

Title: Express Ventures Due Diligence Checklist (borrowed from AvTech Ventures)

1. **Corporate Records**

- a. Formation documents, such as Articles or Certificate of Incorporation and by-laws (for the Company), or Articles or Certificate of Organization of LLC and Operating Agreement (for an LLC).
- b. All minutes of meetings of the board of directors, shareholders, members and committees of the Company.
- c. Listing of any affiliated companies such as subsidiaries.
- d. Any stockholder, buy-sell, or similar agreements that may relate, directly or indirectly, to the proposed transaction.
- e. A list of all of the security holders of the Company (including option and warrant holders and others entitled to purchase the securities of the Company), indicating the class and number of securities held by each such holder.
- f. Copies of all securities of the Company presently outstanding and any agreements or plans relating thereto (including options, warrants, and securities convertible **or** exchangeable into common stock) and the number of shares, units, or principal amount outstanding.
- g. A copy of the stock transfer ledger of the Company showing all transactions in its stock..
- h. All documents known to the Company relating to outstanding proxies, powers of attorney (with respect to any stock of the Company), voting trusts, or other assignments of rights attaching to any of the stock of the Company, if any.
- i. A list of any capital stock or equity interest in any other entity or enterprise owned by the Company.

2. **Business Contracts**

- a. Any partnership, joint venture, distributorship, franchise, licensing, management, research and development, or similar agreements or contracts to which the Company is a party.
- b. Any form engagement letters or other form agreements or contracts used in connection with the Company's business, including without limitation purchase orders, sales orders, quotation forms, and other standard forms.
- c. List of significant acquisitions or dispositions of the Company's assets, mergers, equity financings, and other material transactions completed within the last three years and all documentation relating thereto.
- d. Any other contract or agreement (or forms of related or similar contract) that: (i) involves payments by or to the Company of in excess of \$1,000 in any one year or (ii) is significant to the operation of the Company's business.

3. **Legal/Financial**

- a. Copies of any currently outstanding commitment letters or other correspondence relating to proposed financings or borrowings of the Company.
- b. Letters of credit outstanding (amounts, terms) if any.
- c. List of financial institutions and types of accounts maintained by the Company.
- d. All documents purporting to create liens, mortgages, security agreements, pledges, charges, or other encumbrances on the stock of the Company, on any real or personal property of the Company or in favor of the Company. Copies of all Uniform Commercial Code (UCC) financing statements filed with respect to the above, if any.
- e. Copies of notes payable to or notes receivable from any employee, director, affiliate, agent, or shareholder of the Company outstanding at any time during the past year. Copies of all other agreements relating, directly or indirectly, to the Company or any person who is, or is proposed to become, an officer, director, key employee or significant owner (including affiliates) of the Company (including loans, leases, purchases, and sales of property).

- f. Copies of any agreements pursuant to which the Company either (i) guarantees or otherwise supports the credit of any other person or entity or (ii) indemnifies or has agreed to hold others harmless with respect to any liabilities
 - g. Financial Statements and income and payroll tax returns for last 3 years.
4. **Property**
- a. List of real property (owned or leased) used in the Company's business, including size, location, and use of each parcel and number of employees employed at each location. For leased properties, include the term of each lease.
 - b. Copy of all leases, subleases, deeds, mortgages, construction contracts, and other commitments relating to real property owned or leased in connection with the Company's business.
 - c. Any appraisals of the Company's real property obtained within the past three years; copies of any Phase I Environmental Reports.
 - d. Inventory of significant personal property owned or leased, and copies of all purchase contracts, leases (including, without limitation, automobile leases, and computer equipment leases) and security agreements, etc., relating to material equipment or personal property or licenses regarding equipment usage.
5. **Intellectual Property**
- a. Schedule of trademarks, trade names, service marks, copyrights, or patents owned by, licensed to, or applied for by or on behalf of the Company and correspondence files relating thereto, including dates of registration with state or federal agencies along with identifying registration numbers, if any.
 - b. A listing of all parties whose software or intellectual property is utilized in the Company's products or service and copies of any license or purchase agreements with those parties.
 - c. Copy of all patent applications outstanding.
 - d. Copy of all licenses, assignments, royalty agreements, and other contracts and instruments relating to the foregoing.
 - e. Name of contact person who handles patent, trademark, or copyright matters for the Company.
 - f. Description of policies to protect intellectual property rights owned by the Company or otherwise used in the Company's business.
 - g. Documents relating to any claims of infringement of intellectual property rights owned by the Company or related to its business either (i) by the Company or any of its owners against the rights of others or (ii) by others against the rights of the Company or its owners.
6. **Management/Employees**
- a. All corporate policy manuals covering hiring, regulatory compliance, internal controls, etc. Include number of employees by department or other relevant classification.
 - b. Copies of employment contracts, confidentiality agreements, non-competition agreements, management and consulting contracts, union contracts, collective bargaining agreements, employee manuals, benefit plan summaries, etc.
 - c. Any written agreements and summaries of any unwritten arrangements or understandings between the Company and any of its officers, directors, affiliates, and associates within the last three years, whether or not currently in effect.
 - d. Copies of and listing of all profit sharing and savings plans, pension or retirement plans, deferred compensation plans, medical, dental, or other health and welfare plans and any bonus, incentive, performance, or similar plans or arrangements and related. agreements; Summary Plan Descriptions or other descriptions, Form 5500 filings for past 3 years, and all IRS determination letters or other communications with governmental officials regarding any of the foregoing.
 - e. Copies of any other executive compensation plans or programs.
 - f. Any indemnification agreements with any directors, employees, or agents.
 - g. Distribution, sales representative, agency, and dealer agreements currently in effect.

- h. Commission agreements with nonemployee salespersons, buyers, or other agents.
 - i. Form of nondisclosure or proprietary information agreements used by the Company and a list of any employees of the Company who are a party to such agreements.
 - j. Schedule of all compensation paid during the last fiscal year to officers, directors, and key employees showing separately salaries, bonuses, and non-cash compensation, including bonuses paid or accrued, direct or indirect benefits or perquisites, and all benefits paid or accrued under all employee benefit plans.
7. **Litigation**
- a. List of all litigation, administrative or regulatory proceedings, investigations, or governmental actions involving the Company or its business since Company began, with a brief description of the basis for each such matter.
 - b. Description of any currently threatened litigation, legal claims, regulatory actions or other actions or proceedings, including any correspondence relating to any alleged infringement of any patent, trademark, or other intellectual property.
8. **Insurance**
- a. A schedule of all policies or binders of insurance or self-insurance arrangements, including medical, workers compensation, disability, automobile, general liability, fire and casualty, products liability, professional liability, officers' and directors' liability and key-man life insurance, with deductibles, coverage limits, and other significant terms. Please indicate the name and address of all insurance agents, brokers, and companies.
 - b. A schedule of insurance claims in excess of \$50,000 over the last five years, and summary of loss history for that period.
 - c. A schedule of threatened or potential claims.
 - d. A schedule of outstanding bonds (value and bonding company), current bonding limits.
 - e. Any reports or correspondence concerning the adequacy of the foregoing or denial of coverage.
9. **Legal-Regulations and Filings**
- a. Reports filed and significant correspondence to and from any state or federal regulatory agencies.
 - b. A schedule of all material governmental permits, licenses, etc. of the Company and relating to the Company's business.
 - c. A description of any inquiries or known noncompliance with any laws or regulations for the past five years and the disposition and status thereof.
10. **Miscellaneous**
- a. Copies of any finder's fee or bonus compensation arrangements regarding the proposed transaction.
 - b. Any other documents, information, or data that are significant with respect to the business of the Company or which should be considered and reviewed in making disclosures regarding the business and financial condition of the Company to prospective investors.