UpMarket

Pre-IPO Investment Checklist

UpMarket's Guide For Pre-IPO (Venture Secondary) Investments

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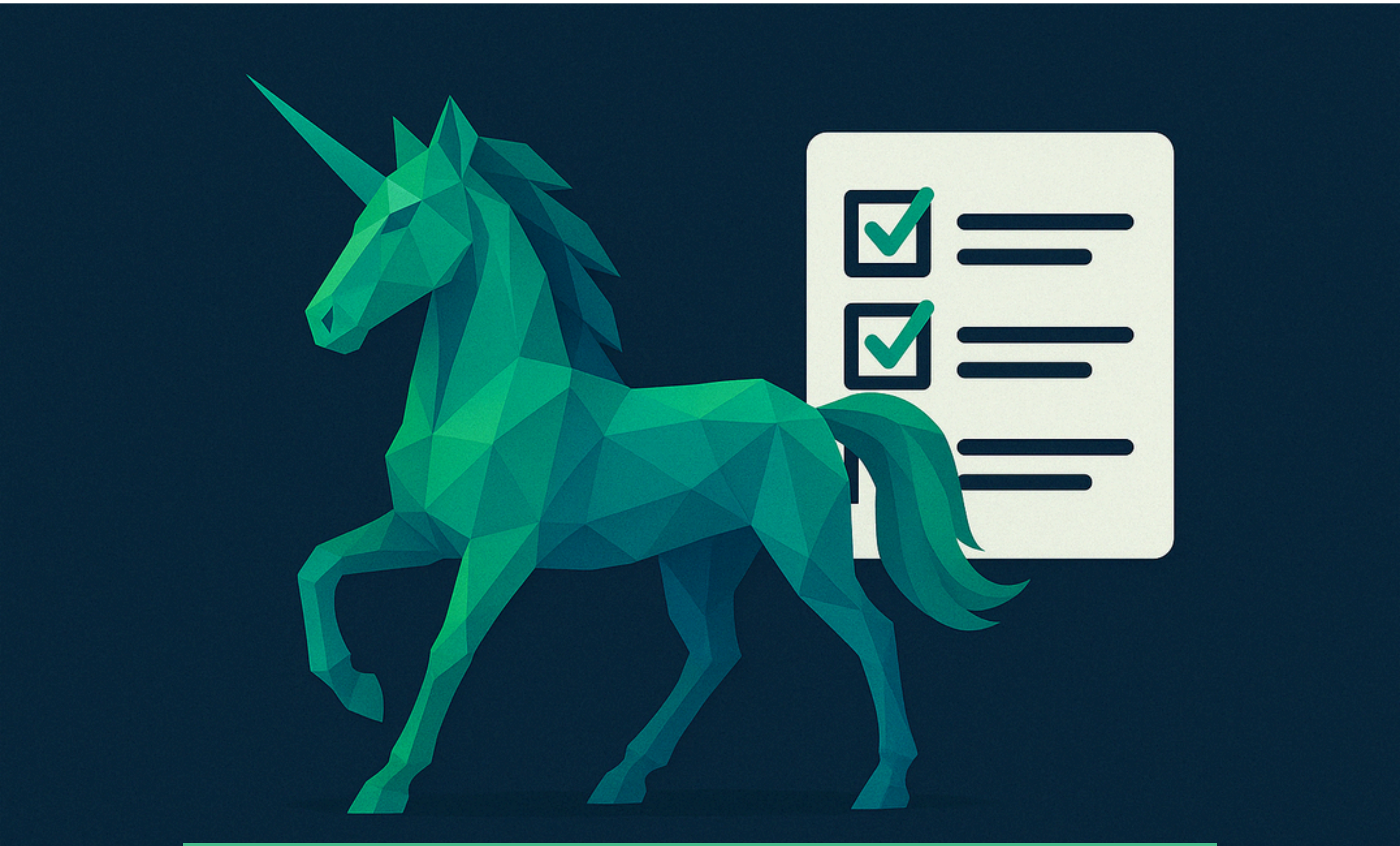


INTRODUCTION & HIGH-LEVEL CHECKLIST

Pre-IPO investments can offer significant opportunities but require thorough due diligence. This checklist is designed to guide investors through key considerations when evaluating private company shares acquired through secondary markets. Use this as a starting framework for organizing your research and decision-making process.

High-Level Checklist

- [ ] Review all subscription documents
- [ ] Research broker or entity providing access
- [ ] Verify broker-dealer registration status
- [ ] Understand fund/SPV structure
- [ ] Confirm minimum investment requirements
- [ ] Review fee structure and schedule
- [ ] Assess underlying investment target
- [ ] Confirm eligibility to invest in offering
  Accredited Investor vs. Qualified Purchaser
- [ ] Evaluate liquidity terms and restrictions
- [ ] Underwrite your investment expectations
- [ ] Consider portfolio diversification impact
- [ ] Understand key risk factors
- [ ] Assess realistic liquidity timeline
- [ ] Confirm ownership verification process
- [ ] Consult with legal counsel, if needed
- [ ] Review historical performance data
  (if available)

Practice tip: AI tools like ChatGPT or Google's Gemini can provide helpful initial analysis of complex legal documents in subscription packages, saving time during early evaluation stages. However, these tools have limitations when interpreting nuanced legal language. Before committing to an investment, you may want to consult with a qualified attorney who specializes in private securities transactions to ensure you fully understand all terms and their potential implications.

INVESTMENT TERMS

Core Terms

_________________ Company Name

_________________ Per Share Price

_________________ Implied company valuation

_________________ Access Method - SPV access? Direct cap table? Employee shares?

Practice tip: Each access method carries different implications for liquidity, legal rights, and potential complications. SPVs provide simplified access but add a layer of fees and management; direct cap table investments offer cleaner ownership but may have higher minimums; employee shares might come with specific transfer restrictions or rights of first refusal. Understand how your access method affects your rights, costs, and exit options before proceeding.

Pricing & Valuation:

__________________________________ Your analysis of the entry valuation

__________________________________ Discount/premium to last primary round?

__________________________________ Discount/premium to last tender offer?

__________________________________ Have you considered the company's growth trajectory and researched various valuation metrics that may be available online?

Practice tip: Due to the private nature of these companies, comprehensive data is often limited or not publicly available. You may need to rely on partial information, private research reports, or industry comparables to perform your investment analysis. Consider this information asymmetry when evaluating risk and potential return.

INVESTMENT FEES

Fees & Costs:

__________________ Management fees (typically 1-3% annually)

__________________ Performance fees/carried interest (typically 10-25%, may include hurdle)

__________________ Subscription or brokerage fees (typically 1-6%)

__________________ Other expenses Fees vary (administrative, legal, etc.)

__________________ Total fees over five-year hold time assuming investment is flat (use our free calculator linked below to estimate total fees)

Practice tip: Fee structures can significantly erode investment returns, especially in high-growth scenarios. Calculate the impact of management fees, carried interest, and other expenses across your bull/mid/bear case scenarios (Page 6) to fully understand how they affect your potential returns in different outcomes.

CLICK HERE!

Use Our Fee Calculator

VALUATION ANALYSIS

Competitor Analysis: similar private/public companies identified

Current valuation relative to comps

Customer concentration and other company risk factors

asdasd

Competitive landscape analysis

asd

Growth rate and comparison of growth to comps

Profitability metrics analyzed

Management Team Evaluation

SHARE CLASS, SECONDARY MARKET DYNAMICS, AND TAXES

Share Class & Structure:

_______________ Common vs. preferred shares

_______________ Super voting vs. standard voting rights

_______________ Liquidation preferences

_______________ Lock-up periods & transfer restrictions

_______________ Distribution method (shares vs. cash) upon IPO

Practice tip: If the fund distributes cash instead of shares upon IPO or exit, this typically constitutes a taxable event. Consider the tax implications of receiving cash distributions versus holding shares in a brokerage account after IPO when evaluating investment opportunities.

Secondary Market Dynamics:

______________________________ Recent secondary transaction history

______________________________ Factors affecting current secondary pricing

______________________________ Demand/supply imbalances in private shares

______________________________ Historical secondary discount trends

Practice tip: Secondary markets often have different pricing dynamics than primary rounds. Prices can vary based on seller urgency, information availability, and changing market conditions. Research recent secondary transactions to gauge appropriate pricing and current market sentiment.

Tax Considerations:

____

Expected holding period tax implications (short vs. long-term capital gains)

____

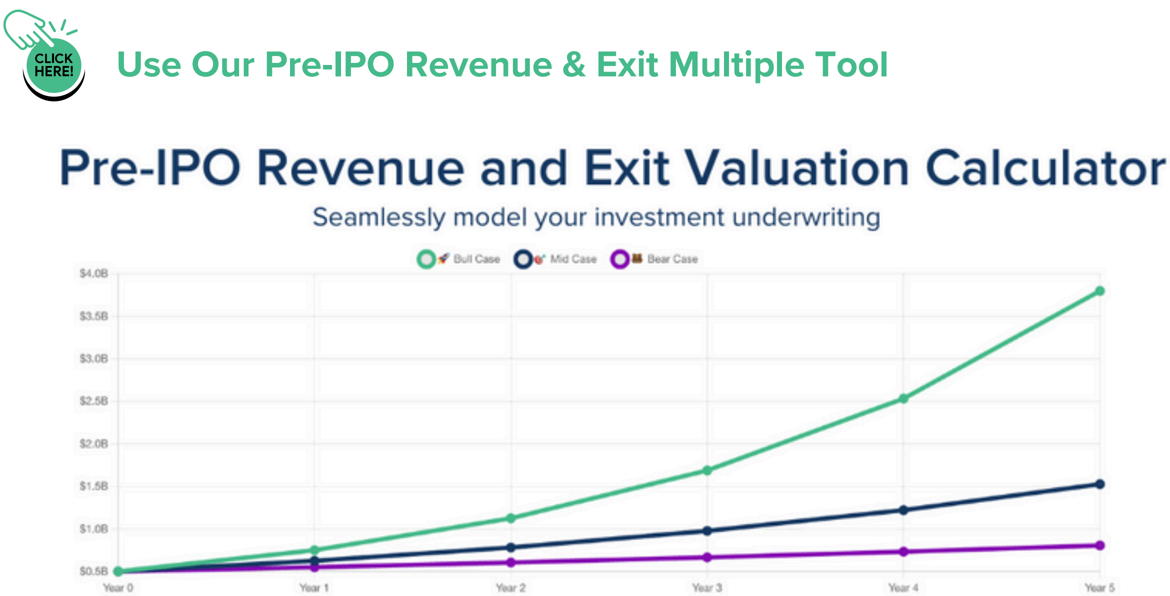
Any Special tax situations (if applicable) – Can you invest through a **Self-Directed IRA**?

INVESTMENT THESIS

Your Investment Thesis

- Bull case: ____
- Mid case: ____
- Bear case: ____

Use Our Pre-IPO Revenue & Exit Multiple Tool



Investment Rationale:

Top 3 Reasons to Invest:

____

____

____

Top 3 Risks to the Investment:

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____

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INVESTMENT ANALYSIS

Risk Exposure: Does adding this investment expose my portfolio more to certain risks?

Expected hold time to liquidity

Target return for this investment

How this fits within your overall portfolio

Sector concentration assessment

Market condition assumptions

Liquidity Scenarios and Exit Options

BROKER & FUND DILIGENCE

Broker-Dealer Verification:

- [ ] Is the platform or intermediary a registered broker-dealer?
- [ ] FINRA registration checked
- [ ] Regulatory history/complaints checked

Broker Years in Business: ____________________

Broker Track Record:

____________________ Experience with similar offerings

____________________ Successful exits from previous offerings

____________________ Broker has in-house operations team for ongoing support

____________________ Total broker transaction volume

Fund Structure Assessment:

____________________ If SPV, age of underlying fund you are investing into

Practice tip: When investing in funds with longer vintages, be aware that fund managers may liquidate positions to return capital to investors as they approach the end of their fund lifecycle. If this happens with your investment, you might receive cash instead of shares, triggering a taxable event and ending your exposure to the company you intended to invest in. Verify the fund's age and wind-down timeline to assess this risk before investing.

____________________ Transparency & reporting frequency

____________________ Access to audited financials

____________________ Verification of underlying share ownership

INVESTMENT DECISION

Will You Invest in This Opportunity:

☐ Yes ☐ No

______________ Company Name

Rationale:

Key Reasons for Decision:

Next Steps:

Additional Notes:

DISCLAIMERS & RESOURCES

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Resources:

UpMarket Homepage: www.upmarket.co
UpMarket Blog: www.upmarket.co/blog
Contact: invest@upmarket.co

UpMarket Streamlines Access to Alternative Investments

Invest in Pre-IPO Companies, Hedge Funds, Private Equity and other alternatives.

📈 UpMarket has helped hundreds of investors move **over $200 million** into private markets.

Firm Overview

- ✔ Founded in 2019, with over 700 investors who have invested more than $200 million.
- ✔ U.S.-based broker dealer with dedicated investment, sales, and fund operations teams.
- ✔ Secure online platform enabling investment-to-exit management: Access fund updates, valuation reporting and tax documents all in one place.
- ✔ Our goal is to make investing in alternatives as transparent and easy as possible.

Past Investments and Exits

SpaceX, OpenAI, airbnb, ByteDance, Neuralink, databricks, Plaid, instacart, Anthropic, cohere

UpMarket Platform's Access Funds are offered through Upmarket Securities LLC, a FINRA registered Broker-Dealer. For disclosures visit upmarket.co

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