**DUE DILIGENCE PROCESSING**

**Due Diligence Internal Team Project Processing Document**

This document should be completed by the business development team responsible for review and approval of the project prior to submitting to corporate finance team. Not every item contained herein may be applicable to the project. Therefore, those items that are not applicable to the project should be so noted. Please make sure that the information supplied is kept as brief as possible, accurate and thorough.

***THE STOCK ISSUE***

Type of securities offered:

Denomination:

Price Per Common: $

Price Per Warrant: $

Price Per Existing Preferred: $

***THE COMPANY***

State, country an d date of incorporation:

Physical street address of Principal Office:

Mailing street address of Principal Office:

Physical street address for each production facility:

Mailing street address for each production facility:

Company Phone Numbers:

Company Fax Numbers:

Email addresses:

Website:

Fiscal year ends:

Persons to contact at the company with respect to offering:

Any additional telephone/contact numbers:

Describe in detail what products or services are created by the Company:

Describe in detail what patents are owned, domestically and internationally:

Describe how these products or services are to be produced or rendered, and how and when the company intends to carry out its activities.

If applicable “IS OPERATIONAL PROTOTYPE IN EXISTENCE”

If the company plans to introduce new products give approximate time frame to first shipments.

Is completion of new product(s) contingent on finance or would company continue to create new product and service without finance.

Is company reliant or dependent on Raw material supply, energy or other ingredients of new and existing product range?

Examine relationships with existing suppliers, credit lines, etc.

Describe any major existing supply contracts.

Describe the industry in which the company is elling or expects to sell its product or services and, where applicable, any trend within that industry.

Describe the industry into which the company competes, or expects to compete.

Describe the geographic locations that the company intends to cover or compete in.

Indicate in detail whether competition is or is expected to be by price, service or any other basis. Indicate the current or anticipated prices or price ranges for the company’s product or services, or the formula for determining prices, and how these prices compare with those of competitors products or services, including a description of any variances in product or service features.

Name the principal competitors that the company has or expects to have in its areas of competition.

Indicate the relative size and financial strength of the company’s competitors in the area of competition in which the company is or will be operating.

State in detail why the company believes that it can effectively compete with these and other companies in its area of competition.

State the possible consequences to the company of delays in achieving each of the events or milestones within the above time schedule and particularly the effect of any delays upon the company’s liquidity in view of the company’s anticipated operating costs.

***THE OFFERING PRICE FACTORS***

If the securities offered are common stock, or are exercisable for or convertible into common stock, the following factors may be relevant to the price at which the securities are being offered.

What were net after tax earnings for the last fiscal year? Total $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ($\_\_\_\_\_\_ per share)

If the company had profits, show offering price as a multiple of earnings. Adjust to reflect for any stock splits or recapitalizations, and use conversion or exercise price in lieu of offering price.

Offering Price per share = $\_\_\_\_\_\_\_\_\_\_\_ .

State as price/earnings multiple offering price to earnings: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Net after tax earnings last year per share - $\_\_\_\_\_\_\_\_\_.

What is the net tangible book value of the company (exclude copyrights, patents, goodwill, capitalized research and development costs). Total Assets – Total Liabilities = Book Value.

Please provide explanation if Net Tangible Book Value per share is substantially less than this offering (or exercise or conversion) price per share.

State the dates on which the company sold or otherwise issued securities during the last twelve (12) months, the amount sold, the number of persons to whom they were sold, any relationship of such persons to the company at the time of sale, the price they paid and if they did not pay cash explain how payment was transacted.

What percentage of the outstanding shares of the company will investors in this offering have? (Assume exercise of outstanding options, warrants or rights and full conversion of convertible securities, if the respective exercise price or conversions price are at or less than the offering price.) If the maximum is sold \_\_\_\_\_\_\_\_\_\_\_\_\_ (number of shares) \_\_\_\_\_\_\_\_% ( percentage). If the minimum is sold \_\_\_\_\_\_\_\_\_\_\_\_\_ (number of shares) \_\_\_\_\_\_\_\_% ( percentage).

***USE OF PROCEEDS***

The following table sets forth the use of proceeds from the offering.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **If Minimum Sold** | **Percentage** | **If Maximum Sold** | **Percentage** |
| Total Proceeds | $ | 100.00% | $ | 100.00% |
| Less: |  |  |  |  |
| Legal and Organizational (1) | 0 | % | 0 | % |
| Commissions (2) | 0 | % | 0 | % |
| Finder’s Fees (3) | 0 | % | 0 | % |
| Offering Expenses (4) | 0 | % | 0 | % |
| Total Expense of Offering | $0 | % | $0 | % |
| Net Proceeds from Offering | $0 | % | $0 | % |
| **Use of Net Proceeds from Offering** |  |  |  |  |
| ADD USE | 0 | % | 0 | % |
| ADD USE | 0 | % | 0 | % |
| ADD USE | 0 | % | 0 | % |
| ADD USE | 0 | % | 0 | % |
| Balances | 0 | % | 0 | % |
| Total Use of Proceeds | $0 | 100.00% | $0 | 100.00% |

***MARKETING STRATEGIES***

Detail all marketing strategies of the company.

***KEY EMPLOYEES***

Identify key employees, their job function, salary, benefits, etc.

***ENVIRONMENTAL AND INTERNAL ISSUES***

If the company is subject to material regulatory environmental regulations by government or governmental agency state fully:

State the names of any subsidiaries of the company, their business purposes and ownership’s. Indicate which are included in the financial statements attached. If not included, or if included but not consolidated, explain.

Summarize the material events in the development of the company (include any material M&A) during the past five (5) years or the life of the company if shorter than five (5) years.

If the company has undergone or is pending: mergers, acquisitions, spin offs, stock splits, or recapitalizations.

If the company was not profitable during the last fiscal year, list below in chronological order the events which in management’s opinion must or should occur or the milestones which in management’s opinion the company must or should reach in order to become profitable.

Event Expected Manner of Occurrence Date or # of months for results

1.

2.

3.

4.

5.

6.

7.

***INDEBTNESS***

If any part of the proceeds is to be used to discharge debt, describe the terms of the debts, including current interest rates and interest. If the indebtedness to be discharged was incurred within the current or previous fiscal year, then describe the use of the debt.

If any material amount of the proceeds is to be used to acquire assets, other than in the ordinary course of business, briefly describe and state the cost of the assets and other material terms of the acquisitions.

If the assets are to be acquired from officers, directors, employees or principal stockholders of the company or their affiliates/associates, give the name of the persons from whom the assets are to be acquired and set forth the cost to the company, the method followed in determining the cost to the company and the method used to determine the cost and profit to the person(s) assets are being acquired from.

If any amount of the proceeds is to be used to reimburse any officer, director, employee or stockholder for services already rendered, assets previously transferred, or moneys loaned or advanced, or otherwise conveyed then please provide detail explanations.

Indicate in detail whether the company is having or expects to have any cash flow or luidity problems and whether or not it is default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring the company to make payments.

State if a significant amount of the company’s trade payables have not been paid within the state trade terms.

State whether the company is subject to any unsatisfied judgments, liens or settlement obligations and amounts thereof.

Indicate whether proceeds from this offering will satisfy the company’s cash requirements for the next twelve (12) months or will company require more cash.

***CAPITALIZATION***

Indicate the capitalization of the company as of the most recent balance sheet date, adjusted to reflect splits, dividends, recapitalizations, refinancing. Adjust the sheet to reflect the sale of the minimum and maximum amount of securities in this offering.

Total Common Stock Authorized –

Total Common Stock Issued and Outstanding –

Total shares in free trading float –

Total shares under 144 restrictions –

Total Preferred Stock Authorized –

Total Preferred Stock Issued and Outstanding -

Date of Recent Balance Sheet:

Balance Sheet Amounts As Adjusted

Minimum Maximum

**DEBT**

Short Term $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

(average interest %) % % %

Long Term $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

(average interest %) % % %

Total Debt $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

**STOCKHOLDERS EQUITY**

Preferred Stock (By Class)

Class \_\_\_\_\_

Total Outstanding \_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Class \_\_\_\_\_

Total Outstanding \_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Class \_\_\_\_\_

Total Outstanding \_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Class \_\_\_\_\_

Total Outstanding \_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Class \_\_\_\_\_

Total Outstanding \_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Common Stock $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Additional Paid in Capital $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Retained Earnings $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Total Stockholders Equity $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

Total Capitalization $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_

***DESCRIPTION OF SECURITIES***

The Securities being offered are:

1. Common (Y/N)
2. Preferred (Y/N)
3. Notes or Debt (Y/N)
4. Units of two or more types of securities (Y/N)

The Securities have:

1. Cumulative Voting Rights (Y/N)
2. Other Special Voting Rights (Y/N)
3. Preemptive rights to purchase new shares (Y/N)
4. Preference as to dividends or interest (Y/N)
5. Preference upon liquidation (Y/N)

Are the securities convertible (Y/N)

1. If Yes, state conversion price or formula \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Date of Convertibility \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Date convertibility expires \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If securities are notes or other types of debt securities:

1. What is the interest rate \_\_\_\_\_\_%
2. If interest rate is not fixed, describe –
3. What is the maturity date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. If serial maturity state \_\_\_\_\_\_ %
5. Mandatory Sinking Fund (Y/N)
6. Is there a trust indenture (Y/N)
7. If Yes, provide trust details –
8. Are securities callable or subject to early redemption (Y/N)
9. Are securities collateralized by real or personal property (Y/N)

***MANAGEMENT’S DISCUSSION AND ANAALYSIS OF CERTAIN RELEVANT FACTORS***

If the company’s financial statements show losses from operations, explain the causes underlying these losses and what steps the company has taken or is taking to rectify the losses.

Describe any trends in the company’s historical operating results.

Indicate any changes now occurring in the underlying economics of the industry or the company’s business which, in the opinion of management, will have a significant impact (either favorable or adverse), upon the results of operations within the next twelve (12) months, and give an estimate of the impact.

If the company sells a product or products and has significant sales during its last fiscal year, the existing gross margin (net sales less cost of such sales as presented in accordance with generally accepted accounting principles).

Percent (%) of sales the last fiscal year.

What is the anticipated gross margin for the next year’s operations \_\_\_\_\_%.

Required Documents:

1. Certificate(s) of Incorporation, main company and all subsidiaries.
2. The Bylaws as amended to date for the main company and each of its subsidiaries.
3. Minutes of the meetings of the Board of Directors and Stockholders of the company and each of the subsidiaries since inception.
4. All stock transfer and stock certificates books of the company and each of the subsidiaries.
5. A list of all jurisdiction in which the company and each of the subsidiaries are qualified to do business or are otherwise preparing.
6. All market studies, feasibility studies, analyses, and similar reports dated over the last five (5) years.
7. All press releases/clippings issued by the company with respect to the company or any of its subsidiaries during the past five (5) years.
8. All audited and unaudited financial statements of the company and its subsidiaries prepared over the last five (5) years.
9. All written financial plans, budgets, projections and similar materials prepared by or for the company over the last five (5) years.
10. Management financial reports to the directors or any committee thereof of the company over the last five (5) years.
11. Correspondence with all accounting staff (Accountants), include all auditing letters to management of the company and each subsidiary over the last five (5) years.
12. The following information with respect to accounts receivable.
    1. A list showing the amount owed by the five largest debtors as of a recent date.
    2. All executor contracts, as amended to date, with each of the above referenced debtors.
    3. An aging schedule of the Accounts Receivable as of a recent date.
    4. A description of the payment terms of Accounts Receivable.
13. The following information with respect to accounts payable.
    1. A list of the five largest creditors as of a recent date.
    2. All executor contracts as amended to date, with each of the above referenced debtors.
    3. An aging schedule of the accounts payable as of a recent date.
    4. A description of the payment terms of accounts payable.

***PROPERTIES***

All currently effective purchase contracts, leases or other arrangements with respect to material items of equipment utilized by the company or its subsidiaries (include all data processing and computer services).

A list of all real property owned or leased by the company and its subsidiaries. Include all deeds and leases relating to the properties.

All title insurance policies with respect to any real property or key men.

All professional appraisals of any material property of the company or any of its subsidiaries.

All currently effective or proposed agreements and material related documentation for the acquisition of real estate.

***COMPETITORS***

A list of all known competitors of the company and the subsidiaries, with indication as to the customers of geographical areas with respect to which each such competitor competes.

***PROJECT REVIEWER COMMENTS***

Include any and all comments that would add additional value to this project.

***CORPORATE FINANCE COMMENTS***

Include any and all comments regarding structure and/or financing options, etc.

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Name of Project Reviewer Date