



ALTERNATIVE PUBLIC OFFERINGS

PARAGON CAPITAL LP



ALTERNATIVE INVESTMENT STRATEGIES FOR BUILDING WEALTH

FOR FURTHER INFORMATION, PLEASE CONTACT:

Kevin A. Pollack, Esq.
Kevin@ParagonLP.com

Alan P. Donenfeld
Alan@ParagonLP.com

Paragon Capital Advisors LLC
110 East 59th Street, 22th Floor
New York, NY 10022
Telephone: 212.593.1600
Facsimile: 212.202.5022
www.ReverseMergerParagon.com

AN INTRODUCTION TO ALTERNATIVE PUBLIC OFFERINGS

Why Private Companies “Go Public”

When a company goes public, it undergoes a transition from being privately held to being publicly held. Companies can go public through an initial public offering (“IPO”) or alternative public offering. Here are some benefits of being a public company:

- Public companies are normally valued significantly higher than private companies
- Raising capital is faster and less expensive
- Founders suffer less stock dilution when raising capital
- Making acquisitions with stock is easier and less expensive
- Stock and stock options are useful in attracting and retaining management
- More liquidity for founders, minority shareholders, and investors
- Added prestige and visibility with customers, employees and the financial community

Why an Alternative Public Offering is a Better Option than an IPO

Besides the fact that the IPO market is inactive, there are numerous advantages to pursuing an alternative public offering over an IPO:

- Reduced Costs: The costs are significantly less than the costs required for an IPO
- Reduced Time: The time frame required to secure a public listing is considerably less than that for an IPO
- Reduced Risk: Additional risk is involved in an IPO in that the IPO may be withdrawn due to unstable market conditions even after most of the up-front costs have been expended
- Reduced Management Time: IPOs generally require greater attention from senior management

Why IPOs are not a Viable Option

The IPO market is inactive due to major changes in the capital markets since the dot-com boom. In addition, the recent credit crisis chilled IPOs. Not only has the number of IPO underwriters for private companies diminished substantially, but the remaining IPO underwriters have required much larger deal sizes to maximize their fees.

Statistics demonstrate just how much deal size matters: The average IPO deal size in 2008 and 2009 was \$650 million and \$348 million, respectively. In contrast, the approximate average deal size for a NASDAQ IPO during the 1990s was \$35 million. In addition, there was an average of approximately 35 IPOs raising less than \$25 million per year from 1997 through 1999. In contrast, in the 2000s there was an average of less than 10 IPOs raising under \$25 million per year.

As a result of these market conditions, private companies and their investors have been left without a crucial exit strategy, investment research, access to the critical growth capital and other benefits of being public.

Why Alternative Public Offerings are a Tremendous Option

In the absence of an active IPO market, alternative public offerings have become the new IPO. An alternative public offering combines two transactions: 1) a reverse merger, which is a means for a private company to become publicly traded, and 2) a PIPE financing, which is a private placement into the newly public company.

Private companies can pursue alternative public offerings independent of underwriters and irrespective of market conditions. As a result, alternative public offerings are a viable option for private companies even when the IPO market is inactive.

From 2007 through 2009, 620 reverse mergers were completed, for an average of more than 200 per year. In contrast, from 2007 through 2009, there was an average of 125 IPOs per year, with only 43 and 63 IPOs in 2008 and 2009, respectively.

ALTERNATIVE PUBLIC OFFERINGS – PIPEs and REVERSE MERGERS

How a PIPE Works

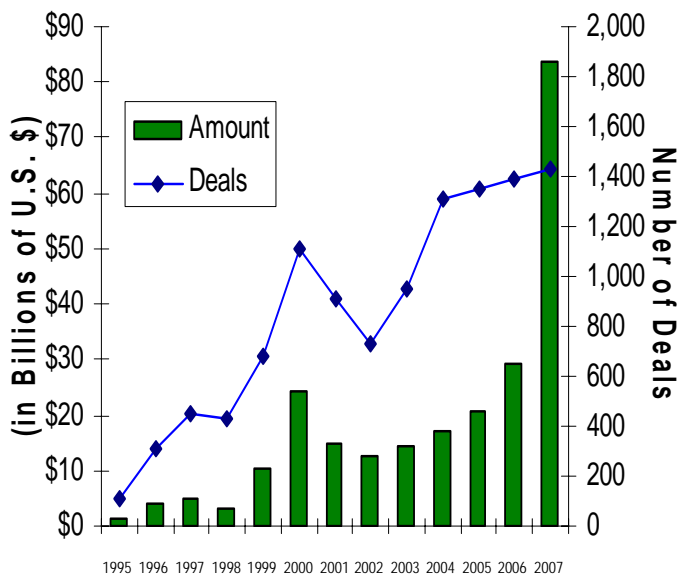
PIPEs are highly structured investments negotiated directly with small-cap public companies. In a typical PIPE transaction, PIPE investors purchase stock or notes at a discount to the market price.

Public companies pursue PIPE transactions for several reasons:

- They need capital to fund growth
- They cannot obtain bank financing
- PIPE funds can invest on short notice
- PIPEs and bridge loans are quicker and less expensive than alternatives

Over the past decade PIPEs have become an institutionalized business adopted by the major firms on Wall Street as an important and flexible financial tool to finance public companies. In recent years, the PIPE market has been booming: according to Sagient Research Systems, in 2007 a record \$80 billion was raised in almost 1,400 PIPE transactions, up from \$28 billion for 2006.

PIPE AMOUNT AND DEALS: 1995-2007



Source: Sagient Research Systems

There also have been recent changes in securities regulations that make it easier for small-cap public companies to pursue PIPE transactions, which should significantly increase the number of PIPE deals done.

How a Reverse Merger Works

A reverse merger occurs when a public entity acquires all of the stock of a private company in exchange for approximately 90% to 95% of the shares of the public entity. Then the newly merged company takes on the name of the private company, installs the private company's directors and officers, and files with the appropriate regulatory authorities. This transaction and change of control completes the reverse merger, transforming the formerly private company into a publicly traded company.

The Powerful Combination of a Reverse Merger and PIPE

The combination of a reverse merger and PIPE is powerful: many private companies face challenges raising capital while private yet without that capital they cannot grow to a size that would allow them to become public. The alternative public offering addresses this conundrum by providing private companies with access to the public markets and a greater ability to attract capital. Once public, these companies can raise capital through a PIPE, the issuance of additional stock in a secondary offering or the exercise of warrants by shareholders seeking to purchase additional shares.

Paragon's Criteria for Alternative Public Offering Candidates

Paragon is looking to partner with private companies that have the following characteristics:

- A public valuation of at least \$30 to \$50 million at the time of the alternative public offering
- Trailing revenues of at least \$15 million
- Trailing net income of at least \$5 million
- Audited financials
- Excellent management team
- Strong growth plan
- Any industry
- Any geography

THE ADVANTAGES OF PARTNERING WITH PARAGON

Paragon Focuses on Growing Companies

Paragon Capital LP is a private special situations hedge fund with a focus on investing in growing companies. Compelling highlights include:

- Paragon invests in alternative public offerings, private investments in public entities (PIPEs) and bridge loans
- Paragon controls multiple publicly traded entities for which it seeks attractive private companies for alternative public offerings
- Paragon has invested in approximately 60 transactions in the past few years
- Paragon has invested in a wide range of industries in markets that include the U.S., China, Brazil, Israel and Eastern Europe
- Paragon's team advises clients on all of the areas required to successfully complete alternative public offerings, including strategic planning, legal, regulatory and accounting matters, capital raising and investor relations
- Paragon's investment structures are designed to align Paragon's interests with its clients' interests to maximize long-term value
- Paragon's investment management team is experienced with a proven track record, and has more than 100 years of experience in originating, structuring and financing investments and transactions

Benefits of Working with Paragon

Paragon can provide all elements of an alternative public offering ranging from the publicly traded entity to the financing. Paragon can provide:

- A publicly traded entity with a large number of shareholders and strong public float
- Investment by Paragon pre-reverse merger
- Investment by Paragon in the PIPE financing at the time of reverse merger
- Procuring of other PIPE investors at the time of reverse merger and in future financings by a broker-dealer affiliate of Paragon
- Key after-market and investor relations support
- Critical advice throughout and after the alternative public offering

Paragon has Aligned Incentives to Maximize Long-Term Value Creation

Paragon's long-term commitment to and aligned incentives with its private company clients make it an ideal partner in alternative public offerings. Paragon is looking to achieve the highest possible public valuation for the company. In contrast, shell brokers and PIPEs agents have their own short-term interests in mind—and have great incentive to rush through a deal, cash out of companies' stock, make a quick fee and move onto the next deal.

Management Team

Alan. P. Donenfeld
Portfolio Manager
Bristol Investment Group, President
Bear Stearns, Vice President
Lehman Brothers / EF Hutton, AVP
Duke University, M.B.A.
Tufts University, B.A., Honors

Brian D. Keane
Managing Director
Yorkville Advisors, SVP
Rodman & Renshaw, Associate
Ladenburg Thalmann, Associate
New York Law School, J.D.
University of Scranton, B.S.

Jason Lyons
Managing Director
Lyons Capital, LLC, Chairman
Sunrise Securities, Managing Director
CIBC, Executive Director
Oppenheimer & Company, SVP
Bear Stearns, Executive
Touro College, B.A.

Kevin A. Pollack, Esq.
Managing Director
Short Hills Capital LLC, President
Bank of America, Senior Associate
Sidley Austin, Associate
Vanderbilt, J.D., M.B.A., Highest Honors
Wharton, B.S., *magna cum laude*

George Skakel III
Managing Director
ABP Acquisition Corp., President
EMG, Chairman
EF Hutton, Associate
Harvard University, M.B.A.
University of Delaware, B.A.

Evan Bines
Managing Director
Alpine Capital Partners, President
Prudential Bache Securities, SVP
Shearson Lehman Brothers, SVP
David Lerner Associates
S.U.N.Y. Albany, B.A.