



## Due Diligence Checklist

Laex Corp / 28 Jun 2023 / Mary Kent

Complete

Score	89.71%	Flagged items	7	Actions	0
<b>Site conducted</b>					Unanswered
<b>Business/Company Name</b>					Laex Corp
<b>Conducted on</b>					28.06.2023 14:05 PST
<b>Prepared by</b>					Mary Kent
<b>Location</b>					1208 New Jersey Ave, Kansas City, KS 66102, USA (39.122556, -94.64182199999999)

## Flagged items

7 flagged

Due Diligence / Due Diligence / Basic Corporate Documents

**List of all countries where Company is doing business, indicating in which countries the Company is qualified to do business.**

Red Flag

There is one country listed that is currently under UN sanction. The country has taken steps to improve international relations of late.

Due Diligence / Due Diligence / Manufacturing

**Description of all toxic chemicals used in production and manner of storage and disposition.**

Red Flag

A manufacturing plant was opened Q4 of 2018 in the sanctioned country and media there alleges questionable practices of waste disposal to a nearby river. Attached image provided by company representative of their efforts to test the water for contamination.



Photo 1

Due Diligence / Due Diligence / Employees and Executives

**Description of any significant labor problems or union activities the Company has experienced including any collective bargaining agreements.**

Red Flag

Q1 of 2019 already showed employee unrest in the newly opened manufacturing site. There was media coverage.

Due Diligence / Due Diligence / Litigation and Audits

**Information regarding any material litigation to which the Company is a party or in which it may become involved.**

Red Flag

Issue still ongoing at new manufacturing site.

Due Diligence / Due Diligence / Environmental

**Schedule of all the facilities of the Company that discharge waste into any body of water, stream or any sanitation systems.**

Red Flag

There was media coverage regarding the alleged dumping of waste to the river and nearby local residents expressed their intention to file complaint. Image attached is from news reports.



Photo 3

Due Diligence / Due Diligence / Environmental

**Schedule of all permits or approvals obtained from any governmental body responsible for environmental or health regulation.**

Red Flag

Permits are complete but there is a likely possibility of permit being revoked because of the alleged improper waste disposal.

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Due Diligence / Due Diligence / Environmental

**Schedule of all occasions in which a liquid or solid waste material or any fuel or other Hazardous Material was accidentally or intentionally spilled or released.**

Red Flag

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<b>Due Diligence</b>	7 flagged, 89.71%
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## Due Diligence

7 flagged, 89.71%

### Basic Corporate Documents

1 flagged, 90.91%

Collect and review basic corporate documents also for any Subsidiary

**Articles of Incorporation, including all amendments.**

No Issues

**By-laws, including all amendments.**

No Issues

**Minutes of all meetings of directors, committees of directors and shareholders, including copies of any written notices (if given) or waivers thereof and any written consent to action without a meeting.**

For Review

Doing a quick review of 5 years worth of MOM on paper.

**List of all locations where property owned or leased or where employees are located, indicating in which states the Company is qualified to do business.**

No Issues

**List of all countries where Company is doing business, indicating in which countries the Company is qualified to do business.**

Red Flag

There is one country listed that is currently under UN sanction. The country has taken steps to improve international relations of late.

**Samples of common and preferred stock certificates (if any), warrants, options, debentures and any other outstanding securities.**

No Issues

**Copies of any voting trust, shareholder or other similar agreement covering any portion of the Company's shares.**

No Issues

**Copies of all agreements relating to repurchases, redemptions, exchanges, conversions or similar transactions.**

No Issues

**Copies of all agreements containing registration rights or assigning such rights.**

No Issues

**Copies of all agreements containing preemptive rights or assigning such rights.**

No Issues

**Stock books of the Company.**

No Issues

**All quarterly and annual reports and any other communications to the Company's shareholders within the past five years.**

For Review

Currently reviewing all the reports and so far no red flags found.

<b>All press releases issued by the Company within the past five years.</b>	No Issues
<b>List of all subsidiaries.</b>	For Review
<b>Securities Issuances</b>	100%
<b>Equity Financings: copies of any stock purchase agreements.</b>	No Issues
<b>Debt Financings: copies of convertible debt agreements.</b>	No Issues
<b>Stock option or purchase plans and forms of option or purchase agreements which have been or may be used thereunder.</b>	No Issues
<b>Any other agreements relating to sales of securities by the Company including any private placement memoranda or other offering circulars.</b>	No Issues
<b>Shareholder Information</b>	100%
<b>Records setting forth all issuances or grants of stock, options and warrants by the Company, listing the names of the issues or grantees, the amounts issued or granted, the dates of the issuances or grants, the number of shares presently exercisable (if applicable) and the consideration received (or to be received) by the Company in each case.</b>	No Issues
<b>Lists of all current shareholders, including addresses and numbers of shares owned.</b>	No Issues
<b>Numerical listing of stock certificates showing certificate number and date, name of shareholder, number of shares, date of Board approval, and permit and tracing transfers.</b>	No Issues
<b>Lists of all options proposed to be granted, if any, including names and addresses of proposed option holders and number of options to be held by each.</b>	No Issues
<b>Material Contracts</b>	100%
<b>Bankline of credit agreements, including any amendments, renewal letters, notices, waivers, correspondences, etc.</b>	No Issues
<b>Other agreements evidencing outstanding loans to or guarantees by the Company, including correspondences.</b>	For Review
<b>All outstanding leases for real and personal property.</b>	No Issues
<b>Material contracts with suppliers or customers. Please</b>	For Review

indicate which suppliers are the sole source.

Two suppliers from the mentioned sanctioned country. Will need to further investigate.

<b>Model sales or manufacturing contracts.</b>	No Issues
<b>Agreements for loans to and any other agreements (including consulting and employment contracts) with officers, directors or employees, whether or not now outstanding.</b>	For Review
<b>Schedule of all insurance policies in force covering property of the Company and any other insurance policies such as "key person" policies, director indemnification policies or product liability policies.</b>	No Issues
<b>Partnership or joint venture agreements.</b>	For Review
A partnership was signed with the sanctioned country's government.	
<b>Bonus plans, retirement plans, pension plans, deferred compensation plans, profit sharing and management incentive agreements.</b>	No Issues
<b>Form of employee confidentiality invention assignment agreement.</b>	No Issues
<b>Any other material contracts outstanding.</b>	No Issues
<b>Patent and Trademark</b>	100%
<b>List of all foreign and domestic patents and patent licenses held by the Company.</b>	No Issues
<b>List of any trademarks, trade names or service marks.</b>	No Issues
<b>List of any copyrights.</b>	No Issues
<b>Copies of all material agreements for licensing of Company technology to third parties.</b>	No Issues
<b>Copies of all material agreements for licensing of technology from third parties.</b>	No Issues
<b>Description of existing patents and whether additional patents are necessary.</b>	No Issues
<b>Any correspondence from third parties regarding potential infringement of intellectual property right of others.</b>	No Issues
<b>List of proprietary processes controlled by the Company.</b>	No Issues
<b>Name of the law firm which handles patent and trademark</b>	No Issues

matters for the Company and the contact there.

## Manufacturing

1 flagged, 80%

**A breakdown by manufacturing site of the products manufactured, personnel employed, number of shifts and capacity, if any.**

No Issues

**List of major suppliers showing total and type of purchases from each supplier during the last and current fiscal years, and indicate which are sole sources.**

No Issues

**List of contract manufacturers or assemblers, if any, showing total and type of purchases from each contract manufacturer or assembler during the last and current fiscal years.**

No Issues

**Material or outside of ordinary course of business contracts with suppliers, manufacturers, etc., if any.**

No Issues

**Description of all toxic chemicals used in production and manner of storage and disposition.**

Red Flag

A manufacturing plant was opened Q4 of 2018 in the sanctioned country and media there alleges questionable practices of waste disposal to a nearby river. Attached image provided by company representative of their efforts to test the water for contamination.

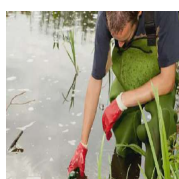


Photo 1

**Description of any environmental investigation or claim.**

For Review

Currently reviewing the ongoing investigation of the alleged improper waste disposal.

## Operations

100%

**List of third-party developers showing total and type of project for each developer during the last and current fiscal years, contact names and phone numbers, together with forms of agreements entered into with third-party developers.**

No Issues

**List of third-party software duplicators and manual publishers showing total and type of services from each duplicator and publisher during the last and current fiscal years.**

No Issues

**Form of agreements relating to the sale or lease of material capital equipment.**

No Issues

**List of top 20 accounts payable with contact names and phone**

No Issues

numbers.

<b>Products and Services</b>	100%
<b>Copies of all market research or marketing studies conducted in the last three years.</b>	No Issues
<b>List of the Company's products and services.</b>	No Issues
<b>List of the Company's competitors.</b>	No Issues
<b>List of the Company's 20 largest customers or groups in each of the last two fiscal years, indicating the types of products and the amounts of each purchased, and contact name and phone number for each customer.</b>	No Issues
<b>All material licensing agreements, franchises, and conditional sales contracts to which the Company is a party.</b>	No Issues
<b>Agreements with distributors, dealers, and sales representatives.</b>	No Issues
<b>Copies of long-term sales contracts.</b>	No Issues
<b>Company-financed customer purchase agreements, if any.</b>	No Issues
<b>Service and support contracts and marketing agreements, if any.</b>	No Issues
<b>All material agency and advertising contracts to which the Company is a party.</b>	No Issues
<b>Forms of warranties and guarantees provided to customers.</b>	No Issues
<b>Copies of all market research or marketing studies.</b>	For Review
<b>Copies of sales literature and forms, including price lists, catalogs, purchase orders, etc.</b>	No Issues
<b>List of top 20 accounts receivable with contact names and phone numbers.</b>	No Issues
<b>Backlog at end of the most recent fiscal year and most recent fiscal quarter.</b>	No Issues
<b>Tangible Property</b>	
<b>List of real and material personal property owned by the Company.</b>	For Review
<b>Documents of title, mortgages, deeds of trust and security</b>	For Review



agreements pertaining to the properties listed.

All outstanding leases for real and personal property to which the Company is either a lessor or lessee.

For Review

List of any security interests in personal property.

For Review

Documentation of significant acquisitions or dispositions of assets.

For Review

## Employees and Executives

1 flagged, 0%

Description of any significant labor problems or union activities the Company has experienced including any collective bargaining agreements.

Red Flag

Q1 of 2019 already showed employee unrest in the newly opened manufacturing site. There was media coverage.

The number of employees broken down by major types of employees and a management organization chart.

For Review

Record of employee benefit packages

For Review

Detailed resume of directors and top management personnel.

For Review

Founders agreements, management employment agreements, indemnification agreements, and "golden parachute" agreements, if any.

For Review

Schedule of all compensation paid in the most recent fiscal year to officers, directors and key employees showing separately salary, bonuses and non-cash compensation (e.g., use of cars, property, etc.)

For Review

Bonus plans, retirement plans, pension plans, deferred compensation plans, profit sharing and management incentive agreements.

For Review

Agreements for loans to and any other agreements (including consulting and employment contracts) with officers or directors, whether or not now outstanding.

For Review

Description of any transactions between the Company and any insider (i.e., officer, director, or owners of substantial amount of the Company's securities).

For Review

## Litigation and Audits

1 flagged, 0%

All letters which have been sent to auditors in connection with year-end and current interim audits, including "litigation letters."

For Review

**Copies of any auditors' letters to management regarding internal accounting controls.**

For Review

Company relies on paper-based audits. Reviewing the files. Attached image.



Photo 2

**Descriptions of (and reasons for) any change in accounting methods in the past three years.**

For Review

**Active litigation files, including letters asserting claims, complaints, answers, etc.**

For Review

**Any litigation settlement documents.**

For Review

**Any decrees, orders or judgments of courts or governmental agencies.**

For Review

**Description of any warranty claims which have been made against the Company, any subsidiary, or any partnership or joint venture and the resolution of such claim.**

For Review

**Information regarding any material litigation to which the Company is a party or in which it may become involved.**

Red Flag

Issue still ongoing at new manufacturing site.

## Environmental

3 flagged, 0%

**Schedule of Hazardous Materials stored, manufactured or located at any facility of the Company either now or in the past, or that the Company ships or transports (Hazardous Materials means any substance or any material containing a substance that could be considered toxic or hazardous under law, including solvents, petroleum, pesticides, paints, asbestos containing materials, lead based batteries, radioactive materials and PCB containing transformers.)**

For Review

**Schedule of chemicals, toxic substances or air contaminants which are regulated present in any facility of the Company.**

For Review

**Schedule of any incidents involving the release of a potentially hazardous amount of any carcinogen into, or presence of asbestos in, the workplace.**

For Review

**Schedule of all instances in the past in which the Company has corrected unsafe working conditions.**

For Review

**Schedule of all the facilities of the Company that discharge**

Red Flag

**waste into any body of water, stream or any sanitation systems.**

There was media coverage regarding the alleged dumping of waste to the river and nearby local residents expressed their intention to file complaint. Image attached is from news reports.



Photo 3

**Schedule of all permits or approvals obtained from any governmental body responsible for environmental or health regulation.**

Red Flag

Permits are complete but there is a likely possibility of permit being revoked because of the alleged improper waste disposal.

**Schedule of all occasions in which a liquid or solid waste material or any fuel or other Hazardous Material was accidentally or intentionally spilled or released.**

Red Flag

**Any notices of violation or requests for information that have been received or threatened at any time for alleged failure of any facility to comply with applicable air pollution laws or with any air quality permit.**

For Review

Reviewing if other manufacturing sites had received formal complaints.

**Others**

100%

**Copy of any internal or outside studies of the Company or the market for its products (e.g., management consultants).**

No Issues

**Summary of all occupational health and safety inquiries (if any).**

No Issues

**Summary of all Labor inquiries.**

No Issues

**Summary of state, local and foreign income tax status, i.e., have all returns been filed? all taxes been paid? any audits by taxing authorities?**

No Issues

**Permits for conduct of business, including licenses, franchises, concessions and distributorship agreements.**

No Issues

## Completion

### General Comments

We are now 1 week in of doing due diligence and there's still more to review particularly on the realigning of bonus for executives after a recent acquisition.

Reviewing handling of toxic chemicals at particularly at new site after the alleged violation of waste management.

Red flag on the newly opened manufacturing site overseas. The company remains accommodating to our requests of access to information but are beginning to show signs of becoming wary on the subject of the overseas site and the alleged improper waste disposal.

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**Conducted by: (Name and Signature)**

A handwritten signature in black ink, consisting of a stylized 'M' followed by a 'K' with a long horizontal stroke extending to the right.

Mary Kent  
28.06.2023 14:15 PST

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## Media summary



Photo 1



Photo 2



Photo 3