

SAMPLE DUE DILIGENCE CHECKLIST

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Below is a sample list of documents and information a potential investor may consider reviewing in connection with a proposed investment. This checklist is intended to identify documents and legal due diligence concerns that depending on the nature of the company the investor may want to review further. Because this is a checklist, not all categories may be relevant for the investment under consideration; depending on the size and nature of the investment, an investor will need to tailor the list accordingly. For more information, contact Claire Philpott at 503.778.2034.

I. GENERAL CORPORATE MATERIALS

A. Please provide copies of all minutes of meetings (and any consents in lieu of meetings) of the board of directors (and committees, if any) and stockholders of the Company.

B. Please provide copies of the articles of incorporation and bylaws of the Company, each as amended to date.

C. Please briefly describe, and provide all documentation relating to, any joint ventures involving the Company (i.e. joint venture partners, date of formation, closing binders, etc.).

D. With respect to the ownership of the Company;

1. Please provide copies of the Company's stock records, stock ledgers and other evidence of securities authorized and issued and outstanding.

2. Please provide copies of all agreements relating to the purchase, repurchase, sale, issuance, transfer or voting of the Company's securities including, without limitation, options or warrants to purchase or securities convertible into any shares of the Company's capital stock; and

3. Please provide copies of all agreements relating to preemptive or other preferential rights to acquire the Company's securities and any waivers thereof.

II. LITIGATION

A. Please describe any litigation, claims or proceedings, threatened or pending, and provide copies of any documentation (pleadings, letters, etc.) relating thereto. Please also provide any information about potential litigation, whether such claims are asserted or unasserted.

III. COMPLIANCE WITH LAWS

A. Please describe and provide copies of any citations or notices received from domestic or foreign government agencies.

B. Please describe any pending or threatened investigations and government proceedings.

C. Please provide copies of all government permits, licenses or consents presently in force, together with information regarding any such permits, licenses or consents which have been canceled or terminated, (including the reason for cancellation or termination) required to carry out the business or operations of the Company.

D. Please provide copies of all applications for any government permits, licenses or consents.

E. Please provide copies of all material reports to and correspondence with any domestic or foreign government entity, municipality or government agencies.

F. Please provide copies of all filings with the Securities and Exchange Commission during the past two years.

G. Please provide copies of all audits, reports, studies and other materials prepared with respect to environmental concerns.

IV. MANAGEMENT, EMPLOYEES, CONSULTANTS AND INSIDERS (all items presently in force and drafts of any amendments or new items)

A. Please provide copies of all employment agreements (including nondisclosure, assignment of inventions and non-competition agreements(s)), standard employment agreements and employee handbooks, guidelines and bulletins.

B. Please provide copies of all consulting or similar agreements with any person or entity, including any officer or director of the Company.

C. Please provide copies of all employee benefit and profit-sharing plans, including stock option, stock purchase, deferred compensation and bonus plans or arrangements, employee pension or retirement plans and multi-employer benefit plans.

D. Please provide copies of all contracts and collective bargaining agreements with unions or other labor organizations.

E. Please provide a list of all loans to and guarantees for the benefit of directors, officers, employees, 10% shareholders or affiliated parties, together with copies of all documentation relating thereto, and copies of any other agreements with officers, directors, 10% shareholders or affiliated parties including, without limitation, indemnification contracts and similar arrangements for officers and directors.

F. Please provide copies of all agreements with sales agents or representatives.

G. Please provide copies of all documents relating to compliance with EEOC, NLRB, ERISA and other governmental regulations, including but not limited to immigration matters.

H. Please describe any strikes, labor organizing activity or grievances filed and hearings held relating to the Company or its employees.

I. Please provide copies of all "Key Person" insurance

policies.

J. Please provide copies of all confidentiality, assignment of inventions, and non-competition agreements between employees and consultants of the Company and its former employers.

V. REAL PROPERTY

A. Please list the location of each facility where the Company is operating its business.

B. Please provide copies of all leases of real property, purchase and sale agreements, purchase options or other agreements with respect to the purchase, sale or lease of real property related to the Company.

C. Please describe any other interests in real property related to the Company, including partnership interests, and provide copies of any documentation relating thereto.

D. Please describe any liens for taxes or assessments, mortgages, zoning or other land use restrictions and other encumbrances of any kind, and provide copies of any documentation relating thereto.

VI. SOFTWARE RELATED INTELLECTUAL PROPERTY

A. Please name all software products which the Company has distributed or is currently distributing (provide complete identification, including version (i.e., Mac or Windows, etc.), and release number (i.e., release 1.0, 1.1, etc.) and associated documentation).

B. For each software product, please provide the following information.

1. Was the software program or documentation, or any portion thereof, written by any party other than an employee of the Company?

(a) If the answer to 1 is YES, please indicate if the whole program or documentation, or only a portion, was written by such party, and identify such portion.

(b) Please provide the name, address and citizenship of each involved party.

(c) If the party is a corporation or other business entity, how did it acquire title to the software program or documentation (e.g., was the software program written by the entity's employees?)

(d) If the party is an individual, did he/she create the software program or documentation while employed by or under a contractual relationship with another party?

(i) if the answer to (d) is YES, please provide the name and address of the other party and explain the nature of the contractual relationship.

(e) How did the Company acquire title (or a license to) the software program or documentation written by the third party? [Please provide copies of any agreements purporting to transfer rights to the Company, including contractor agreements, software acquisition agreements and software license agreements.]

(f) If the answer is NO, please state whether the software was developed by employees in the United

States or in a foreign country, and identify any such foreign country and provide a copy of any property rights assignment agreement.

C. For each software product, please state whether the software program, documentation, or any portion thereof has been registered at the U.S. Copyright Office.

1. If the answer is YES, please provide us with copies of the registrations.

2. Does the Company have copyright counsel? If so, please provide name, address and telephone number, so that we may contact counsel directly.

D. For each software product, please state whether any aspect of the product is protected by a pending or issued patent.

1. If the answer is YES, please provide us with copies of the patent applications and/or patents (U.S. and foreign).

2. Does the Company believe that any aspects of the software product for which patents have not been applied for or issued are patentable? If so, please describe.

3. Does the Company have patent counsel? If so, please provide name, address and telephone number, so that we may contact counsel directly.

E. For each software product, please state whether there are any trademarks related to such software product.

1. If the answer is YES, please provide us with copies of the trademark applications and/or trademark registrations (U.S. and foreign).

2. If the answer is YES, please identify any trademarks that have not been registered.

3. Has the Company conducted any searches to determine whether its marks infringe the trademarks of others? [Please provide us with a copy of any such searches.]

4. Does the Company have trademark counsel? If so, please provide name, address and telephone number, so that we may contact counsel directly.

F. Has the Company granted any third party or third parties a security interest in any of the software products or in its general intangibles?

1. If the answer is YES, please provide us with copies of any agreements granting such security interests.

G. For each software product, please state whether the program, the documentation or any portion thereof was derived from (or contains) any preexisting material (either the Company's or any third party's).

1. If the answer is YES, please provide the name, author, owner, and description of any of the preexisting materials and how it has been used.

H. For each software product, please state whether the Company relies on patent, copyright and/or trade secret protection for such product. Does the form of protection vary depending upon whether the product is provided in source or object code format?

I. For each software product, please state whether Company uses a standard form of agreement when it

licenses the product to third parties [please provide us with a copy of any such standard agreements and any non-standard agreements which the Company has entered into].

J. For each software product, please state whether the Company has entered into any exclusive license or distribution agreements with respect to such software product [please provide us with a copy of any such exclusive agreements].

K. For each software product, please state whether the Company has provided access to the source code of such software product to any third party, and if so, please identify each such third party [please provide us with a copy of any agreement pursuant to which source code was provided].

L. For each software product, please state whether the Company has entered into source code escrow agreements for such product, and if so, please identify the entities with which Company has entered into such agreements, the escrow agent, the conditions for release from escrow, and who bears the costs of such escrow [please provide us with the form of escrow agreement if Company uses a standard form, and with any individual agreements which vary from the standard form].

M. For each software product, please state whether the "external characteristics" of the program or any portion of the program were copied or derived from the "external characteristics" of any preexisting program or product (either Company's or any third party's). "External characteristics" means display screens, data formats, instruction or command format, operator messages, interfaces, etc.

1. If the answer is YES, please identify the external characteristics which were copied or derived and provide the author and owner of such external characteristics.

N. Please identify any other circumstance which might affect Company's ability to reproduce and market the software product, including:

1. Confidentiality obligations with respect to preexisting materials included in the product [if so, please provide a copy of any such obligations];

2. Known or possible royalty obligations to others [please provide a copy of any agreements containing such obligations];

3. Portions of the product which Company developed for another party or customer (including the government) where the Company may not have retained full rights to such preexisting materials [please provide copies of agreements pursuant to which Company developed such portions of the product];

4. Any litigation or claims by third parties that Company does not have full and complete rights to reproduce and market the product (including but not limited to any claims of patent, copyright, trademark or trade secret infringement) [please provide copies of any pleadings or claims]; and

5. Any litigation or claims by Company against third parties related to the product [please provide copies of

any pleadings or claims].

O. For each software product, please state whether any "ICONS" used in the program or any portion of the program were copied or derived from the "ICONS" of any preexisting program or product (either Company's or any third party's). An "ICON" is generally defined as a symbol on a display screen that a user can point to with a device such as a mouse in order to select a particular operation or software application).

1. If the answer to O is YES, please provide the following for each ICON: the word(s), function or thing represented by the ICON, the Author, the Owner, and how Company obtained the rights to use the ICON in the Product. [If there is an agreement conveying such rights, please provide a copy of the agreement].

P. For each software product, please state the export status, including applicable ECCN and what licenses, if any, are required for export. Please provide copies of all export licenses, letters of written assurance, communications from the Export Enforcement Office of the Department of Commerce's Bureau of Export Administration, or Commerce Classifications from the Bureau of Export Administration confirming export control status and any applicable License Exceptions.

VII. NON-SOFTWARE INTELLECTUAL PROPERTY

A. To the extent not provided in connection with VI above, copies of all agreements or arrangements related to the research, development, manufacturing, testing, marketing, etc. of the Company's products and technologies, such as joint development agreements, partnership agreements, technology exchange agreements and agreements with suppliers and vendors.

B. Copies of all customer (including consulting) contracts, including all contracts or other agreements with any governmental entity, relating to the Company's services to such customer.

C. Patents

1. Please list the following items, both domestic and foreign, in connection with the Company's business and provide copies of the supporting documentation with respect to each:

(a) Issued patents ("Patents");

(b) Patent applications; and

(c) Invention disclosures not covered by Patents or patent applications.

(File history and additional information may be requested upon review of these materials).

2. Please provide all prior art searches, conclusions, reports and opinions, whether internal or external, that Company possesses concerning the validity of its patents, the infringement of its patents by others, the infringement of third party patents by its products and the validity of such third party patents.

3. Provide copies of any agreements pursuant to which Company has licensed patents.

D. Trademarks and Copyrights

1. Please list all registered trademarks, common law trademarks, service marks, trade names, symbols and logos, including any applications for or registrations of any of the foregoing, used, controlled or owned by the Company in connection with current, past or anticipated operations of the Company's business ("Trademarks")

2. Please list and provide a brief description of all copyrighted products and materials used, controlled or owned by the Company in connection with current, past or anticipated operations of the Company's business ("Copyrights").

(Additional information may be requested upon review of these materials.)

3. Identify all agreements dealing with trademarks, such as consent letters, mutual use agreements, licenses or opposition settlement agreements. Provide copies.

4. Provide all searches, conclusions, reports and opinions, whether internal or external, that Company possesses concerning the validity of its trademark registrations, the scope of rights, geographical limitations, expansion restrictions, the infringement of Company's trademarks by others and infringement of third party trademarks by Company's activities.

E. Trade Secrets

1. Please list the principal processes and other proprietary information considered by the Company to be trade secrets of the Company ("Trade Secrets").

2. Please describe unwritten, and provide copies of written, Company policies and procedures regarding the protection of any Trade Secrets.

F. General

1. List of all active material licenses (whether the Company is licensor or licensee), sublicenses (whether the Company is licensor or licensee), settlement agreements, consents, decrees or judgments with respect to Patents, Trademarks, Copyrights or Trade Secrets (collectively, "Intellectual Property") to which the Company is a party, indicating whether either party is in default thereunder. (Standard form of licenses to customers may be listed by Product).

2. Copies of any item listed in paragraph F.1 above that is not a standard form of license or sublicense.

3. Description of all pending and/or threatened litigation, governmental proceedings, claims or assessments, whether written or oral, whether against or filed on behalf of the Company, and whether or not formal filings have been made concerning the Company's Intellectual Property ("Intellectual Property Litigation"), including a brief summary of the current status and expected outcome of any Intellectual Property Litigation.

4. All correspondence with any third party that has alleged infringement by the Company of said third parties' rights under patents, trademarks, copyrights, trade secrets and/or unfair competition.

5. Copies of any opinions provided by counsel for the Company relating to infringement, validity, right to

use or clearance searches on patents, trademarks and copyrights held by corporate or private individuals other than the company.

6. Copies of any indemnities or standard form of indemnity provided by the Company to third parties regarding intellectual property rights of the Company.

7. Description of the use of any Intellectual Property of the Company by any third party that the Company believes may infringe or otherwise compromise the Company's rights in its Intellectual Property.

8. All agreements or forms of agreement between the Company and employees, consultants, vendors, suppliers, customers and others relating to nonuse or nondisclosure of the Company's Intellectual Property, assignment of rights in the Company's Intellectual Property, non-competition, or any combination thereof.

9. Description of all liens and/or encumbrances on the Company's Intellectual Property, or rights of third parties therein (which are not otherwise disclosed pursuant to the above paragraphs.)

10. Copies of all export licenses, letter of written assurance, communications from the Department of Commerce, Bureau of Export Administration.

VIII. OTHER PROPERTY

A. Please provide a list of personal property inventory and aging information related to the Company.

B. Please provide copies of all financing leases and sale and lease-back agreements.

C. Please provide copies of all conditional sale agreements and installment sale agreements.

D. Please provide copies of all equipment leases.

E. Please provide copies of all insurance policies, including product liability insurance.

F. Please provide copies of all security interests, liens, trust indentures, deeds of trust, mortgages, financing statements and other agreements encumbering tangible and intangible property.

IX. SUPPLIER AND CUSTOMER INFORMATION

A. Please provide a list of all suppliers showing the annual dollar volume of purchases related to the Company.

B. Please provide a list of material customers showing the annual dollar volume of sales related to the Company.

C. Please provide copies of all correspondence with customers and suppliers relating to complaints or disputes in connection with the Company.

X. FINANCING

A. Please provide copies of all credit agreements, loans, notes, indentures and other documents relating to long and short-term debt, other than immaterial trade accounts payable or receivable.

B. Please provide copies of all loans and guarantees of third party obligations.

C. Please provide a list of indebtedness, setting forth name of lender, the amount borrowed, the amount owed as of a recent date and the maturity date.

XI. OTHER AGREEMENTS

A. Please provide copies of all material marketing and supply agreements, purchase and requirement contracts, joint venture; product development or partnership agreements, (including patent licenses agreement(s) (to the extent not already provided in response to Section VI or Section VII) distribution agreements, form of secrecy, confidentiality, nondisclosure and non-competition agreements.

B. Please provide representative samples of forms of purchase orders and invoices, product warranties, guaranty agreements (where the Company guarantees the obligations of a third party), and agreements with competitors of the Company.

C. Please provide copies of all agreements outside the ordinary course of business or that are material to the Company's business.

D. Please provide copies of all agreements and plans of reorganization or other material corporate transactions.

XII. MARKETING MATERIALS AND PRESS RELEASES

A. Please provide copies of all marketing plans and analysis and copies of current and proposed materials used to market the Company's products or services.

B. Please provide copies of all press releases issued during the past two years.

XIII. FINANCIAL INFORMATION

A. Please provide copies of all of the Company's accounts receivable.

B. Please provide copies of all audited financial statements and, if none exist, copies of all unaudited financial statements prepared by or on behalf of the Company.

C. Please provide copies of all interim financial statements since latest audited financial statements.

D. Please provide copies of all budget plans for the current fiscal year including revisions to date.

E. Please provide copies of all pricing policies including commission and rate schedules.

F. Please provide copies of all significant correspondence with independent public accountants, including management letters.

G. Please provide copies of all reports, studies and projects prepared by management on the Company's business, financial condition or planned operations.

XIV. TAX MATTERS

A. Please provide copies of all of the Company's federal, state and local tax returns from incorporation to the most recent.

B. Please provide copies of any audit adjustments proposed by the IRS.

C. Please describe all sales, use and franchise, tax and/or fees applicable to the Company and its business and provide copies of all documentation relating thereto, including without limitation documentation relating to the Company's compliance or non-compliance with applicable laws imposing any sales, use or franchise tax and/or fees.