

PRIVATE PLACEMENT OFFERING CHECKLIST

When conducting a private placement, the issuer is governed by both federal and state securities laws. It is important to follow the appropriate procedures in order to maintain the exemptions provided under those laws for the private placement. The following is a checklist for use by the issuer to make certain that all of the legal matters are covered, prior to, during and at the conclusion of the offering.

While this checklist is intended to be complete, there may be special or unique circumstances that arise that require you to consult with securities counsel prior to going forward. It is always important to remain in touch with counsel during the course of any private placement.

Pre-Offering Phase:

- Prepare preliminary information outlining the terms of the offering, management and key personnel and intended structure and type of entity.
- Hire securities counsel to assist in the preparation of the private placement memorandum, organizational documents, subscription material and related documents required for the private placement.
- If broker dealers are going to be used in the sale of the securities, a placement agreement or letter should be negotiated outlining the commissions, fees, duties and responsibilities of the parties.
- Initial all hands meeting with counsel and other advisers concerning the placement to determine appropriate structure, organization and offering terms for the private placement.
- Complete director and officer questionnaire provided by counsel and returned to counsel.
- Assist counsel in the preparation of drafts of the private placement memorandum, organizational documents and other related documents for the offering.
- Assist counsel in the filing of any organizational documents for the entity that will be the issuer and the offering
- Arrange for escrow agent (if required).
- Provide securities counsel with a preliminary list of the states and other jurisdictions in which the placement may be offered.
- Upon delivery of the private placement memorandum, subscription packet and other offering material from securities counsel, arrange for the printing of the same. It is the policy of this law firm to destroy all draft documents both printed and electronic versions. Once the final private placement memorandum and related material is printed, this firm

recommends that the issuer, broker and other advisers who have received circulation drafts of documents follow the same policy.

Offering Phase :

- All printed private placement memorandums should be consecutively numbered so that a record can be kept of the distribution of the memorandums. A list should be kept as to who receives each numbered memorandum as a control for the unauthorized distribution of such memorandums.
- Securities counsel will tell you the number of memorandums, which will be required by counsel for their records and for blue sky filing purposes.
- Prior to distributing any memorandums, securities counsel should be notified as to which states such memorandums will be sent so that the appropriate blue sky filing requirements of those states may be met. While most states do not require filing until a defined period of time after a security is sold, there are some states that require filing with the state and payment of fees prior to the offer of a security in that state.
- Securities counsel will prepare the various applications, reports and other documents required by each state under their state securities laws. The issuer will need to review, sign and send that information together with the appropriate filing fee to the states promptly upon receipt of such information from securities counsel.
- When a subscription is received by the issuer or broker, a copy should promptly be sent to securities counsel for compliance review. The receipt of such subscription will trigger filing requirements in many states, as well as federal filing requirements.
- Funds received with the subscription material should be promptly deposited with the escrow agent (assuming securities counsel's compliance review is complete).

Closing:

- Upon receipt of subscriptions for the minimum closing requirements, the issuer and securities counsel should set a date and time with the escrow agent for a closing.
- Prior to closing, securities counsel will prepare closing documents and circulate for review and approval.
- At closing, the original subscription agreements should be accepted by the issuer, copies made and mailed back to each investor, together with any certificate representing the securities purchased.
- At closing, the escrow agent should follow the escrow instructions and disperse the funds

to the issuer (and brokers, if any) together with any interest earned on the escrow account - such interest should be dispersed as per the offering disclosures and escrow agreement.

- At closing, there may be additional documents required to be signed in order to complete the closing.
- Following the final closing, securities counsel will prepare all final blue sky state and federal filing requirements for the placement and send the documents to the issuer for review, signing and forwarding to the appropriate state or federal agency.

Document Management and Retention:

- Following the closing of the offering, the issuer should set up separate investor file for each investor and retain the original documents signed by each investor in their respective files. This should include the number of the private placement memorandum they were given. All correspondence or other communications with that investor should be placed in that investor's file. The file should be retained for not less than five years following the dissolution of the investment entity.
- As previously stated, only the final private placement memorandum and related documentation and distribution lists should be retained. All drafts should be destroyed when the private placement memorandum is printed. This offering material should be in a separate file and retained for not less than five years following the dissolution of the investment entity.
- A file should be set up for the securities filings with the Securities Exchange Commission and each state. Securities counsel will advise issuer if there are any ongoing filing requirements from the states in which the offering was sold. These files should be maintained, not less than three years following the closing of the offering. Securities counsel recommends that the files be maintained until the dissolution of the investment entity.
- Tax records should be maintained for the period required by issuer's accountants.
- Reports to the investors required under the governance documents should be filed in the files maintained until the dissolution of the investment entity.

Other Matters: