EXHIBIT 1
Typical Private Placement Agreement

On December 22, 2006, Company A, a public company, entered in a private placement with a group of sophisticated investors for the purpose of quickly raising capital required to implement its business plan. The private placement required Company A to issue 1 million equity units in exchange for cash at $10 per unit. Each unit consists of one share of common stock ($1 par value) and one warrant to purchase one share of common stock at $10 per share. The warrants are detachable from the units and can be sold to the investing public. As typical in such transactions, the unit price was determined through negotiations between the parties and was less than the sum of the quoted market price of the common stock and fair value of the warrant. The private placement requires Company A to make its best efforts to complete an effective registration statement by September 30, 2007. The warrants expire on December 31, 2011.

If Company A does not complete an effective registration statement within the specified time period, it is subject to a registration rights penalty payable to the private placement investors. Company A must settle the penalty by issuing common stock in the amount of 2.5% of that issued in the private placement, or 25,000 shares (2.5% of 1 million). The additional shares represent the difference between the respective fair values of registered shares and unregistered shares, and are meant to compensate the private placement investors for any loss in value due to the receipt of unregistered shares.

Company A must determine the fair value of both the common stock and warrants as of the date the transaction was initially entered into. The fair value of the common stock is the market price at the closing date, while the fair value of the warrants is determined by the Black-Scholes (or other acceptable) method, because the warrants are detachable and can be sold to third parties. At the closing date, the quoted market price of the common stock was $9 and the fair value of the warrants was $3. Company A must also determine whether the payment of the registration rights penalty is probable. In this instance, Company A concluded that payment of such penalty was probable and, accordingly, recorded a contingent liability of $225,000 (25,000 shares at $9 per share).

Company A should now allocate the fair values of the common stock, warrants, and contingent liability to the proceeds. The contingent liability reduces the amount of proceeds to be allocated to common stock and warrants to $9,775,000. The amount allocated to common stock was $7,331,250 (9/12 x $9,775,000) and the amount to warrants was $2,443,750 (3/12 x $9,775,000).

The recognition of this contingent liability does not necessarily require the warrants to be classified as liabilities. Recognizing this liability, in effect, trumps the requirement to classify the warrants as a liability based on the criterion that the warrants can be settled only with unregistered shares. The other factors listed in EITF 00-19, however, may by themselves require these warrants be classified as liabilities.

If this transaction meets the criteria for an equity transaction, Company A would record the transaction as follows:

	Debit	Credit
Cash	$10,000,000	
Common Stock		$1,000,000
Additional Paid-in Capital		$6,331,250
Additional Paid-in Capital—Warrants		$2,443,750
Contingent Liability		$ 225,000

At each balance sheet date following the initial recognition of this transaction, Company A must reassess the classification of the warrants and carrying value of the contingent liability. Factors that may affect the carrying value of the contingent liability include changes in the probability that the liability will actually be paid or in the expected amount of the penalty. Company A would recognize the value of any such changes in earnings. For example, if the market price of the stock increased to $10 per share at March 31, 2007, Company A would measure the contingent liability at $250,000 (25,000 shares at $10) and recognize the $25,000 increase as a charge to earnings. Similarly, if an effective registration was completed on May 29, 2007, which is within the specified time frame, Company A would recognize $250,000 as a gain on extinguishment of the liability. The remeasurement of the contingent liability on March 31, 2007, would not affect the carrying values of the stock and warrants (assuming equity classification) that were originally recorded on December 22, 2006.