



SAMPLE DUE DILIGENCE CHECKLIST

FUND

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 especially when they are giving someone else investment decision making discretion, 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

Transparency in order to allow an investor access to complete information

Information that supports investment return potential

Risk and mitigation information

INVESTOR GOAL

Maximum transparency in order to make an informed investment decision

Demonstrated return potential

Understand and mitigate potential risks

Covered Topics

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

- Fund Documents
- Governance and Team
- References
- Presentations/Investor Communications/DDQ
- Investment Pipeline/Current/Past Transactions
- Investment Process
- Fund Reporting
- Research
- Leverage/Unique Financial Structures
- Fund Manager Corporate Information
- Fund Manager 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

Fund

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.

Fund Name*:

Due Diligence Complete:

Suitability Check Complete:

Completion Date:

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

| Documentation List | Check | Comments |
|---|-------|----------|
| Fund Documents: | | |
| ▪ PPM (onshore/offshore) | | |
| ▪ Subscription documents (onshore/offshore) | | |
| ▪ Investment advisory/management agreement | | |
| ▪ Limited Partnership Agreement | | |
| ▪ Memorandum/Articles of Association | | |
| ▪ Formation/incorporation/registration documents | | |
| ▪ Corporate resolutions | | |
| ▪ Side letters | | |
| | | |
| Governance and Team: | | |
| ▪ Fund team org chart | | |
| ▪ Key firm/team member bios | | |
| ▪ Criminal background check | | |
| ▪ OFAC, UN/EU Sanctions search on key personnel | | |
| ▪ Web search on key personnel | | |
| ▪ Compensation Arrangements/Alignment of Interest | | |
| ▪ Stock option agreement and plan | | |
| ▪ Key Investment/item/financial decision-making process | | |
| | | |
| References: | | |
| ▪ Accounting references | | |
| ▪ Legal references | | |
| ▪ Other references (min 3) (advisors/LP's etc.) | | |
| | | |



| Documentation List | Check | Comments |
|---|-------|----------|
| Presentations/Investor Communications/DDQ: | | |
| ▪ Teaser | | |
| ▪ Introductory Pitch book | | |
| ▪ Investment Process Presentation: value add/portfolio management process, pipeline info including investment rationale/pro forma returns | | |
| ▪ Operational Summary Presentation: org structure, operations overview, detailed overview of processes around: commitments, drawdowns, investments, capital calls, distributions, cash flow tracking, valuations, accounting, reporting, infrastructure | | |
| ▪ Performance: fund level and individual investments, monthly, annual, benchmark against index, realized, unrealized, gross, net | | |
| ▪ Due Diligence Questionnaire | | |
| ▪ Fund level model | | |
| ▪ AUM historical info | | |
| | | |
| Investment Pipeline/Current/Past Transactions: | | |
| ▪ Past/Current Investments/project level info (in-depth investment rationale and pro forma returns) | | |
| ▪ List of Top 10 investments with summary financial data and in-depth investment rationale | | |
| ▪ Updates to any current investments | | |
| ▪ Pipeline list | | |
| ▪ Tear sheets for pipeline deals (in-depth investment rationale and pro forma returns/scenario analysis) | | |
| | | |
| Investment Process: | | |
| ▪ Investment process outline (outline of investment process and flowchart) | | |
| ▪ Asset management process (outline of how assets are managed between investment and exit) | | |
| ▪ Sample information memo (memo submitted to Investment Committee after initial screening) | | |
| ▪ Sample investment memo (final memo submitted to IC prior to investment decision being made) | | |
| ▪ List of possible external consultants and advisors that might be used in strategy | | |
| ▪ Service provider/external management questionnaire (given to third parties to ascertain suitability to hire) | | |
| ▪ Closing checklist | | |
| ▪ Risk management process | | |
| ▪ Sample investment on-boarding process (outline of individual investment on-boarding process) | | |



| Documentation List | Check | Comments |
|---|-------|----------|
| Fund Reporting: | | |
| <ul style="list-style-type: none"> ▪ Monthly/quarterly reports ▪ Monthly Returns ▪ Monthly AUM ▪ Monthly Attribution (including) <ul style="list-style-type: none"> ○ Long/Short ○ Sector/Geography ○ Leverage ▪ Security Type (including Derivatives) | | |
| ▪ Annual reports | | |
| ▪ Advisory board meeting notes | | |
| ▪ LP annual meeting notes | | |
| | | |
| Research: | | |
| ▪ Macro research/studies | | |
| ▪ Any research specific to the opportunity | | |
| | | |
| Leverage/Unique Financial Structures: | | |
| ▪ Term sheet | | |
| ▪ Commitment letter | | |
| | | |
| Fund Manager Corporate Information: | | |
| ▪ Financial accounts | | |
| ▪ Auditors report | | |
| ▪ Tax considerations | | |
| ▪ Corporate/business structure and org chart | | |
| ▪ Memorandum of Association | | |
| ▪ Certificate of Incorporation/ Certificate of Good Standing | | |
| ▪ Insurance docs | | |
| | | |
| Fund Manager Regulatory, Compliance and Operations: | | |
| ▪ Compliance manual | | |
| ▪ Code of Ethics | | |
| ▪ Conflict of interest policy/deal allocation process | | |
| ▪ AML manual/procedures | | |
| ▪ FATCA procedures | | |
| ▪ FCPA policy | | |
| ▪ KYC information & procedures | | |
| ▪ Form ADV (Part 1 and 2)/Other regulatory registrations | | |
| ▪ Business continuity plan | | |
| ▪ Employee handbook | | |
| ▪ Regulatory audits | | |
| ▪ Service provider procedures (admin/custody/systems) | | |
| ▪ Admin/custody agreements | | |
| ▪ Valuation policy | | |



| Documentation List | Check | Comments |
|--|-------|----------|
| ▪ Risk management policy | | |
| ▪ Remuneration policy | | |
| ▪ Sample drawdown notice | | |
| ▪ Cash management policy/ payment process procedures | | |
| ▪ Bank account opening procedures/ account signatories | | |
| ▪ ESG/SRI policy | | |

Deer Isle Group, LLC

