SAMPLE INDEPENDENT DUE DILIGENCE REPORT (POSITIVE CASE)
Company: *[REDACTED ENERGY SYSTEMS]*
Prepared by: CF Watchdog Investigations
Date: [REDACTED]

1. Executive Summary

Purpose of Report

This investigation provides an independent due diligence review of *[Redacted Energy Systems]* ("Issuer"), which is currently raising capital under Regulation CF. The goal is to verify claims, assess founder credibility, and evaluate operational, financial, and market risks.

Overall Risk Rating: **Low to Moderate**
Credibility Assessment: **Strong**

Key Findings:

All founder backgrounds and credentials were successfully verified.

Product claims align with third-party test data and documented prototypes.

Customer traction is real and supported by purchase orders.

Financials are coherent and consistent with stage.

Disclosure package is highly transparent.

Verdict Summary

The Issuer demonstrates a strong operational foundation, credible traction, experienced leadership, and realistic financial planning. While early-stage hardware always carries inherent risks, the company presents above-average integrity and execution readiness compared to typical equity crowdfunding issuers.

2. Company Overview

Legal Entity: *[Redacted Energy Systems Inc.]*

Jurisdiction: Delaware C-Corp

Founded: 2019

Industry: Renewable energy hardware

Product: Modular residential energy storage system

Offering Type: Regulation CF

Raise Target: $1.2M maximum

Valuation: $9M pre-money

Stage: Early commercialization with initial customer deployments

3. Founder & Team Background Check

3.1 Identity Verification

All founders verified through public records, corporate filings, and professional history.

3.2 Professional History

CEO:

12 years in residential energy systems

Former Director of Engineering at *[redacted large solar company]*

Two patents credited (verified via USPTO)

CTO:

Previously Lead Battery Systems Engineer at a publicly traded EV company

Holds a graduate degree in electrical engineering (verified)

COO:

15 years in supply chain and manufacturing

Managed operations for a mid-market hardware manufacturer

All career claims verified with high confidence.

3.3 Red Flag Findings

None identified. No litigation, no financial fraud, no prior failed ventures of concern.

3.4 Credibility Assessment

The team's background is unusually strong for a Reg CF offering. Experience directly aligns with the product and market.

4. Product or Technology Verification

4.1 Product Existence

Fully functional prototype observed in demonstration footage and third-party testing reports.

Verified UL 1973 pre-certification testing underway with recognized testing lab.

Prototype matches campaign claims.

4.2 Claims vs. Reality

Issuer claims:

20% higher cycle efficiency than competing mid-market systems

Modular expansion from 5kWh to 30kWh

4-hour installation window for certified installers

Findings:

Efficiency claims supported by third-party lab data.

Modular expansion demonstrated in prototype demo.

Installers interviewed confirmed installation window accuracy.

4.3 IP Status

Two granted patents related to modular battery architecture.

One additional patent pending (USPTO confirmation reviewed).

4.4 Implementation Risk Assessment

Moderate, consistent with early-stage hardware.
However, execution indicators are strong due to experienced team and verified supply chain partners.

5. Market Analysis

5.1 Market Size Claims

Issuer states a $10B U.S. residential storage TAM.
Independent research: $8B–$12B depending on segmentation.
Issuer’s figures appear reasonable and grounded.

5.2 Competitive Landscape

Competitors include *[Redacted Competitor A]*, *[Redacted Competitor B]*, and *[Redacted Competitor C]*.

Issuer differentiates via:

modular expansion

less invasive installation

lower manufacturing cost basis

Competitive analysis claims reviewed and found credible.

5.3 Commercial Traction

Issuer claims:

180 units reserved

Three signed installation partners

$240K in committed pilot purchase orders

Findings:
Purchase orders verified (with identifying information redacted).

Partner agreements confirmed.

Early customer interest appears genuine, not inflated.

6. Financial Health Review

6.1 Financial Statements

Revenue (LTM): $320,000 from pilot deployments and consulting

Expenses consistent with hardware development stage

Cash on hand supports 8 months of operating runway pre-raise

No irregularities, debt issues, or unexplained line items

6.2 Valuation Analysis

$9M pre-money valuation is reasonable relative to:
IP holdings

Team quality

Traction

Hardware stage

Comparable market valuations

6.3 Use of Funds Review

40% manufacturing & tooling

25% product certification

20% installation partner expansion

15% operating expenses
This allocation strongly aligns with company needs.

7. Campaign Integrity Review

7.1 Claims Verification

All major claims were verifiable with supporting documentation. No exaggerations identified.

7.2 Disclosure Quality

Disclosure quality is above average for Reg CF campaigns:
Clear technical risk statements

Accurate market discussion

Transparent financial reporting

Honest acknowledgment of execution challenges

7.3 Offering Structure

Security: Preferred SAFE

Conversion mechanics clearly described

Investor protections above standard CF baseline

No hidden tax, fee, or dilution traps

8. Risk Assessment

Operational Risk: **Moderate**
Typical for hardware manufacturing and scaling.

Technology Risk: **Moderate**
Prototype proven, but full certification still underway.

Founder Credibility Risk: **Low**
Backgrounds verified; no concerning history.

Financial Risk: **Moderate**
Startup depends on successful manufacturing scaling.

Disclosure Integrity Risk: **Low**
Transparent and detail-rich disclosures.

Fraud/Misrepresentation Indicators: **Low**

No red flags identified.

9. Conclusion

[Redacted Energy Systems] exhibits one of the strongest profiles observed in a Reg CF raise:
experienced and verifiable leadership,

credible technology,

real customer traction,

grounded financials, and

transparent disclosures.

While all early-stage hardware carries inherent risk, this issuer demonstrates above-average preparedness and execution capability.
This report does not provide investment recommendations; it offers evidence-based insights to support investor evaluation.

10. Appendices

A. Documents Reviewed

Campaign page

Pitch deck

Purchase order documents

Lab testing reports

Patent filings

Financial statements

Partnership agreements

Corporate filings

Installer interviews (notes)

B. Evidence Screenshots

[Redacted]

C. Third-Party Data Sources

[List redacted]