Alternative
Fund Raising Process

Reverse Merger & PIPE

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GOLDEN EAGLE
Capital Advisors, Inc.

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Reverse Merger & PIPE – The Combined Structure

Reverse Merger and PIPE are often used together to boost the value and the fundraising capacity of a company

STEP 1:
The Reverse Merger

A "Revers Merger" means of taking a private company into the public marketplace.
In a reverse merger transaction, an existing public "shell company" acquires a private operating company.

STEP 2:
The PIPE

A PIPE transaction is a funding transaction involving a private placement of equity securities under the Section 4(2) exemption of the Securities Act of 1933 ("The securities Act").
The PIPE transaction is a highly flexible structure allowing the recently reverse-merged company to raise capitals on the public market at an attractive pricing and with additional warranties.

Step 1 – Reverse Merger

1. **What is a Reverse Merger?**
2. What is a Public Shell?
3. Steps to a Reverse Merger
4. Reverse Merger Process – The Phases
5. The Process- Timeframe & Activities
6. The Advantages of a Reverse Merger

What is a Reverse Merger?

A "Reverse Merger" means of taking a private company into the public marketplace. In a reverse merger transaction, an existing public "shell company" acquires a private operating company.

- A Reverse Merger avoids the time constraints, costs and disclosure requirements of traditional "going public" transactions, which include:

I. Initial Public Offering (IPO)

- Lengthy process which generally takes between 6/9 months;
- Very expensive;
- No certainty of success;

II. Self-Filings

- Self-underwriting without the assistance of a professional broker, firm or intermediary (requires an S-1 filing);
- Generally takes three to six months and requires the Company to make all selling efforts;
- No certainty of success;

III. Special Purpose Acquisition Companies (SPACs)

- Newly formed corporation by prominent sponsor/ management team in a particular geographic or market niche for the purpose of raising capital in an IPO in anticipation of identifying and consummating a business combination;
- Trust amount uncertain;

IV. Form 10 Filing

- Does not provide shareholders a public float;
- Usually not associated with raising money.

STEP 2: The PIPE

1. **What is a PIPE?**
2. Types of PIPEs- Comparison of PIPE structures
3. Types of PIPEs- Comparison of Financing Alternatives
4. Target Investors- Who does invest in PIPEs?
5. The Advantages of PIPEs
6. The Risks of PIPEs
7. Discount Pricing
8. Public Market Liquidity
9. Speed to Closing
10. Control & Liquidity Impediments
11. Types of Securities
12. Sample- PIPE Terms Sheet
13. Legal Requirements- Private Placement
14. Legal Requirements- Company Involvement
15. Legal Requirements- Shareholders Approval
16. GECA - PIPE Track Record

What is a PIPE?

A PIPE Transaction is a funding transaction involving a private placement of equity securities under the Section 4(2) exemption of the Securities Act of 1933 ('The securities Act')

- Since there is already an active public market for the securities of the company, such investments are usually accompanied by a commitment to register the equity securities for resale within a short time frame following the investment.
- As increasing amounts of capital are allocated to private equity, the opportunities to deploy that capital will need to grow

Public Companies may find that the combination of a PIPE investment and debt financing is more attractive financing alternative to straight debt financing for acquisitions or other growth strategies.

Reverse Merger + PIPE : The Issuing Costs

The issuing costs of the Reverse Merger + PIPE Structure are divided into two categories:

A.Variable Costs*,* which are related to the size of the issuing

B.Fixed Costs, which are those costs that cover the preparation of a company before the issuing process.

Variable costs

They are calculated as a percentage on the capital raised. They are similar in all the markets and they increase in size compared to fixed costs along with the growing offers on the market.

Fixed costs

They are the costs borne to set the company ready for the fund raising and reverse merger process. The costs for Advisor, Arranger, Legal Consultants, Auditors, Rating Agency, are considered as fixed costs since they depends on the complexity of the company and on its standing.