

## MSI, LTD. DUE DILIGENCE REQUIREMENTS REQUEST

Below is a list of subjects and documents to be covered in connection with the corporate review/due diligence investigation of \_\_\_\_\_ (the Company") for proposed investment funding. Please make available all documents relevant to the subjects listed below. Please provide a response in connection with each item described below, stating which documents are delivered in response to which inquiry and noting the extent to which any request is inapplicable. If there are any questions, do not hesitate to contact **MSI, Limited** at **404.441.3100**.

### ***I. General Corporate Matters***

#### **A. CHARTER DOCUMENTS/CORPORATE STRUCTURE**

- 1. Certificate of Incorporation and By Laws** (including any amendments) of the Company and its subsidiaries or other entities, if any, in which the Company has a controlling equity or other ownership interest. The term "subsidiary" as used in this checklist covers all such entities.
- 2. List of Subsidiaries**, including an organizational chart showing ownership of such entities and its agreements relating to the Company's interest.
- 3. List of states and other Jurisdictions** (including other countries) in which the Company and each of its subsidiaries are qualified to do business as foreign corporations, or in which its or their trade names are registered, and description of Company (or subsidiary) operations in such states or other jurisdictions.
- 4. List of each state In which the Company** and each subsidiary maintains an office or an agent who resides in such state and in which the Company or the subsidiary is not qualified to do business and/or does not file tax returns.

#### **B. CAPITAL STOCK**

- 1. Description of the classes of authorized capital stock of the Company** and each subsidiary, and a statement of the number of issued and outstanding shares of each class and any conversion rights associated therewith.
- 2. Access to the Stock books** and stock transfer ledgers of the Company and each of its subsidiaries.
- 3. All documents creating restrictions** with respect to any class of capital stock.
- 4. All agreements, warrants, options, or other rights to purchase** or acquire shares of capital stock or other securities of the Company or any of its subsidiaries, and all commitments, including stock option plans, with respect to the foregoing. Indicate for each agreement, warrant, option or other rights, the date issued or granted, the number of shares presently exercisable or convertible into, the consideration received or to be received by the Company and a copy of the form of such option, warrant, agreement or right.
- 5. All agreements among stockholders of the Company** with respect to the voting and/or sale or other disposition of shares of the Company's capital stock and all agreements to which the Company is a party with respect to the voting and/or sale or other disposition of other companies' stock owned by the Company.
- 6. List of all family and other relationships known to the Company** among stock- holders that might indicate beneficial ownership of stock other than as shown on the stock record books of the Company.
- 7. List of the names of all stockholders of the Company** and the number of shares of each class held by each such stockholder.
- 8. Documents relating to all offerings and Issuances of securities** by the Company and its subsidiaries.

**9. An analysis of the dilution that would result from the exercise of all outstanding warrants, options and other rights to purchase stock by conversion or otherwise and a computation of any anti-dilution adjustments applicable to any securities resulting from the contemplated transaction.**

**10. Records relating to all dividends paid since the Company's inception, indicating preferred and common dividends separately, if applicable, and stating whether paid in cash or stock. Include a list of the amount(s) of any dividends in arrears.**

**11. Documents relating to all outsiders' inquiries indicating an interest with respect to investment in the Company.**

### **C. MINUTES**

**1. Minutes of all meetings of, and all actions in lieu of a meeting by, the Board of Directors (and of all committees thereof) of the Company and its subsidiaries since the Company's inception.**

**2. Minutes of all meetings of, and all actions without a meeting by, the stockholders of the Company and each of its subsidiaries since the Company's inception.**

### **D. ORGANIZATION**

**1. Description of the management structure of the Company and each of its subsidiaries, including any organizational charts.**

**2. List of the names and addresses of officers and directors of the Company and each of its subsidiaries.**

**3. List of all family relationships among the officers, directors, principal stockholders, and/or key employees of the Company and each of its subsidiaries.**

**4. List of all of the Company's promoters and any consideration they have received or may receive.**

**5. List of all agreements or other instruments pursuant to which capital stock has been issued to promoters or otherwise.**

## ***II. Claims, Litigation, and Arbitration***

**A.** Description of the status of each presently threatened litigation or arbitration, and of each claim, litigation or arbitration concluded or settled since the Company's inception, as to which the Company or any subsidiary is a party (whether as plaintiff or defendant, and including specific claims or proceedings before state commission or agency).

**B.** Description of outstanding judgments against the Company or subsidiary.

**C.** Description of bankruptcy, criminal, or other judicial proceeding pending, expected, or completed within the past five years involving the Company, its subsidiaries, or the Company's officers, directors, or principal stockholders.

## ***III. Compliance with Laws***

**A.** List of all government agencies to which the Company reports and a brief description of significant laws or regulations, existing or proposed, affecting the industry or operations of the Company.

**B.** Description of all recent, current, and/or threatened claims or citations for failure by the Company or any subsidiary to comply with applicable laws, including environmental laws, consumer laws, occupational health and safety laws, labor and equal employment opportunity laws, etc., and measures presently being taken to insure compliance.

C. Description of current status of any federal and state regulatory audits and inspections, including environmental, occupational health and safety, etc.

#### **IV. Personal and Employee Benefits**

##### **A. CONTRACTS WITH EMPLOYEES**

1. All employment and/or consulting contracts with officers, directors, and/or employees of, or consultants to, the Company or its subsidiaries, including a description of oral agreements.

2. All other contracts with officers, directors, and/or employees of, consultants to, the Company or its subsidiaries, including confidentiality agreements, non-competition agreements, etc.

##### **B. EMPLOYEE BENEFITS**

1. Description of all pension and profit-sharing plans and other employee benefit plans, including bonus plans, stock purchase or bonus plans or arrangements, stock option plans, group or key man life insurance plans, salary continuation plans, supplemental unemployment benefit plans, medical insurance or reimbursement plans, etc., and amendments or proposed amendments to any such plans, and copies of each (including those specified below).

2. (a) For each Pension Plan (including any terminated plan):

- (i) Plan documents (including related trust documents) with all amendments;
- (ii) Directors' resolutions adopting plan and all amendments;
- (iii) Summary Plan Description;
- (iv) All IRS determination letters;
- (v) Applications for IRS determination letters (Form 5300 or 5301 and attachments);
- (vi) Annual Returns/Reports (Forms 5500) for past 5 years; and
- (vii) All correspondence regarding the Plan with/from IRS, Department of Labor and/or Pension Benefit Guaranty Corporation during past 5 years.

(b) For Each Welfare Benefit Plan:

- (i) Plan document (including any related trust documents or insurance contract) and all amendments;
- (ii) Summary Plan Description; and
- (iii) Annual Returns/Reports (Forms 5500) for past five years.

(c) For each stock option or similar plan involving capital stock of the Company:

- (i) The number of options, rights, shares, units, etc., granted to each director, officer, employee and stockholder under such plans;
- (ii) The dates on which such options, rights, shares, units, etc. were granted, and the dates on which they are exercisable (if applicable); and
- (iii) The terms of such options.

3. A description of any other benefits given to each officer, director, employee, of principal stockholder, including benefits such as club memberships, automobiles, housing, etc.

C. CONTRACTS WITH UNIONS. All contracts, agreements or side letters with unions to which the Company or any subsidiary is a party.

D. EMPLOYMENT POLICIES. Any statement, handbook or manual of employment Policies, including working hours, overtime pay, workers' compensation, unemployment compensation, vacation and sick pay, emergency leave, etc.

**E. INTERNAL LOANS BY THE COMPANY.** A list of all loans or guaranties that the Company or any subsidiary has made since its inception to each officer, director, employee, or stockholder.

**F. DIRECTORS AND OFFICERS.** Biographies, resumes and copies of all Directors and Officers questionnaires.

## ***V. Intellectual Property Rights***

### **A. SOFTWARE AGREEMENTS**

**1. Schedule and copies of all Research and Development Agreements,** licensing agreements and confidentiality agreements.

### **B. TRADE AND SERVICE MARKS**

**1. Schedule and description of all trade names and trade and service marks** to which the Company and its subsidiaries have (or had) title or other rights.

**2. Evidence of registration of all trade or service marks** that have been registered with the U.S. Patent and Trademark Office (the "PTO") and correspondence with the PTO with respect thereto.

**3. Each royalty and similar agreement** relating to the use of such trademarks or service marks.

### **C. PATENTS, COPYRIGHTS AND OTHER RIGHTS**

**1. Schedule and description of all patents, copyrights and other intellectual property rights** owned by or assigned to the Company and its subsidiaries (to the extent not covered elsewhere on this list) showing for each: nature of patent, patent number, date of issue, date acquired, cost, reserve or amortization, present book value, and intrinsic value.

### **D. GENERALLY**

**1. All royalty or other agreements** relating to software, trade names, trade or service marks, patents, copyrights, licenses or other similar rights.

**2. All pending or proposed applications** for trade or service marks, patents, copyrights or other similar rights, or pending or proposed license agreements therefore, owned or used (or proposed to be owned or used) in the business of the Company or its subsidiaries.

**3. Description of any actual or threatened disputes or claims** of infringement, invalidity, etc. of (or relating to) trade or service marks, trade names, patents, copyrights or other similar rights owned or used by the Company and its subsidiaries.

**4. Description of and copy of each policy statement of the Company and its subsidiaries** with respect to research and development by employees and consultants of the Company and its subsidiaries, including copies of assignment agreements and employee trade secret and nondisclosure agreements.

## ***VI. Real Property***

**A. SCHEDULE AND DESCRIPTION** of all real property owned by the Company and its subsidiaries, including the following:

- 1. Location**
- 2. Description**
- 3. Date of Purchase**
- 4. Description of any liens or mortgages**

**B. EVIDENCE OF TITLE** to real estate, including land, buildings and fixtures (e.g., copy of deed into the Company).

**C. COPIES OF** leases or assignments of lease agreements of real property in which the Company or any subsidiary is

- (i) A lessee or assignee of a lessee, or
- (ii) a lessor.

**D. TITLE INSURANCE** policy covering each parcel of real property issued in connection with the acquisition of such property by the Company or subsidiaries and any endorsements thereto or other subsequent title reports.

**E. ALL DOCUMENTS** referred to in each of the foregoing title insurance policies, and all documents relating to any subsequent liens, easements, restrictions, or other encumbrances.

**F. VALUE REPORTS** or appraisals of real property owned by the Company or subsidiaries.

**G. EVIDENCE OF** payment of all real estate and personal property taxes and other governmental fees, assessments or charges levied on real property owned by the Company or subsidiaries.

**H. ENVIRONMENTAL AUDITS**, engineering studies, soil tests and similar evaluations or reports with respect to property owned by the Company or subsidiaries.

## ***VII. Other Property and Rights***

**A. Sale and Leaseback Agreements.** All sale and leaseback agreements or arrangements or financing leases of the Company or its subsidiaries relating to the acquisition of capital assets, through leases.

**B. Conditional Sale Agreements.** All conditional sale agreements, mortgages, etc., relating to the acquisition of assets on an installment basis.

**C. Equipment and Other Non-realty Leases.** All leases on equipment (including computers), long distance transmission facilities and other material personal property.

**D. Other Property - Schedule and description**, including manner of ownership or holding, of other significant personal property.

**E. Permits, Licenses, Etc.** Schedule of all governmental permits, licenses, and approvals (including specifically permits, licenses, and approvals issued by state commissions or agencies) held by the Company or subsidiary and of all tariffs and similar filings made by the Company or subsidiary thereof with any federal or state government, commission, or agency.

## ***VIII. Insurance***

**A. Schedule of insurance coverage** summarizing all policies, including information as to the carrier, effective dates, coverage amount and premium amount with respect to each policy.

**B. All insurance policies covering the Company or subsidiary** (complete policies with all current premium information), including:

1. Title insurance
2. Property insurance
3. Corporate liability insurance
4. Directors and officers liability insurance
5. Stop-loss, catastrophic and similar insurance

**6. Other forms of insurance.**

**C. CLAIMS EXPERIENCE FOR THE LAST FIVE YEARS** under each of the above policies.

***IX. Financing and Banking***

**A. CREDIT AGREEMENTS AND LOANS TO THE COMPANY**

**1. Each agreement of the Company and subsidiaries** relating to the borrowing of money, including term loan and revolving credit agreements and debt instruments and any other agreements issued there under, and the current balance of each such source of indebtedness.

**2. All guaranties of the Company's borrowings**, including without limitation, Letters of Credit and guaranties by other entities or persons (including specifically any of the Company's promoters, officers, directors, employees or stockholders).

**3. All documents evidencing security interests** against real property, personal property or other tangible or intangible property of the Company or any subsidiary and an indication of where such documents are filed.

**B. LOANS OR GUARANTIES MADE BY THE COMPANY**

**1. Each agreement of the Company and its subsidiaries** relating to loans by the Company or its subsidiaries to, or guaranties of the obligations of, other entities or persons (including specifically the Company's promoters, officers, directors, employees or stockholders).

**2. All documents evidencing, security interests taken by the Company** in real or personal property of others and an indication of where such documents and/or, financing statements are filed.

**C. OTHER INDEBTEDNESS.** All other information or documents evidencing indebtedness of the Company and its subsidiaries.

**D. BANKING RELATIONSHIPS.** Schedule of banking relationships of the Company and its subsidiaries.

***X. Other Agreements***

**To the extent not covered elsewhere in this list:**

**A. Agreements relating to** each significant acquisition or disposition of assets or business by the Company or any subsidiary since inception.

**B. All documents relating to** transactions or contracts between or among the Company or subsidiary and officers, directors, employees, stockholders or entities that are controlled by such parties.

**C. Present or pending joint venture or partnership agreements** and other such arrangements in which the Company or subsidiary is a party or is otherwise involved.

**D. Significant license agreements of** the Company or subsidiary.

**E. Contracts and agreements for construction of facilities for** the Company or subsidiary.

**F. Secrecy and nondisclosure agreements with third parties relating to** technical and other proprietary information.

**G. Contracts pertaining to Company research and development activities.**

**H. Engagement letters with financial advisors, investment bankers, finders, business brokers or similar advisors or service providers relating to** each transaction of the type referred to in Sections IX.A, B, C, and D above.

**I. All other significant contracts of** the Company or subsidiary, including copies of form or standard agreement used in the ordinary course of the Company's business.

## ***XI. Financial Accounting and Expenditures***

**A. Financial statements for all** completed fiscal years since the Company's inception and most recent interim periods for the Company and its subsidiaries. Such statements should disclose changes in accounting methods from one period to another.

**B. Capital expenditures since the Company's inception,** commitments for future expenditures, and program for planned future capital expenditures, if any. Include a summary of expenses for repairs and maintenance, advertising and promotion, and research and development.

**C. Current revenue, expense and capital expenditure budget of** the Company and its subsidiaries.

**D. Cash flow projections for** future years for the Company and its subsidiaries.

**E. Accounts receivable aging analysis of** the Company and its subsidiaries.

**F. Correspondence with accountants relating to** audits, reviews or examinations of the Company and subsidiaries since the relevant company's inception, including accountants' letters to management and attorneys' letters delivered in connection with audits, reviews or examinations.

**G. Assets and liabilities not recorded on** the most current balance sheets of the Company and its subsidiaries.

## ***XII. Reports and Planning***

### **A. MANAGEMENT REPORTS**

**1. The Company's current business** or strategic plan and any long range business plans, including any industry projections, or Company specific projections for FY 200\_\_ and FY 200\_\_.

**2. Copies of reports or studies** (including any projections or other forecasts) relating to the Company's financial condition, business operations, marketing programs, etc.

**3. Periodic and other reports** or memoranda prepared by management or consultants for the Board of Directors or any committee thereof.

### **B. CUSTOMERS AND COMPETITORS**

**1. Schedule of sales of each product of the Company** and its subsidiaries in each state and country for the last three years.

**2. Schedule of top 13 customers** with contact name for reference check.

**3. List of major competitors** and description of Company's competitive position in the industry.

**4. List of potential entrants to market** and description of the ease/burdens of market entry.

**C. NEWS REPORTS.** Copies of any press releases or magazine articles or reports on the Company or its subsidiaries published, distributed or released during the past year.

**D. REPORTS TO GOVERNMENT AGENCIES.** Copies of significant reports to or correspondence with any federal, state or local government agency since the Company's inception.

### ***IX. Tax Matters***

**A. Federal, state and local tax returns and IRS audit reports of** the Company and subsidiaries since the relevant company's inception and any agreements between the Company or subsidiary and the IRS extending the statute of limitations for any action establishing liability or any claim related to the above referenced returns and reports.

**B. Audit adjustments proposed by the IRS.**

**C. All memoranda prepared in connection with** material tax problems affecting the Company or any of its subsidiaries or affiliates during the past five years or which may arise in the future.

**D. All settlement documents or** deficiency assessments.

### ***IV. Industry, Business and Strategy***

**A. List of all products** in the order of their current dollar sales volume, stating whether any products are subject to unusual governmental restrictions on sale or are subject to an unusual number of consumer complaints.

**B. A sample package of documents used by** the Company or its subsidiaries in marketing the services.

**C. Description of the marketplace to which the Company and its subsidiary's business activities are directed,** including an analysis of the competition within that marketplace.

**D. Description of Company's facilities,** location of operations and number of employees

**E. Each YAK compliance plan and** minutes of any YAK committee meeting.

**F. Number of employees by** functional area, projected growth, timing and composition of growth.

**G. Project introduction schedule,** market penetration and capital expenditure information.

**H. All other documents, agreements or** information material to the Company or its operations.