



AbdulJaami, PLLC

International Commercial Transactions

Investing in Private Placements

Saboor H. AbdulJaami
Attorney and Counselor at Law

410 Park Avenue, Suite 1530
New York, NY 10022-4407
Tel: 1.646.435.0668
Fax: 1.646.435.0664
email: sabduljaami@shajlaw.com
web address: www.shajlaw.com

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Planning to Invest In a Private Offering?

- Key Questions you should answer:
 - How well do you know the company/entrepreneur?
 - How much can you lose? Gain?
 - How does the law protect you?



Taking stock of your Legal Protections

- Conduct a Four-stage review of your (planned) investment
 - Pre-Investment: Legal Due Diligence
 - Entry into Investment: Investment Structure
 - Monitoring of Investment: Deal-term Compliance
 - Exiting of Investment: Capturing returns/stemming losses



Pre-Investment: Legal Due Diligence

- Key Areas of Review
 - Compliance with Federal Securities Laws
 - Generally 1933 Act Section 4(2) and/or Reg. D
 - Compliance with State “Blue Sky” Laws
 - 50 States = 50 different rules
 - Proper formation of investment vehicle
 - Check State corp., partnership or LLC statute
 - Contractual rights and obligations
 - Depends on Investment documentation



Entry into Investment

- Important Considerations
 - Type of investment: Debt or Equity?
 - Does citizenship affect the investment?
 - Can the impact of Taxes be minimized?
 - Can you protect yourself by using an entity?
 - Are there Other (personal) Considerations?
 - What is the investment subscription process?



Monitoring of Investment

- Know your rights and obligations!
 - Usually contained in partnership or operating agreement
- Key Areas
 - Capital Contributions
 - Capital Distributions
 - Rights and Obligations of Investors
 - Sale, Transfer, and Assignment of Investment
 - Duration, Termination, and Liquidation



Exiting of Investment

- Review these areas of Investment documents:
 - Sale, Transfer and Assignment of Investment
 - Duration, Dissolution, Termination and Liquidation
- What to Look for – Exiting Your Investment:
 - Prior to end of Investment life cycle
 - At Termination of Investment life cycle
 - Involuntarily - Termination, Dissolution or Bankruptcy



Exiting of Investment

- Impact of Federal Securities Laws
 - Section 4(1 ½)
 - Private Resale Exemption
 - 1933 Act Rule 144
 - Public sale of Restricted Securities
 - 1933 Act Rule 144A
 - Sale of Restricted Securities to QIBs
 - Reg S
 - Offshore sale/resale of Restricted Securities



Conclusion

- Use the four stages to Clarify your Analysis
 - Pre-Investment: Legal Due Diligence
 - Entry into Investment: Investment Structure
 - Monitoring of Investment: Deal-term Compliance
 - Exiting of Investment: Capturing returns/stemming losses
- Questions/Comments?
 - Contact Saboor H. AbdulJaami
 - 1 (646) 435 0668
 - sabduljaami@shajlaw.com