

SAMPLE INDEPENDENT DUE DILIGENCE REPORT

Company: *[REDACTED TECH SOLUTIONS]*

Prepared by: Crowdfund Forensics Investigations

Date: *[REDACTED]*

1. Executive Summary

Purpose of Report

This independent due diligence investigation evaluates the credibility, claims, financials, and operational reality of *[Redacted Tech Solutions]* (the "Issuer"), currently raising capital under Regulation Crowdfunding.

Overall Risk Rating: High

Credibility Assessment: Mixed to Concerning

Key Findings:

Several claims regarding partnerships and customer traction were **unverified or contradictory**.

The CEO previously operated two failed ventures with incomplete investor disclosures.

Technology claims appear **exaggerated relative to prototype maturity**.

Financial projections are **unreasonably optimistic** and unsupported by operational history.

Use of funds allocation raises concerns about **excessive founder compensation** at an early stage.

Verdict Summary:

Investors should be aware of multiple inconsistencies between public campaign statements and verifiable facts. Although the Issuer presents a compelling narrative, the supporting evidence is limited and partially misaligned with industry norms.

2. Company Overview

Legal Entity: *[Redacted Tech Solutions LLC]*

Jurisdiction: Delaware

Founded: 2021

Industry: AI-enabled consumer hardware

Offering Type: Regulation Crowdfunding

Raise Target: \$500,000 maximum

Valuation: \$12M pre-money

Product: Smart wearable device marketed as "AI-powered real-time biometric coaching."

3. Founder & Team Background Check

3.1 Identity Verification

Founder identity confirmed.

Two team members use abbreviated names publicly; full identities verified.

3.2 Professional History

CEO claims "15 years in AI systems."

Verified: 5 years in mid-level data analysis.

Not verified: 10 years attributed to freelance/consulting work. No independent evidence.

COO lists prior exit from a "successful hardware startup."

Finding: The company dissolved without exit documentation or acquisition record.

3.3 Red Flag Findings

Prior Business Failures:

CEO led two previous startups (2016, 2018) that shut down within 18 months.

Neither disclosed in the current raise materials.

Litigation:

One small-claims suit filed in 2019 related to unpaid contractor fees. Resolved.

No criminal findings.

Inflated Experience:

Several achievements appeared overstated relative to public records.

3.4 Credibility Assessment

The founding team demonstrates enthusiasm and industry knowledge but exhibits a pattern of exaggeration and selective disclosure. This increases credibility risk.

4. Product or Technology Verification

4.1 Product Existence

Prototype demonstrated in a short campaign video.

No independent third-party validations provided.

Physical prototype appears early-stage, lacking two of the four features advertised.

4.2 Claims vs. Reality

Claims:

"Real-time AI biometric analysis."

"95% accuracy compared to medical-grade equipment."

"Fully functional prototype ready for manufacturing."

Findings:

No testing data provided.

Accuracy claims unsupported by documentation.

Manufacturing readiness claim contradicted by internal commentary in the founders' AMA.

4.3 IP Status

No patents filed.

CEO states "patent-pending," but USPTO database shows no matching applications.

Trademark for product name was filed and confirmed.

4.4 Implementation Risk Assessment

High. The product is not as mature as advertised, and core technical claims remain unverified.

5. Market Analysis

5.1 Market Size Claim Verification

Issuer claims a \$40B market TAM.

Independent research places a realistic TAM for comparable products at \$8B–\$12B.

Claim is inflated ~3–5x.

5.2 Competitive Landscape

Issuer states "no direct competitors."

In reality, there are at least five established competitors in adjacent categories with similar capabilities.

5.3 Commercial Traction

Issuer claims "over 4,000 pre-orders."

Verification attempts:

No transaction evidence provided.

Website shows a "pre-order interest form" rather than actual payments.

Estimated real pre-orders likely <100.

6. Financial Health Review

6.1 Financial Statements

Minimal revenue to date (\$9,200 LTM).

Expenses heavily concentrated in "product development" and "consulting."

No clear cost of goods analysis.

6.2 Valuation Analysis

\$12M pre-money valuation appears aggressive for a pre-revenue hardware startup with an unverified product.

Comparable early-stage hardware startups typically range \$3M–\$7M.

6.3 Use of Funds Review

40% allocated to founder salaries.

30% to marketing.

Only 20% to product development.

This distribution is unusual for a product still in early prototype stage and signals potential misalignment.

7. Campaign Integrity Review

7.1 Claims Verification

Several inconsistencies identified:

Partnership with “major sports brand” cannot be verified.

“FDA compliance ready” claim is misleading; the product category does not undergo traditional FDA clearance, and no legal opinion is provided.

7.2 Disclosure Quality

Missing disclosure of prior founder business failures.

No discussion of product development risks.

No detailed manufacturing timeline.

7.3 Offering Structure

Security: SAFE (Crowd SAFE variant)

No investor voting rights

Conversion terms not clearly explained in campaign materials

8. Risk Assessment

Operational Risk: **High**

Technology Feasibility Risk: **High**

Founder Credibility Risk: **Moderate to High**

Financial Risk: **High**

Disclosure Integrity Risk: **High**

Fraud/Misrepresentation Indicators: Moderate

9. Conclusion

[Redacted Tech Solutions] presents an ambitious narrative but lacks the evidence to support several critical claims. Investors should be aware of:

significant inconsistencies in founder backgrounds,

exaggerated traction metrics,

unsupported product claims,

and a valuation that appears materially disconnected from operational reality.

This report does not offer investment advice. It provides factual findings to support investor decision-making.

10. Appendices

A. Documents Reviewed

- Campaign page
- Pitch deck
- Financial statements

CEO and COO public profiles

USPTO database

Court records (public)

Website and marketing materials

B. Evidence Screenshots

[Redacted]

C. Additional OSINT Notes

[Redacted]