

**W R A S P**

**BY**



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I N V E S T M E N T   B A N K I N G

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# The Scope of a WRASP

- A WRASP involves a comprehensive set of interrelated transactions managed by WestPark Capital, Inc. (“WestPark”), a FINRA-registered broker-dealer.

*A WRASP is a process in which a Company becomes publicly-traded through a reverse merger and trades directly onto a Senior Exchange such as the New York Stock Exchange Amex (“NYSE Amex”) or NASDAQ.*

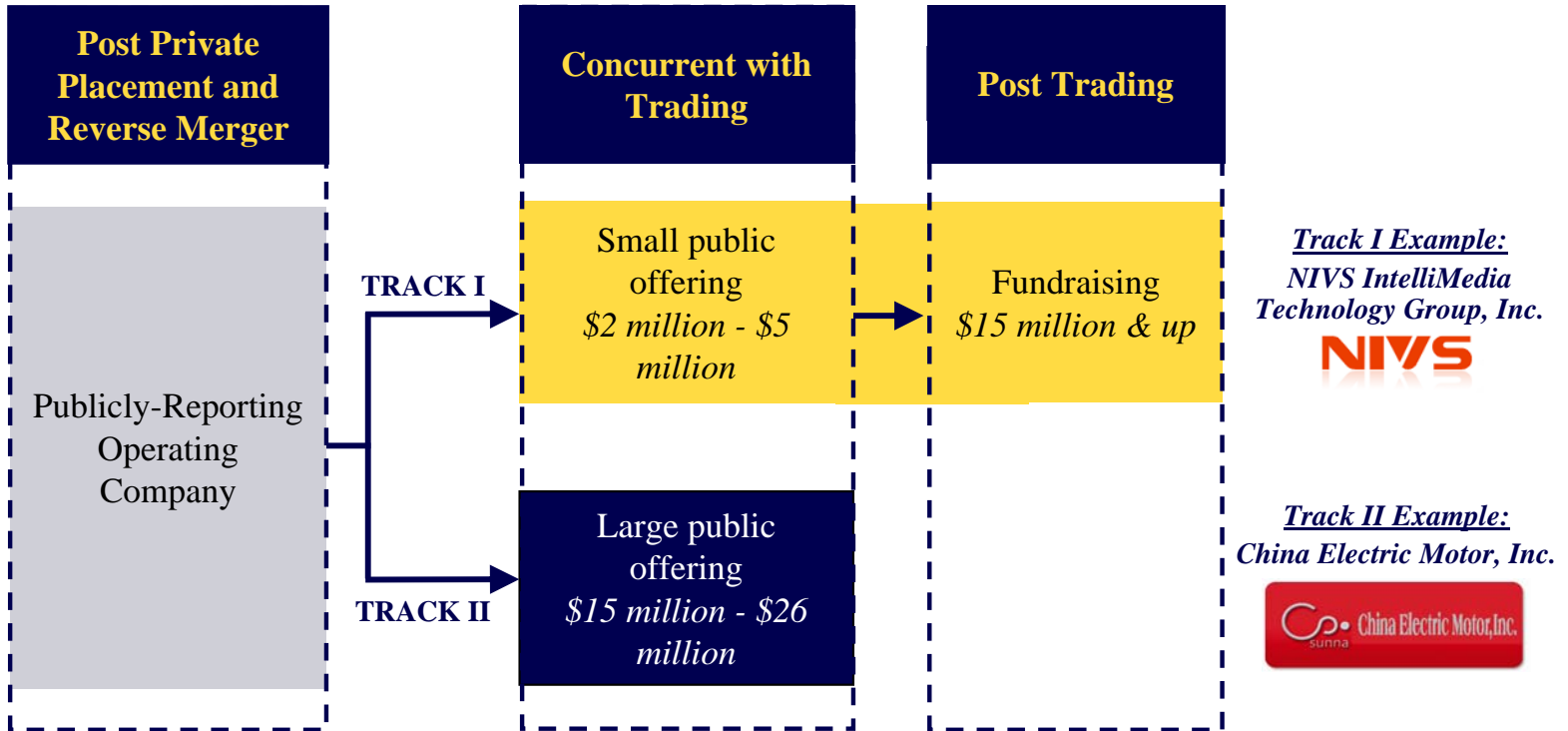
# Overview of a WRASP

- The Operating Company merges with a fully-reporting Shell and files necessary documents with SEC.
- Concurrent with the Shell Transaction, WestPark conducts a small private placement (\$3 million to \$5 million).
  - This is in addition to any larger funding requirements.
- Listing Phase:
  - Stock symbol issued.
  - A second fund-raising, the amount of which varies from \$3 million to \$25 million.
  - Senior Exchange clears stock for trading.
  - Stock begins trading.

# WRASP Dual-Track Fundraising

- The Operating Company has two fundraising options after the completion of the shell merger and private placement:
  - Track I)
    - To raise a lower amount (\$3 million to \$4 million) at the time of trading followed by a substantial follow-on financing (\$15 million and up),
  - or–
  - Track II)
    - To raise a larger amount of capital (\$15 million to \$25 million) at the time of trading.
    - Eliminates the need for a follow-on fundraising in the near future.

# WRASP Dual-Track Fundraising (cont.)



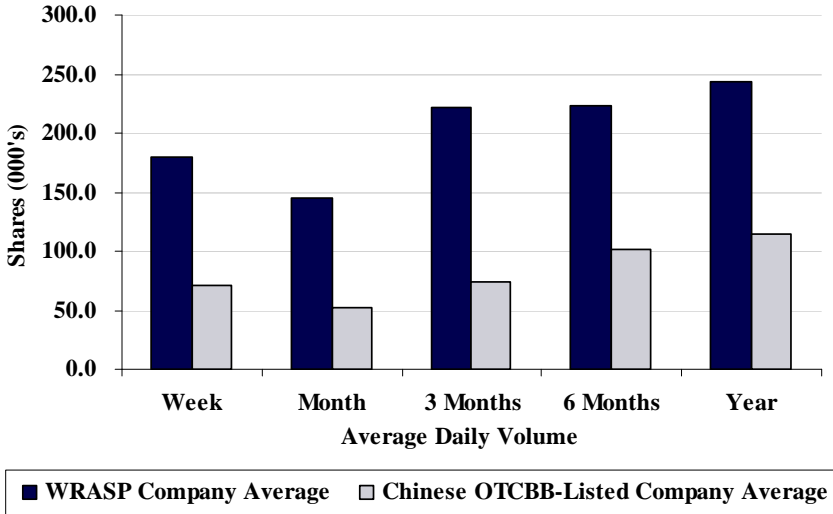
# The WRASP Shell

- The shell has been designed specifically for a WRASP transaction.
- The shell has cleared SEC registration.
- The shell is fully-reporting.
- The shell has had no prior operations and is completely clean.
- The shell has never been traded on the OTCBB.

# Advantages of a WRASP

- The Operating Company *only* trades on a senior exchange, which generally possesses superior:
  - Liquidity
  - Research
  - Valuation
  - Institutional coverage
- The shell principals are interested in long-term performance and accordingly will act in the best interest of enabling the Company to grow.
- The initial fund-raising that closes concurrently with the reverse merger covers all the costs of the WRASP transaction and provides the Company with capital.

# WRASP Liquidity Comparison



***WRASP companies trade with greater than two times the liquidity of Chinese OTCBB-listed companies.***

(1) As of 03/05/10.  
(2) Source: CapIQ.

# WRASP Quantitative Requirements

	<b>MINIMUM</b>
Net Income:	\$5,000,000 in last fiscal year or in the last twelve months (LTM)
Net Income Growth:	25% Year-Over-Year (YOY)
Market Capitalization (Valuation):	\$50,000,000

# WRASP Process Comparison

## *WRASP vs. OTCBB*

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- The WRASP shells have had no prior operations.
  - No litigation liability or impending shareholder suits.
- WRASP shells were formed using funds from a limited number of individual investors.
  - No unidentifiable shareholders.
- The WRASP shell becomes transparent to the transaction, thus reducing cost and accelerating the time to closing.
- Shareholders of WRASP shells are motivated by the desire to invest in excellent growth companies.
- Company management has more control over the public float.

## *WRASP vs. IPO*

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- The WRASP encompasses extensive financial, legal, and strategic due diligence similar to those efforts undertaken in a traditional IPO.
- The WRASP possesses the cost-effectiveness and timeliness of a reverse merger.
- The WRASP process is not as sensitive to changes in the market – thus reducing Company risk and cost.

# Timeframe of a WRASP

STEP 1			STEP 2			
DAY						
1	23	30	35	50	89	90
Merger agreement reviewed and signed	8-K disclosing merger prepared and filed	Reverse merger and \$3-5 million private placement close	File with senior exchange, FINRA, and the SEC	Receive comments	Issue declared effective by the SEC	Stock begins trading with \$10-25 million raise
<b>RECENT WRASP EXAMPLES</b>						
China Electric Motor, Inc.		10/06/09				01/29/10
ZST Digital Networks, Inc.		05/05/09				10/20/09