

DUE DILIGENCE REPORT

<u>A. Due Diligence details</u>	
1. Due Diligence elaborated by:	
2. Name:	
3. Title:	
4. Due Diligence prepared for:	
5. Due Diligence on Applicant:	
6. Address:	
7. Person in charge:	
8. Title:	
9. Contact details:	
10. Transaction's reference number:	
11. Due Diligence undertaken at locations:	
12. Date of survey:	
<u>B. Due Diligence Summary/Comments</u>	
EXCEPTION: The review is based on documentation actually presented and responses received on the day of the review. There may be other information that is not disclosed which would be pertinent to the decision to make a proposed funding by the Bank. Base on materials presented:	
Taking into consideration above exception, XXX [recommends][does not recommend] the Applicant for further consideration.	
Taking into consideration above exception, XXX [recommends][does not recommend] the Applicant's Project for further consideration	
Comments	
Date:	
Seal & Signature:	
<u>C. Acceptance/Comments by Applicant</u>	
We [accept][do not accept] this Due Diligence Report.	
We confirm that the information provided herein is true and that we will advise you if there are any material changes in the future. We agree to your bankers undertaking further investigations on our Company.	

Comments	
Date:	
Seal & Signature:	

<u>D. Due Diligence Questionnaire</u>
1. Corporate Documents
1.1. Articles of Incorporation
1.2. Bylaws and operating agreements
1.3. Shareholder agreements
1.4. Minutes of Board of Directors and Shareholder meetings
1.5. All documents furnished to shareholders and directors
1.6. Certificates from all states and jurisdictions where the company does business
2. Previous Securities Issuance
2.1. Copies of stock certificates, warrants and option agreements
2.2. Complete Stockholder contact information
2.3. Number of outstanding shares, dates of issuance, and percent ownership
2.4. All outstanding preferred stock, including covenants
2.5. All outstanding options, warrants or convertible securities
2.6. Employee stock benefit programs, stock options, stock purchases or other
3. Financial information
3.1. Audited financial statements since inception
3.2. Income statements, balance sheets, cash flow statements
3.3. Records of all changes in equity position
3.4. Accounting methods and practices
3.5. Company prepared monthly or quarterly statements

3.6. A three year budget and financial projections
3.7. A complete and current business plan
3.8. Accounts receivable aging and accounts payable aging
3.9. Product or service pricing plan and policies
3.10. Revenue and gross margins by product or service
3.11. Extraordinary income or expense details
3.12. Explanation of any material write-downs or write offs
3.13. A summary of all bad debt experiences
3.14. Details of any outstanding contingent liabilities
3.15. Accountant report of company's financial condition
4. Tax Status
4.1. Federal and state income tax returns for the last three years. Detail of any tax audits.
5. Contracts and Agreements
5.1. List of Bank and non-Bank lenders
5.2. Joint venture and partnership agreements
5.3. License agreements
5.4. Purchase agreements
5.5. Liens, equipment leases, mortgages or any other outstanding loans
5.6. Insurance contracts and agreements
5.7. Contracts with suppliers, vendors and customers
5.8. Any additional agreements or contracts relevant to the business of the company
6. Governmental Regulations
6.1. Copies of all permits and licenses
6.2. Copies of reports made to government agencies
6.3. Details of any inquiries made by any local, state or federal agencies
7. Litigation

7.1. Description of any current litigation including potential damages
7.2. description of any potential litigation including potential damages
7.3. Settlement documentation
8. Products and Services
8.1. Detail of product offering including market share by product line
8.2. Inventory analysis including turnover, obsolescence and valuation policies
8.3. Backlog analysis by product line including analysis of seasonal issues
8.4. List of major suppliers including dollar amount purchases per year
9. Marketing
9.1. List of competitors and detail of market share
9.2. List of major clients
9.3. Analysis of pricing strategy
9.4. Current brochures and marketing materials
9.5. Sales commission structure
9.6. Sales projections by product line
9.7. Any pertinent marketing studies conducted by outside parties
10. Management and Personnel
10.1. Management organizational chart and bios of senior personnel
10.2. Details of labor disputes
10.3. Employee compensation plan including pension, options, profit sharing, differed compensation and retirement
10.4. Management incentive plans including pension, options, profit sharing, differed compensation, retirement and any non-cash compensation
10.5. Employee confidentiality Agreements
10.6. Listing of any consulting Agreements
10.7. Number of employees, turnover, absentee problems and hiring projections
10.8. Employee HR, benefits and insurance manuals

10.9. List of Company's Directors
10.10. Pinkerton investigation report on all principals, managers and directors
10.11. Credit history report on all principals, managers and directors
10.12. Resume verification report on all principals, managers and directors
11. Property and Equipment
11.1. An appraisal of all equipment and fixed assets
11.2. List of real property owned by the company
11.3. Copies of titles, mortgages, and deeds of trust
11.4. Detail of any easements or other encumbrances
11.5. Leases and sub-leases
11.6. Company space expansion plans
11.7. Patents, trademarks and other intangible assets
12. Research and Development
12.1. Detail all Research and Development in progress
12.2. Commercial analysis of Research and Development efforts
12.3. Documentation policies including examples
13. Other Company Information
13.1. Copies of all past and planned company press releases
13.2. Existing articles relating to the company and its industry
13.3. Company newsletters and any investor relations material
14. Other Pertinent Information
14.1. Any other information that might be pertinent to full disclosure of all company issues
15. List of attachments