

DUE DILIGENCE CHECKLIST

Once the Fund's partners decide to move forward with an investment in a company, the sponsoring partner presents the company with a term sheet for the investment, which includes a period of time reserved for due diligence on the company. The following is a list of the information requested by Nevada Ventures when evaluating potential investments:

I. Financial Information:

- A. Audited (if available) annual financial information since inception:
 - 1. Complete income statement, balance sheet and cash flow statement;
 - 2. Management financial reports;
 - 3. Monthly/quarterly statements;
- B. Financial projections:
 - 1. Description of revenue streams and underlying assumptions;
 - 2. Financial projections (quarterly and annual);
 - 3. Industry and Company pricing policies, including analysis of future pricing pressures;
 - 4. Detailed assumptions underlying projections;
 - 5. Explanation of projected capital expenditure, depreciation and working capital requirements;
 - 6. External financing arrangement assumptions
- C. Capital structure:
 - 1. Schedule of financing history for equity, warrants and debt (date, investors, dollar investment, percentage ownership, implied valuation and current basis for each round);
 - 2. Current shares outstanding; list of all shareholders and size of holdings;
 - 3. Schedule of all options, warrants, rights and any other dilutive securities with exercise prices and vesting provisions;
 - 4. Summary of all debt instruments/bank lines with key terms and conditions;
 - 5. Off balance sheet liabilities

II. General Corporate Information:

- A. Overview of corporate legal structure, subsidiaries, joint ventures and divisions;
- B. Certificates of Incorporation and Bylaws;
- C. Most recent version of the Company's Business Plan;
- D. Minutes of meetings or actions by written consent of – Board of Directors, management, shareholders, Board committees of the Company (since inception);
- E. Copy of all press releases, articles or brochures issued to the financial/trade industry or general public (to the extent not available on Company's website);
- F. Relevant marketing material;
- G. List of Board members and contact information;
- H. List of advisors, including legal counsel, auditors and consultants

III. Strategic Relationships, Customer Trials and Supplier Information:

- A. Current customer trial information (copies of RFPs, trial status, contact names, position, phone numbers);

- B. Trends of pending customer relationships
- C. List and description of strategic partner relationships (contact name, phone number, copies of strategic agreements/term sheets);
- D. Brief description of any significant relationships severed within the last two years;
- E. Details on any prospective strategic relationships in discussion;
- F. Description of any key suppliers and current status of relationship;

III. Competition:

- A. Description of the competitive landscape;
- B. Market position and related strengths and weaknesses as perceived in the marketplace;
- C. Any other relevant industry reports or competitive information;

IV. Marketing and Sales:

- A. Strategy and implementation:
 - 1. Positioning of Company and its current and future products;
 - 2. Marketing opportunities/marketing risks
 - 3. Description of marketing programs and examples of recent marketing/product/public relations/media information;
 - 4. Prospects for future growth and development
 - 5. Description of any product or design awards

V. Research and Development:

- A. Description of R&D organization:
 - 1. Strategy and mission;
 - 2. Key personnel;
 - 3. Major activities;
- B. New products:
 - 1. Status and timing;
 - 2. Cost of development;
 - 3. Critical technology necessary for implementation;
 - 4. Risks;
- D. List of material patents, copyrights, licenses and trademarks—issued and pending:
 - 1. Detailed Patent Information (number, status, description, filing documents)
 - 2. Dependence on outside licensing and patents
- D. Relationships with third parties:
 - 1. Joint R&D efforts
 - 2. Participation in industry associations

VI. Operations

- A. Facilities:
 - 1. Current capacity;
 - 2. Lease obligations and terms;
 - 3. Current cap-ex requirements and new facilities planned

VII. Management and Personnel:

- A. Organization chart; employee distribution by department and manager
- B. Historical and projected headcount by function and location
- C. Summary biographies of senior management, including employment history, years in current position;
 - 1. References for key senior management, including description of affiliation and phone number
- D. Compensation arrangements:
 - 1. Copies (or summaries) of key employment agreements
 - 2. Benefit plans
- E. Discussion of incentive stock plans;
- F. Significant employee relations problems, past or present;
 - 1. Personnel turnover data for last two years
 - 2. Key unfilled vacancies

VIII. Legal and Other Matters:

- A. Pending lawsuits—detail on claimant, claimed damages, brief history, status, anticipated outcome, and name of the Company’s counsel
- B. Pending lawsuits initiated by the Company —detail on defendant, claimed damages, brief history, status, anticipated outcome, and name of the Company’s counsel
- C. All material transactions involving Company insiders
- D. Non-compete agreements outstanding
- E. Summary of insurance coverage/any material exposures
- F. Summary of material contracts
- G. Summary of history with government or other regulatory authority