

**Form:**

Checklist for Issuing Stock

**Description:**

This is a checklist of important issues to consider and steps to take when issuing stock in a private company to a limited number of investors.

## **Checklist for Issuing Stock**

If you are planning to issue stock, there are a number of important steps that should be undertaken, including the following:

1. **Board Approval.** The Board of Directors of the company should approve the offer and sale of the stock, any agreements for the sale, and the filing of any needed governmental documents. This can be accomplished through resolutions adopted at a Board meeting or by written unanimous consent.
2. **Shareholder Approval.** Approval of the shareholders may also be necessary, especially if the Articles of Incorporation of the company are being amended. Amendment of the Articles will typically require approval by the holders of the majority of the outstanding shares, either by resolutions adopted at a meeting or by written consent.
3. **Review the Company Charter.** The company's charter (Articles of Incorporation or Certificate of Incorporation) should be reviewed to ensure that you have enough shares authorized to allow the new issuance.
4. **Review Compliance With Securities Laws.** Before an offer or sale of stock can be made, you need to ensure that the proper steps have been taken to comply with the federal securities laws and the securities laws of the states where the offers or sales of stock are made. Typically, you will want to find a private placement type of exemption to avoid the costly procedures of conducting a registered offering.
5. **Prepare Appropriate Agreements.** The sale of the stock should be documented by appropriate agreements. When the transaction is not really negotiated, such as the sale of Common Stock to friends and family, a Subscription Agreement may be appropriate. If the transaction involves venture capitalists or strategic investors, then a more detailed negotiated Stock Purchase Agreement will be necessary.
6. **Review How the Sale Will Affect Future Action.** The company should review how this stock offering might affect future financings. Ideally, the stock issuance should not unduly restrict the ability of the company to issue additional stock in the future.
7. **Price and Number of Shares.** The appropriate price for the shares and the number of shares to be issued need to be established. The dilution to the existing shareholders resulting from the new issuance must be reviewed and determined acceptable.
8. **Make Securities Law Filings.** Make sure to make the required filings with the SEC and any state securities administrators, generally within 15 days of the stock sale.
9. **Stock Certificate.** After the sale, the company should issue a stock certificate, signed by the appropriately authorized officers of the company. It will be useful to keep a copy of the stock certificate in the company records. Each stock certificate should be dated and numbered. The certificate should include any appropriate legends.
10. **Stock Ledger.** The issuance of stock should be recorded on the company's Stock Ledger, showing the date issued, consideration paid, name and address of each shareholder, certificate number and other relevant information.