does the build.
NewCo	A company the studio creates.
GP and LP	The general partner manages the fund; limited partners invest in it.
Carry	The GP's share of the fund's profits.
MSA	Management services agreement: the studio's monthly bill to its companies for its team's work (section 9).
SPV	Special purpose vehicle, usually set up to invest in a single company.
LPAC	The fund's LP advisory committee, which typically reviews conflicts.
Pro-rata right	The right to invest in later rounds to keep the same percentage ownership.
NAV	Net asset value: the fund's holdings at their current marks.

2 THE SEAT

Seat	Instrument	What it owns and is exposed to	Typical fit
Factory equity	Shares in the studio OpCo	The plant and every stake: every term of the factory equation (section 12), including plant cost and leakage.	Evergreen capital. No end date, distribution policy, vintage or benchmark.
Fund investment	An LP interest in the studio's fund	The output, at a price. Exposed to who sets the price and who decides what lives.	Depends heavily on the fund's terms and tenor.

Seat	Instrument	What it owns and is exposed to	Typical fit
Product equity	Shares in one company the studio made	One exit value, the dilution ahead of it, and its dependence on the studio's services.	Investors who already write single-company cheques: angels, follow-on investors, VCs.

3 STRUCTURES

Studios improvise their structures. The common forms below are based on Carbrey (2020), adapted by the author.

Solid arrow: capital or fees. Dashed arrow: equity held. Dotted arrow: optional flow. Grey band: same owners.

Structure	Flows	What it is	Main exposure
Single studio	<pre> graph LR Owners --> Studio Studio --> NewCos NewCos --> Studio </pre>	No fund. The studio holds its stakes directly; its owners fund it.	Can't fund its winners without a lot of capital behind it.
Studio + syndicate	<pre> graph LR Owners --> Studio Studio --> NewCos NewCos --> Studio Syndicate --> NewCos </pre>	As the single studio, with outside investors coming in company by company.	Financing risk: a good company may not get funded when it needs to.
Single fund	<pre> graph LR LPs --> GP LPs --> Fund GP --> Studio Fund --> NewCos NewCos --> Studio NewCos -.-> Studio </pre>	A VC fund with a studio-sized fee. The fee pays the studio team to build. Some also bill each company monthly under an MSA (dotted).	No outside check on what gets funded. With an MSA, paid for volume.
Studio + dedicated fund	<pre> graph LR LPs --> GP LPs --> Fund GP --> Studio Fund --> NewCos NewCos --> Studio NewCos -.-> Studio OutsideLead[Outside lead] -.-> NewCos </pre>	A studio and a separate fund, run by the same partners. The fund owns none of the studio.	High on every conflict. The same people sit on both sides of every deal. An outside lead is critical.
Dual entity	<pre> graph LR LPs --> GP LPs --> Fund GP --> Studio Fund --> NewCos NewCos --> Studio NewCos -.-> Studio OutsideLead[Outside lead] -.-> NewCos </pre>	As above, but the fund also owns a slice of the studio, so it shares in the studio's fees and founder stakes.	Two entities to diligence, and a price to agree for the fund's slice.
Dual entity + syndicate	<pre> graph LR LPs --> GP LPs --> Fund GP --> Studio Fund --> NewCos NewCos --> Studio NewCos -.-> Studio Syndicate --> NewCos </pre>	The dual entity, with follow-on rights the fund doesn't take up opened to a syndicate.	Allocation between the fund and the syndicate must be written down.
Outside-priced dual entity	<pre> graph LR LPs --> GP LPs --> Fund GP --> Studio Fund --> NewCos NewCos --> Studio NewCos -.-> Studio OutsideLead[Outside lead] -.-> NewCos </pre>	No management fee; the studio funds its own build. An outside lead prices every round. The fund buys part of the studio's founder shares at the lead's price, by rule.	The same partners still own the seller and run the buyer. Smaller, not gone.

4 CONFLICT CATALOGUE

Conflicts fall into five groups: who gets paid, who sets the price, who decides what lives, who owns what, and who funds what's next. The test throughout: pay should follow function. Each role should be paid for work it actually does, and no work should be paid for twice.

Ref	Conflict	Marker	How it happens	What to check
C1	Paid twice	Who gets paid	The build is paid by a management fee and again by an MSA, or by founder equity plus a margin on services.	Fee offsets; related-party pricing.
C2	Prices its own rounds	Who sets the price	The studio or its own fund sets the price of the studio's companies, and those prices mark up the studio's book.	Fair value policy; who led each round.
C3	Allocation	Who decides what lives	The same people decide which companies get the fund's money, or which investors get the good deals, while holding personal stakes.	Written allocation policy.
C4	Paid for volume	Who gets paid	Income rises with the number of companies created or billed, not with their quality.	Incentive design.
C5	Can't stop funding	Who decides what lives	The creator is also the main funder, so stopping or writing down means admitting its own failure.	Stopping rules; write-down record.
C6	Return divergence	Who owns what	Management and LPs own different things, so management can win while LPs lose.	Does the fund own part of the studio?
C7	Follow-on gap	Who funds what's next	No committed capital for the winners' later rounds, so pro-rata value is lost.	Reserve policy; pro-rata rights.
C8	Cash dependency	Who funds what's next	The studio's payroll depends on fees, MSAs or new raises; a gap leaves companies without their team.	Studio runway; going concern.
C9	Phantom founder	Who owns what	A "phantom founder": the studio keeps a founder-sized stake while its involvement shrinks, and the CEO's stake is too small to motivate.	Founding work remaining; CEO equity.
C10	Signalling	Who sets the price	Outside investors read it badly when the insider fund doesn't lead or join a round.	Insider participation record.

5 CONFLICT MAP

Exposure of each structure to each conflict: Low, Some or High. Based on Carbrey (2020), with the author's reading. Emerging patterns, not measured results; a specific studio's documents decide its actual exposure.

Structure	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10
Single studio	Low	Some	Low	Low	Low	Low	High	Some	Some	Low
Studio + syndicate	Low	Some	Some	Low	Some	Some	Some	Some	Some	Some
Single fund	Some	Some	Low	Low	High	Low	Low	Low	Low	Some
Studio + dedicated fund	High	High	High	Some	Some	High	Low	Some	Some	Some
Dual entity	Some	Some	Some	Some	Low	Low	Low	Low	Some	Some
Dual entity + syndicate	Some	Some	Some	Some	Low	Low	Low	Low	Some	Some
Outside-priced dual entity	Low	Low	Low	Low	Low	Some	Low	Some	Some	Low

Single fund: an MSA on top of the fee raises C1 and C4. Outside-priced dual entity: C6 remains because the same partners own the seller and run the buyer.

6 COUNTERPARTY AND FLOW MATRIX

Map every flow between the parties. Request the governing document, record how it is priced and who approved it, and flag related parties. Typical flows are listed; delete those that don't apply and add any that do.

From → to	Flow	Document to request	Pricing basis	Approved by	Related party?	Refs
LPs → Fund	Capital commitments	LPA; subscription documents				C6
LPs → GP	Management fee; carry	LPA; fee and carry terms				C1, C4
GP → Studio OpCo	Fee passed to the studio to pay the team	Management or services agreement				C1
Fund → Studio OpCo	Investment in the studio itself (dual entity)	Subscription or loan agreement; shareholder agreement				C2, C6
Fund → Studio OpCo	Purchase of founder shares (secondaries)	Share transfer agreement; pricing reference				C2, C9
Studio OpCo → NewCo	Founding work, for founder common stock	Founder stock agreement; IP assignment				C9
NewCo → Studio OpCo	MSA fees	MSA; board approval				C1, C4, C8
Fund → NewCo	Preferred stock	Term sheet; SPA; board minutes				C2, C3, C5
Outside lead → NewCo	Priced round	Term sheet; cap table				C2, C10
Syndicate or SPV → NewCo	Follow-on investment; carry to studio partners	SPV documents; allocation policy				C3, C7
NewCo → CEO	Common stock, options, salary	Employment and equity agreements				C9
Partners → GP and OpCo	Ownership, carry, salaries	Shareholder agreements; GP terms				C6
Outside clients → Studio OpCo	Services revenue	Client contracts; revenue split				C8

7 QUESTIONNAIRE

Six questions. Factory equity: all six. Fund investment: Q5 and Q6. Product equity: section 8, plus Q4.

Ref	Question	Evidence to request	Refs	Response and status
Q1	The process: What gets built, and what gets stopped? Show me the record.			
Q1.1	For each stage gate, what evidence is required, by when, and who applies the rule? Were the rules set before the work started?	Stage-gate policy	C5	
Q1.2	Provide the decision log: every go and every stop, with the rule, the evidence, the capital released and the decision-maker.	Decision log	C3, C5	
Q1.3	When did the studio, or its fund, last stop funding a company it created? Has it written one down?	Write-down record	C5	
Q2	The people: Who runs each stage, and who has built and exited before?			
Q2.1	Who leads each stage? Which partners and operators have founded and exited companies before?	Team track record		
Q2.2	How are co-founders and operators deployed across the stages of the build?	Org chart; staffing plan		

Ref	Question	Evidence to request	Refs	Response and status
Q2.3	How are CEOs recruited, how long do they stay, and what do they own?	CEO history; equity terms	C9	
Q3	The money: Is every payment earned by work the studio actually does?			
Q3.1	List every payment to the studio, the GP, the partners and staff: fee, carry, MSA fees, founder equity, direct stakes, outside services.	Fee schedule; related-party register	C1	
Q3.2	Is MSA or services income offset against the management fee?	LPA fee offset terms	C1	
Q3.3	Does any income rise with the number of companies started, rather than their quality?	MSA terms; fee basis	C4	
Q3.4	What share of the studio's revenue comes from outside clients?	Studio financials	C8	
Q4	The cap table: Where does my ownership sit, what can dilute it, and who funds the next round?			
Q4.1	Show each company's cap table at formation, after the CEO grant and after each round.	Cap tables	C9	
Q4.2	How much of the founding work is done? Is the studio's stake still earned?	Build plan; MSA scope	C9	
Q4.3	What reserves exist for follow-on, and who leads the next round? How are pro-rata rights used?	Reserve policy	C7	
Q4.4	Does the fund own any of the studio?	Studio cap table	C6	
Q5	The marks: Who sets the marks, and on what evidence?			
Q5.1	Provide the valuation policy and the basis for each current mark.	Valuation policy; NAV report	C2	
Q5.2	For each priced round: who led, and was the lead independent of the studio and its fund?	Round history	C2, C10	
Q5.3	What share of NAV rests on rounds led by the studio's own fund? Does the LPAC review these?	NAV bridge; LPAC minutes	C2	
Q6	The ecosystem: Is the funding ecosystem built, or only mapped out? Who is involved, and where?			
Q6.1	Name the outside leads, syndicates and follow-on investors that have invested alongside the studio, and where they are.	Co-investor list	C7, C10	
Q6.2	What share of rounds had an outside lead?	Round history	C2	
Q6.3	How are deals allocated between the fund, syndicates and SPVs? Is the policy written down?	Allocation policy	C3	
Q6.4	How many months of runway does the studio have, and what does it depend on?	Studio cash forecast	C8	

Questions drawn from, and extending, the questions Moiana, Ghezzi and Rangone propose for studio investors (*Business Horizons*, 2026).

8 PRODUCT EQUITY: DEPENDENCY ON THE STUDIO

A company the studio made may depend on it long after spin-out. If the studio runs out of cash, what does this company lose?

Dependency	Document	Depends on the studio?	If the studio fails	Mitigant
The team, through the MSA	MSA			
Ownership of the IP	IP assignment			
Follow-on funding	Reserve policy; side letters			

Dependency	Document	Depends on the studio?	If the studio fails	Mitigant
Board control	Board composition; shareholder agreement			
Shared services and brand	MSA; licence terms			

Also confirm: does the MSA survive spin-out? Who owns the IP? How much does the CEO own?

9 MSA REVIEW

The management services agreement (MSA) is the studio's monthly bill to its companies for its team's work; also called a services agreement or bill-back. It is charged per company, so the more companies a studio starts, the more it earns.

Ref	Check	Finding	Refs
M1	Who approved it on the company's board, when the studio controlled that board?		C1
M2	Is it priced at cost, cost plus, or market?		C1, C4
M3	Does it end at spin-out, or keep running after outside investors arrive?		C1, C4
M4	How much build is really left? Could another provider do it?		C1
M5	Can the CEO cancel it?		C1

10 CAP TABLE AND MARKS: ONE COMPANY

Holder	Instrument	% at formation	% today	Notes
Studio	Common			
CEO	Common			
Option pool				
Fund	Preferred			
Outside investors	Preferred			

Round	Date	Lead	Lead independent?	Post-money	Mark today

Red flags: a phantom founder (a founder-sized studio stake with no founder work behind it, C9); a first priced round led by the studio's own fund with no outside lead, marking up the studio's book (C2).

11 DECISION LOG SAMPLE TEST

Select three companies the studio kept funding and three it stopped. Does the record explain both?

Company or idea	Kept or stopped	Gate	Rule set before the work?	Evidence at the gate	Explained by the record?
	Kept				
	Kept				
	Kept				
	Stopped				
	Stopped				
	Stopped				

12 CASH ROUTES AND VALUATION INPUTS

Route	How it works	Pays	Deck relies on it?
Exits	A company is sold or lists.	Factory, fund, product	
Secondaries	The studio sells part of its founder stake in a later round. Cash before the exit, at a price someone else set.	Factory	
Dividends	A company makes cash, and its owners keep holding it. No exit needed.	Factory, fund, product	
Services income	MSA fees and outside clients. Keeps the OpCo solvent; too much of it pulls the studio off mission.	Factory	

Studio value = stakes already owned + PV(future output) + PV(outside revenue) – PV(running the plant) – leakage
Future output = throughput × yield × ownership at exit × exit value

Input	Definition	Studio's figure	Analyst's view
Stakes already owned	Current holdings, at a defensible mark.		
Throughput	Companies launched a year.		
Yield	The share that reach an exit: preselection, and how well this studio's operating model works.		
Ownership at exit	What's left after dilution: the structure, and how the companies are funded now and later.		
Exit value and timing	The shape of the outcomes and the time to liquidity, discounted appropriately.		
Outside revenue	Services income, discounted.		
The plant	The cost of running the build line. Falling fast for software and services.		
Leakage	Payments that don't follow function (C1, C4).		

Early evidence points to a different return shape from VC: fewer zeros, a fuller middle, a thinner tail. The sample is small. Don't judge a studio portfolio with the power-law playbook.

13 ISSUES LOG

No.	Finding	Refs	Severity (H/M/L)	Mitigant or follow-up	Owner and date
1					
2					
3					
4					
5					

Sources. Structures based on Carbrey (2020), adapted by the author. Questions drawn from Moiana, Ghezzi and Rangone, *Business Horizons* (2026). Studio effect on outcomes: Patel and Chan, *Venture Capital* (2024). Predictors of exits: the author's analysis of 117 studios (Cambridge, April 2026). Not investment, legal or tax advice; see Limits of use, section 1. © 2026 Tom West, CFA. vs.tomwest.io/diligence