

PRELIMINARY DUE DILIGENCE CHECKLIST

The following information, documents and materials are requested in connection with its due diligence. As our review proceeds, there may be additional items we would like to review which will be covered in separate requests.

We have attempted to avoid redundancy. Nevertheless, if a document or item of information provided relates to two or more sections on this due diligence request letter, please label the document or item of information with *both* section numbers and make a cross-reference notation beside the sections on the copy of this form returned with the documents or information.

Response Codes:	“E”	=	Enclosed
	“X”	=	Previously provided
	“N”	=	None exists
	“N/A”	=	Not applicable

1. GENERAL CORPORATE MATERIALS

Charter Documents

- “E” Certificate of Incorporation, bylaws or other charter documents, as amended to date, of the Company.
- “N” Shareholders’ Agreement, as amended to date, of the Company.
- “N” A list of jurisdictions in which the Company is qualified to do business or is otherwise operating and each jurisdiction in which the Company is licensed by any official or agency, and all foreign qualification documents with respect thereto.
- “N” List of jurisdictions, if any, in which the Company is not qualified to do business and does not file tax returns but in which it maintains an office or agent who is a resident of such jurisdiction.

Organization

- “E” A list of names and positions of all officers, directors and key employees of the Company, and a brief biography of each.
- “N” A list of all corporations, partnerships, associations, joint ventures and other business entities in which the Company owns, directly or indirectly, an interest or any shares or stock. Such list shall include the nature of the interest, number of shares (if applicable), the percentage ownership of the Company in each such entity, the jurisdiction where each such entity was formed, each jurisdiction in which each such entity is qualified to do business and the business presently conducted and, if different, proposed to be conducted by each entity.
- “N” A corporate organizational chart, including all subsidiaries and affiliates (and indicating the extent to which such subsidiaries and affiliates contribute to or are involved in the business of the Company).

Ownership

- “E” A list of all stockholders, setting forth class and number of securities held.
- “N” Agreements relating to the purchase, sale or issuance of securities.
- “N” Shareholder agreements, including any agreements relating to registration rights, voting securities, preemptive rights, restrictive share transfers or similar matters.
- “N” A schedule setting forth the precise holdings of the Company’s major stockholders, including option and warrant holders, whether or not vested (including a description of how the shares are held, *e.g.*, street name or trust).
- “N” Identify any of the Company’s securities held by any health care provider or his, her or its affiliates.

2. MATERIAL AGREEMENTS AND COMMITMENTS

- “N” License agreements relating to intellectual property or technology licensed by the Company to third parties or from third parties to the Company, including standard forms of software license agreements used in distribution of products.
- “N” Joint venture, R&D, product development, consulting technology sharing and partnership agreements or arrangements relating to any Company business, including any agreements pursuant to which a royalty or other payment is due from the Company with respect to the sale of its products.
- “E” **Folder C**

Standard forms of agreements used by the Company; distribution agreements; marketing agreements; and confidentiality and nondisclosure agreements.
- “E” **Folder D**

List of key customers; customer agreements with key customers, including without

limitation all contracts with government entities.

“E” Folder E

List of suppliers and forms of agreements; lists of customers and forms of agreements; lease agreements for offices or other facilities.

“E” Folder F

Non-disclosure agreements and confidentiality agreements between the Company and any third parties.

“N” Agreements assigning intellectual property or technology to the Company, or providing for joint ownership of intellectual property or technology owned or licensed by the Company.

“N” Description of any material default by any party under any material contract or commitment affecting the Company’s business, the Company or its property, or any circumstance which might reasonably be expected in the future to give rise to such a default.

“N” Description of the circumstances under which any material contracts or commitments relating to the Company’s business are subject to renegotiation or adjustment.

“E” Folder J

Forms of warranties and guarantees provided to customers of the Company’s products or services and a report describing claims experiences, product recalls or other product/service problems.

“N” Any other agreements material to the Company’s business or outside of the ordinary course of business.

3. FINANCIAL INFORMATION

“E” Folder A

Financial statements, including accompanying schedules (last three years and the current fiscal year).

“N” Auditor’s letters and opinions (last five years), if applicable.

“E” Folder C

Current price list for all products/services

“N” Auditors’ annual management letters, if applicable

“N” Cost of Goods Sold (COGS) analysis for all products

“E” Folder F

A schedule of orders and sales by geographic region in each of the last 3 years.

“N” All other documents that may be relevant to a financial due diligence review of the Company.

4. INTELLECTUAL PROPERTY

“N” A list and copies of all of the Company's patents and patent applications. Please identify the current assignee and the outside IP counsel responsible for prosecuting and maintaining each matter.

“E” **Folder B**

Copies of all of the Company's foreign trademarks/service marks, including common law trademarks, and trademark/service mark registrations. Please identify the current assignee and the outside IP counsel responsible for prosecuting and maintaining each matter.

“E” **Folder C**

Copies of all domain names registrations of the Company and whether the domains are active or not.

“N” A list of material trade secrets of the Company.

“N” Copies of all copyrights and copyright registrations of the Company.

“E” **Folder F**

A brief description of any pending threatened or past challenge to the Company's ownership of or right to use its intellectual property and/or products and/or services; please provide copies of all documents pertaining to such claims or disputes.

“N” Summary description of any pending, threatened or past claim or dispute involving third-party intellectual property, or otherwise pertaining to the Company's business; please provide copies of all documents pertaining to such claims or disputes.

“E” **Folder H**

Please list the Company's main competitors.

5. LITIGATION

“X” Description of any material disputes (either pending, threatened or contemplated) with governmental agencies (federal, local or foreign), suppliers, competitors or customers regarding which may otherwise have a material impact on the Company or the Products.

“N” Materials relating to any other material litigation, disputes or claims (either pending, threatened or contemplated), including those relating to employee terminations.

“N” Materials relating to any disputes with suppliers, competitors or customers regarding any claim in excess of £10,000 or which may otherwise have a material impact on the Company.

“N” All material consent decrees, judgments, other decrees or orders, settlement agreements or similar matters (last five years).

“N” Reports and studies relating to material environmental exposures

“E” **Folder F**

List of attorneys representing the Company, indicating in each case the matter or area of law to which such representation relates.

6. GOVERNMENTAL REGULATIONS AND FILINGS

“N” All memoranda, prospectuses, offering circulars, private placement memoranda and other disclosure documents relating to the offering of securities of the Company, copies of correspondence with investors and written proposals for the acquisition of any securities (last five years).

“N” A list of any governmental permits, consents, licenses and approvals (excluding those listed elsewhere herein) held by or involving the Company, and all applications related to the foregoing (whether currently pending or previously filed).

“E” **Folder C**

A summary of documentation relating to all grants, funding or research awards issued to the Company, and all applications therefor.

“E” **Folder D**

A summary of all documents filed for the past three years with respect to the Company, as filed with all government authorities and regulatory bodies.

“N” Copies of any correspondence, memoranda or notes concerning any disputes or settlements with governmental officials (*e.g.*, environmental, tax, health and safety, antitrust or contract violations).

“N” Copies of each grant (including tax), permit, consent, license and approval from any agency, department or office of the government, and copies of all correspondence between the Company or its representatives and such agency, department or office.

“N” A list of all quality compliance certifications

“N” Detail and description of the Company’s safety programs such as audits, etc.

“N” List of all administrative and governmental proceedings or investigations threatened, pending, settled or concluded.

7. COMPLIANCE WITH LAWS

“E” **Folder A**

A schedule setting forth all governmental (local, state, federal and foreign) agencies to which the Company reports.

“N” Governmental permits, licenses and consents.

“N” All communications to and other filings with local, state, federal and foreign governmental agencies during the last five years in jurisdiction(s) where assets are located or operations are conducted by the Company.

“N” Any reports, notices, citations or correspondence relating to any purported violation or infringement by the Company and any suspended or revoked governmental permits or licenses and copies of all other material correspondence with federal, state, local and foreign governmental agencies.

“N” List foreign countries in which the Company does business, along with a description of the Company’s business in each such country.

“E” **Folder F**

Do employees of the Company come into contact with employees of state-owned or state-controlled entities? If so, how and to what extent?

“N” Do employees of the Company hold any government positions or serve on any boards of directors of government-owned entities?

“N” If Company maintains a written anti-corruption policy, please provide a copy. Otherwise describe generally any informal anti-corruption policies.

“N” Does the Company maintain any formal or informal agreements with government and/or government-related entities? If so, please describe and provide copies.

“N” Has the Company ever been the subject of a corruption or related investigation by any government authority?

“N” Has the Company ever conducted an internal investigation involving improper payments or corruption?

8. TAX MATTERS

“E” **Folder A**

Copies of tax returns and filings for the last three years, including income, sales, use, property and franchise tax.

“E” **Folder B**

A list of open tax years with respect to any federal, state, local and foreign tax for the Company.

“N” Copies of any notices and communications from federal, state, local and foreign taxing authorities regarding any tax disputes, tax deficiency, proposed adjustment, audit, pending or threatened litigation or appeal involving the Company for any open tax year.

“N” A list of all statute of limitations waivers or extensions with respect to any federal, state, local and foreign tax agreed to by the Company and explain the duration thereof and the reasons therefor.

9. PERSONNEL

“E” **Folder A**

List and resumes for Company’s management team.

“N” Union/collective bargaining agreements, labor contracts and employee management pacts.

“N” Employment and compensation agreements and non-competition agreements (including a list of employees and consultants party thereto, and including any change of control arrangements and “golden parachute” agreements), and a schedule of compensation for officers, directors and key employees of the Company.

“E” **Folder C**

Consulting contracts.

“N” Employee benefit, pension, health, deferred compensation, bonus, share option, incentive, deferred compensation, retirement severance or pension and profit-sharing plans or programs in which any director or executive officer of the Company participates (including summary plan descriptions other than plans available to all employees on the same basis) for each of the last two plan years. If any plan is not set forth in a formal document, please provide a reasonably detailed description of the plan.

“N” Share ownership plans, share option and share appreciation rights plans, incentive share option plans, bonus plans or similar arrangements in which any director or executive officer of the Company participates, and a schedule of the salaries of executive officers of the Company.

“E” **Folder G**

Loans and guarantees to or from directors, officers or employees of the Company.

“N” Completed officers’ and directors’ questionnaires.

“N” Copies of personnel policies, personnel manuals and employee handbooks.

“N” Affirmative action plans.

“N” Correspondence, memoranda or notes concerning any pending or threatened work stoppages.

10. REAL ESTATE AND FACILITIES

“N” List and description of all real property owned or leased by the Company; location, character and general nature of operations conducted at each location; nature of the title held, and any mortgages, liens or encumbrances on the property; title documents

confirming ownership; report by public notary (in civil law countries) or other person authorized to conduct title searches.

“N” List of property rented or leased by the Company to others; description of the activities conducted by tenants and sublessees.

“E” Folder C

Copies of leases and subleases (as lessor or lessee), renewal letters, deeds, mortgages, deeds of trust, title insurance policies and title reports for any material properties.

“N” Description of all liens, claims, mortgages and encumbrances on real or personal property owned by the Company.

11. FINANCING

“E” Folder A

Credit agreements, debt instruments, promissory notes, trust agreements, security agreements, mortgages, guarantees and reimbursement agreements for letters of credit and documents relating to any other financing arrangements, including sale-lease-back transactions and installment purchases, and all correspondence with lenders.

“N” All other material agreements with creditors.

“N” Presentations, if any, given to creditors in connection with obtaining credit or prepared for potential lenders in connection with proposed financings since the beginning of the Company’s last full fiscal year.

“N” Any presentations to rating agencies or security analysts since the beginning of the Company’s last full fiscal year.

“N” Any material correspondence between lenders (including entities committed to lend) and the Company (including compliance reports, waivers, consents and default notices, if any).

“N” An indication of where financing statements or other documents evidencing encumbrances are filed.

“N” Statements from governmental authorities listing the liens on the assets of the Company.

12. OPERATIONS

“E” Folder A

List of principal suppliers showing type of purchases from each supplier during the last and current fiscal years.

“N” Form of product warranty and 3-year claims history.

“N” Summary of locations and description of any subcontracted manufacturing facilities.

“N” Any other documents or information which are material with respect to any portion of the business of the Company or which should be considered and reviewed in order to adequately disclose the Company’s business and financial condition to prospective investors.

13. GENERAL

“E” **Folder A**

List of parties, if any, whose consent to this transaction will be required and copies of relevant documents.

“E” **Folder B & C**

Summary of insurance coverage (other than employee group insurance plans described above) insuring the Seller and covering the real or personal property, operations, lives of equity security holders, directors, officers, partners, members, employees or affiliates and any other aspect of the business of the Company.

“E” **Folder B & C**

Copies of all director and officer liability insurance policies.

“E” **Folder D**

All documents and information not covered by other items on this list disclosing material information concerning the Company’s business.