



Your ProLung, Inc., Restricted Stock--Frequently Asked Questions

What is the procedure for selling my restricted shares?

1. Establish a brokerage account with a full-service securities broker or a bank if you do not have an account. Alert: Most discount brokers, such as Scottrade and E*Trade, do not process restricted stock. ProLung, Inc. will provide you with a list of securities brokers who are very experienced handling restricted stock transactions. These brokers should welcome your business.
2. After you open your account, the broker will ask you to deposit your paper certificates in safekeeping. You will then complete a seller's representations letter, a stock power and other documents for a review by the compliance department of the broker. These documents will also be sent to the attorney writing the legal opinion required by the federal securities laws to clear the Rule 144 legend from the certificates.
3. ProLung Inc. has arranged for a highly experienced attorney to prepare Rule 144 opinions for the Company's shareholders. If you decide to use this attorney, please contact Ron Logan at 602-957-9320, Ext. 1 or email Ron@LoganLF.com regarding any questions that you have or information that you need. Logan Law Firm has prepared a worksheet specifically for ProLung's shareholders that describes information and documents that will be needed for the legal opinion. This worksheet will be sent to you upon request.
4. The broker will send the attorney (a) copies of the front and back of the stock certificate(s), (b) a signed and dated seller's representations letter, (c) a signed and dated broker's representations letter (if required), (d) documents showing how and when payment in full was made for the shares, (e) documents showing that the Company's Board of Directors authorized the issuance of the shares (which are usually obtained from the Company). ProLung and its stock transfer agent, Action Stock Transfer Corporation (contact information below), will fully cooperate with this process.
5. If a shareholder meets all requirements for selling the shares under Rule 144, the attorney will prepare and send an opinion letter to your broker and ProLung stating that you are eligible to sell your shares.
6. Upon receipt and approval of the legal opinion, the broker will send a compliance package to ProLung's stock transfer agent--Action Stock Transfer Corporation. This package will include the original stock certificate(s), stock power(s), seller's representations letter, broker's representations letter, documents

showing that the shares were validly issued, fully paid and non-assessable, the legal opinion and related documents.

7. If the documents and opinion letter establish that you are eligible to sell the shares, (a) the Company will inform the stock transfer agent that the Rule 144 restrictive legend may be removed, (b) the transfer agent will notify the broker that the Company has approved the legend removal and (c) the stock transfer agent will either (i) issue and send a new paper certificate free of a Rule 144 legend and deliver it to the broker or (ii) after ProLung, Inc., has become DWAC eligible, the transfer agent will transfer the shares electronically to the broker.

DWAC is the acronym for Deposit/Withdrawal At Custodian which was created by The Depository Trust Company ("DTC"). The DTC FAST system permits participating brokers and custodial banks to request the movement of shares to or from the issuer's transfer agent electronically. After the cleared shares are in the shareholder's account at the brokerage firm or bank, the shareholder may give the broker or bank instructions regarding sales of the shares.

Action Stock Transfer Corporation's contact information:

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