



SAMPLE DUE DILIGENCE CHECKLIST

COMPANY

Purpose

The purpose of an investment due diligence checklist is for an investor to make sure that they have completed full due diligence on a potential investment opportunity. In addition, to the extent that an investment bank or broker/dealer is utilized in a capital raise, the investment bank or broker/dealer is required, by regulation, to complete their own due diligence process before offering a potential investment opportunity to potential investors. The due diligence that the investment bank or broker/dealer uses in their process will also be used by investors for their investment decision making.

In order for an investor to make a well-informed investment decision, they typically have a standard set of questions and required information that they need to review before they are willing to make an investment. The areas covered in a due diligence checklist are related to helping an investor make a reasonable decision about the risk adjusted return of an investment opportunity.

CAPITAL SEEKER/ISSUER PROVIDES

INVESTOR GOAL

Transparency in order to allow an investor access to complete information

Maximum transparency in order to make an informed investment decision

Information that supports investment return potential

Demonstrated return potential

Risk and mitigation information

Understand and mitigate potential risks

Covered Topics

The Due Diligence checklist typically covers standard topics such as (see full sample due diligence checklist in the Appendix):

- Issuer Review
- Governance and Team
- References and Vendors
- Presentations/Investor Communications/DDQ:
- Company and Financial Analysis
- Securities and Offering Documentation
- Regulatory, Compliance and Operations

Having well-constructed and complete information on these basic topics provides the information that an investor requires in order to complete their due diligence process.



Result

The result of well-constructed and complete due diligence information is a seamless and well received capital raising process which increases a capital seeker/issuer's chances to raise capital. Investors respect and appreciate thoughtful due diligence information since it shortens their due diligence process significantly meaning they are able to make an investment decision more quickly.

Given most capital seeker / issuer's preference for a quick and seamless capital raise as well as investor and capital seeker / issuer's interest to have a seamless due diligence process, the capital seeker / issuer and investors interests are aligned in having complete due diligence information.

Contact Us
For Your
Capital Raise

About Deer Isle Group:

Deer Isle Group ("Deer Isle") with its subsidiaries, Deer Isle Capital, a registered broker/dealer, and Deer Isle Financial, is a differentiated investment bank that provides "as needed" financial/strategy and closing advisory as well as proprietary technology solutions that give access to 10,000+ institutional investors. Our business is built upon providing investors and capital seekers/issuers the right tools in order to ensure a transparent, smooth and efficient capital solution. Our strength in these factors has helped drive our proven execution capabilities.

Deer Isle's successful track record includes having raised over \$5 billion in private placement capital since our founding in 2007.



Appendix

Company Due Diligence Checklist

This checklist is an outline of the required due diligence items. This list may not be comprehensive and is dependent upon specific Transactions.

Company Name*:

Due Diligence Complete:

Suitability Check Complete:

Completion Date:

*(Company Name is exact name as set forth in Organizational Documents)

Document	✓	Comments
Issuer Review:		
▪ Charter documents (US/Foreign): Certificate of Incorporation, By-Laws, LLP/LLC Agreement, Registration documents, Memorandum of Association		
▪ Corporate/board resolutions		
▪ Board minutes		
▪ Certificate of Good Standing		
▪ Better Business Bureau complaints		
▪ Subsidiary list		
▪ Investor Communications (e.g., company updates)		
▪ Litigation, claims and proceedings settled or concluded or pending or threatened List		
▪ Lien List (including tax)		
▪ Insurance policies and list of prior insurance claims		
▪ Agreements restricting the Company's ability to do business, compete, solicit, etc.		
▪ Agreements with investment bankers, placement agents or brokers		
▪ Onsite company visit		
▪ Website review		
▪ Promotional materials, including social media handles		
▪ Adherence to FINRA Communications requirements before and outside of Broker Dealer		



Document	✓	Comments
Governance and Team:		
▪ Company organizational chart		
▪ Key Employees (Officers) list (names and titles) / Time Spend with Company		
▪ Key Employee Employment Agreements, Stock Option Agreements and Vesting Schedules		
▪ Any Employee/Director/Advisor loans, Indemnity or guarantee agreements, Related Party Transactions		
▪ Key personnel biographies / track record		
▪ Board Member list / Agreements / Compensation		
▪ Advisor list / Agreements / Compensation		
▪ Offer Letters		
▪ Consulting Agreements		
▪ Tech/Developer Team/Agreements with bios		
▪ Criminal background check		
▪ OFAC, UN/EU sanctions check on key personnel		
▪ Web search on personnel and advisors		
▪ Employee, contractors and advisor's compensation/alignment of interest		
▪ Stock Option Agreement and plan		
▪ Key item/financial decision-making process		
References and Vendors:		
▪ Accounting references		
▪ Legal references		
▪ Other (min 3) references (advisors, customers, beta testers, etc.)		
Presentations/Investor Communications/DDQ:		
▪ Teaser		
▪ Pitch deck		
▪ Business plan		
▪ Term sheet		
▪ Use of offering proceeds		
▪ Financial Models/ Pro Forma Financials / Returns		
▪ Due Diligence Checklist		



Document	✓	Comments
▪ Backup and supporting information, research, studies		
▪ Additional materials		
Company and Financial Analysis:		
▪ Capital raise purpose/use of proceeds		
▪ Capital structure (fully diluted shares, list of shareholders, schedule of options/warrants/rights, etc.) including issuance dates and original issuance price and vesting schedule.		
▪ Notes of Issuer's history/background/ownership		
▪ Agreements relating to sale, purchase, repurchase or issuance of securities		
▪ Agreements relating to securities voting and restrictive share transfers		
▪ Agreements related to preemptive or other preferential rights to acquire securities including rights of first refusal		
▪ Agreements relating to registration rights		
▪ Previous/concurrent/planned capital raise documents/amount/timing		
▪ Financial statements (balance sheet/income statement/cash flow)		
▪ Audited financial statements, if applicable		
▪ A list of outstanding debt/credit and covenants/restrictions (including guarantees of third party obligations and lease financing)		
▪ Debt/Credit (including lease financing) Agreements		
▪ Capital leases		
▪ Real property leases		
▪ Budget for current year / budget for next year		
▪ Tax considerations		
▪ Technology, website, etc demonstration and diligence		
▪ Customer/client/technology/etc pipeline		
▪ Key competitor list		
▪ Intellectual property owned by the Company (patents, trademarks, copyrights, etc.) list		
▪ Standard form and Proprietary Information and Invention Agreements related to assignments of		



Document	✓	Comments
intellectual property developed by employees, consultants or third parties and list of employees, consultants and third parties that have signed them		
<ul style="list-style-type: none"> ▪ List of any employees, consultants or third parties who have not signed Proprietary Information or Invention Agreements (including any time periods when employees did not sign them) 		
<ul style="list-style-type: none"> ▪ Any Agreements that have any exclusions from Proprietary Information and Invention Agreements with employees, consultants, or third parties 		
<ul style="list-style-type: none"> ▪ Related party transaction list/policy 		
<ul style="list-style-type: none"> ▪ Standard forms of agreements used by the Company 		
<ul style="list-style-type: none"> ▪ Joint venture and partnership agreements 		
<ul style="list-style-type: none"> ▪ Management, service and marketing agreements 		
<ul style="list-style-type: none"> ▪ Confidentiality and nondisclosure agreements 		
<ul style="list-style-type: none"> ▪ Agreements requiring consents or approvals in connection with financing 		
<ul style="list-style-type: none"> ▪ Agreements, letters of intent, term sheets regarding any proposed acquisitions or dispositions by the Company of any company, business, or material amount of assets 		
<ul style="list-style-type: none"> ▪ Any other agreements material to the business of the Company or outside the ordinary course of business 		
<ul style="list-style-type: none"> ▪ Additional materials 		
Securities/Offering Documents:		
<ul style="list-style-type: none"> ▪ Offering size / Amount / Terms 		
<ul style="list-style-type: none"> ▪ Roadmap to issuance 		
<ul style="list-style-type: none"> ▪ Type of offering (506(b)/506(c)/Reg CF) 		
<ul style="list-style-type: none"> ▪ Equity, Debt, SAFE, purchase agreement or other 		
<ul style="list-style-type: none"> ▪ Offering to U.S. persons and/or non-U.S. persons 		
<ul style="list-style-type: none"> ▪ Subscription Agreements 		
<ul style="list-style-type: none"> ▪ Form D filing 		
<ul style="list-style-type: none"> ▪ Transfer restrictions 		



Document	✓	Comments
Regulatory, Compliance and Operations:		
▪ Code of Ethics		
▪ AML manual/procedures		
▪ FCPA policy		
▪ KYC information/procedures		
▪ Business continuity/protection of books & records		
▪ Employee handbook		
▪ Remuneration policy		
▪ ESG/SRI policy		
▪ Privacy policy		
▪ Communications with local, state or federal regulatory agencies		

Deer Isle Group, LLC

