



Integrated
Investments
International

DUE DILIGENCE QUESTIONS

A. Organization and Personnel

1. Organization chart including current and projected operating management
2. Discuss any managerial positions that remain to be filled or eliminated
3. Detailed list of current and projected personnel by function and location showing:
 - Compensation (base, bonus, *granted* options, *vested* options)
 - Current Personnel detailed list
 - Key Employees biographies
 - Bonus/Compensation Plan
 - Granted Options, Vested Options
4. Employment Agreements and Non-Compete Agreements with Senior Management
5. Copies of Benefit Plans
6. Discuss current and anticipated employee stock option plan
7. Aggregate benefits as a percentage of total compensation
8. Vacation/Sick Leave policies
9. Manual of personnel policies and procedures
10. Severance Agreements
11. Discuss labor/employee relations and union issues (if any)
12. Employee turnover statistics
13. Discuss use of consultants and part time employees
14. Discuss availability of qualified personnel
15. References/resumes for key management team members

B. Corporate Ownership

1. Certificate of incorporation and amendments thereto
2. Bylaws and amendments thereto
3. List of jurisdictions in which qualified to do business or otherwise operating within
4. List of all offices
5. Minutes of Meetings of Board of Directors
6. Minutes of Shareholders' Meetings
7. Documentation as to number of authorized, issued and outstanding shares
8. List of Shareholders
9. Existence of any stock options
10. Capital stock transactions (last 3 years)
11. Joint venture and partnership agreements
12. Distribution and licensing agreements
13. Other Material Contracts
14. Federal and State agency organizational and operating charters (if applicable) for doing business in various states
15. Authorizations to operate as valid communications company in various jurisdictions

C. Insurance

1. Current and expected insurance policies (property and casualty, D&O, etc.)
2. Claims over the past 5 years

D. Real Property

1. Schedule of all real property, leased or otherwise occupied
2. Deeds, mortgages, leases or subleases or real property used by the Company
3. Easements and other encumbrances

E. Intellectual Property

1. Copyrights, Trademarks, Service Marks, Patents
2. License/Royalty Agreements

F. Material Litigation/Legal Compliance

1. Documentation as to litigation involving any executive officers or Directors (bankruptcy, crimes, securities, taxation)
2. Documentation regarding any material litigation or disputes (pending and within last 5 years)
3. Notices, citations, reports, letters or other communications or from federal, state or foreign governmental agencies
4. Domestic and foreign governmental permits, licenses and other approvals
5. Disclosure with respect to the good standing of all offices, directors and principal investors

G. Taxation

1. Copies of tax returns (last 5 years)
2. Correspondence and work papers received from or submitted to any taxing authority in connection with the examination of any tax return since incorporation
3. Discuss tax position of the company after the new capitalization
4. Tax vs. Book value of assets – summary of significant timing and permanent difference between book and tax returns
5. Discuss any acquisition goodwill or amortization

H. Income Statement/Cash Flow Data

1. Annual income statements (3 year historical / 3years projected)
2. Quarterly income statements (2 years historical)
3. Revenue by customer, products and services and geography
4. Expenses and margin analysis by customer, products, services and geography
5. Net operating loss carryforward

6. Capital expenditure schedules (current and projected)
7. R&D cost breakdown
8. At least 2 years quarterly projected income statements and cash flows
9. Discuss margin trends
10. Discuss policy regarding software capitalization/amortization
11. Average revenue per minute per initial contract, revenue per rollover contract – what are historical and projected trends
12. Discuss sale lead management systems and detailed pipeline analysis
13. Discuss backlog, unbilled revenues, general revenue visibility and percent of each future quarter revenue that is already known vs. what remains to be sold
14. Show revenue flows for a typical customer over a two year period
15. Show revenue flows for a typical switching center for a two year period
16. What is customer concentration? Who are the top 10 customers, with % of revenues for last 2 years?
17. Discuss revenue recognition policies
18. Discuss tax aspects, research credits, effective tax rates, other tax issues

I. Balance Sheet

1. Capitalization analysis (list of securities, terms and original investment amount)
2. Balance sheets (last 5 years and quarterly for last 2 years)
3. At least 2 years projected balance sheets
4. Receivable analysis – aging by customer and write-offs
5. Discuss banking relationships – communications with creditors for borrowed money relating to any defaults, waivers of covenants or termination of credit relationships
6. Discuss and provide documentation regarding any personal obligations or other long or short term debt

J. Sales and Marketing

1. Current and projected market share data by markets served or product group

2. Give a detailed buildup of the markets
3. What is the current and projected market size for your products/services?
4. What is the role of product/service customization in your market?
5. How many salesmen? What is their quota? What % achieve quota? Discuss sales compensation structure
6. Extent telemarketing and direct mail efforts have been utilized?
7. What is the Company's pricing strategy for each of its product groups? Describe pricing elasticity
8. What kind of strategic and OEM relationships does the Company have?
9. Channel strategy – past, present and future
10. How will you build your sales and marketing organization? What is the budgeted percent of revenues for sales and marketing? Describe new hires to date
11. Describe the typical sales cycle
12. Describe typical sales agreement
13. What geographic markets are expected to be most important over the next three years and why?
14. Customer references (existing accounts, recent wins, recent losses)

K. Competition

1. Describe in tabular form how the Company compares versus the competition in terms of price, positioning, margins, distribution channels and other relevant financial and qualitative comparisons
2. What is the company doing to meet the competition?
3. Who are the Company's competitors? What is the Company's relative market share?
4. What are potential competitive threats in the future? Substitute products?
5. Have any of the Company's competitors recently changed their tactics with regards to how they market their products (i.e., offering new services, teaming with other vendors, shifting distribution channels)?
6. What deals has the company lost recently? To whom did the company lose & why?

L. Products and Services

1. What acquisitions, if any, make sense?
2. Describe typical applications/case studies by industry and customer finding key financial benefits where possible
3. What are unique features of the Company's products – how differentiated from competition?
4. What are the potential competitive threats in the future? Substitute products?
5. Information regarding new products/service introductions
6. Discuss the possibilities of carriers bringing this service in-house
7. What other applications can be provided, what's timing and required investment?

M. Product Development/R&D

1. Describe product development process/plans
2. What is the typical product life cycle, if any?
3. What is the average development lead-time needed to introduce new services and upgraded features?
4. What is the long-term new product plan/vision?
5. What is the typical product development cycle? How extensive is testing?
6. Have you missed product development deadlines in the past?
7. Research and Development Agreements
8. Are you dependent on the development cycle of other organization or on the IP of other organizations?

N. Reports, Studies and Plans

1. Strategic, marketing and business plans describing current or expected business
2. External and internal analysis and research, consulting reports, Company research, industry newsletters, competitive analyses, etc. prepared by third parties
3. Other consultants' engineers' management reports and studies related to material aspects of the Company's business operations since incorporation