

Compliance Guide for Presenting Private Placement Offerings under Section 4(a)(2)

Closed Private Investment Network (CPIN) Compliance Framework for Interactions with Non-Accredited Investors

Purpose: This guide outlines compliant practices for presenting private placement offerings to prospective investors who are not accredited but with whom CPIN has developed a substantive pre-existing relationship. The goal is to ensure compliance with Section 4(a)(2) of the Securities Act of 1933.

1. Background on Section 4(a)(2): Section 4(a)(2) exempts transactions by an issuer not involving any public offering. Under this exemption:

- General solicitation and advertising are strictly prohibited.
 - Sales may only be made to investors who are either financially sophisticated or advised by a qualified financial representative.
 - The issuer must have a reasonable belief that each investor has the necessary financial knowledge and understanding of the investment risks.
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2. Definition of a Substantive Pre-Existing Relationship: A "substantive pre-existing relationship" means a relationship formed before discussing any securities offering, in which the issuer has sufficient knowledge of the prospective investor's financial situation, risk tolerance, and investment sophistication.

CPIN creates this relationship through:

- A formal membership application
 - Completion of an intake form
 - Submission of at least some basic identifying information
 - Personal or small-group interactions
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3. Interaction with Non-Accredited Prospective Investors: It is permissible to present private placement offerings to individuals who:

- Have a substantive pre-existing relationship with CPIN
- Have completed the intake process (application and intake form)

- Are not yet accredited or sophisticated **provided** they are **not allowed to invest** until designated as sophisticated investors

Members may view details about private placement opportunities within CPIN after completing the intake process, even if they are not yet accredited or sophisticated. However, they may not invest until they are formally designated as sophisticated investors.

If a member has completed the intake process but has **not submitted all required KYC and AML documents**, they may still view investment opportunities as long as a substantive relationship exists. However, **they must not be permitted to invest** until:

1. Their KYC and AML documentation is reviewed and approved, and
2. They are designated as a sophisticated or accredited investor.

4. Educational Pathway to Sophistication: To protect investors and ensure compliance, CPIN requires unaccredited members to complete the following before they may invest:

- Three Educational Modules:
 1. Financial Independence
 2. Self-Discipline
 3. How to Evaluate an Investment Opportunity
- Each module concludes with a quiz requiring a passing score of 70% or higher

Completion of these modules allows CPIN to designate the member as a "sophisticated investor" per the standards established under SEC guidance.

5. What Is Permitted:

- Sharing basic information about CPIN membership and investment focus with individuals you know
- Describing the educational process to become a sophisticated investor
- Presenting private placement offerings to members after intake completion, even if not yet sophisticated or fully KYC-verified
- Allowing access to investment opportunity summaries within the CPIN platform

6. What Is Prohibited:

- Public advertising or general solicitation of CPIN offerings
- Allowing non-sophisticated, unaccredited investors to invest
- Allowing investments before KYC/AML documents are submitted and verified

- Promising returns or making guarantees to prospective investors
 - Sharing detailed offering documents (e.g., subscription agreements) prior to sophistication designation and KYC clearance
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7. Documentation and Oversight: CPIN maintains a record of:

- Application and intake form submissions
- KYC/AML document verification
- Completion status and quiz scores of all educational modules

These records ensure that all private placement offerings are made only to qualified investors.

8. Summary: CPIN may introduce private placement offerings to individuals with whom it has a substantive pre-existing relationship, even if they are not accredited or sophisticated, **as long as** they are not allowed to invest until:

- Their KYC and AML documentation is reviewed and approved, and
- They are designated as sophisticated through a documented educational process.

This practice ensures compliance with Section 4(a)(2) and reflects CPIN's commitment to responsible, relationship-driven investing.

For compliance questions, contact: Info@TheBNIC.com

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