**RedHawk Acquisition Group – A Micro SPAC Sponsor (Slide 1)**

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**RedHawk Overview / Mission (Slide 3)**

Mission: Utilize a best-in-class financing structure that provides capital to high growth businesses, while providing attractive upside and liquidity for investors.

RedHawk Acquisition Group is a special purpose acquisition company (SPAC) sponsor focused on:

* Creating an alternative to Series A venture rounds by having the capital available and a path to larger rounds at substantially higher valuations
* Providing capital for high growth businesses in industries that have a tremendous visibility in the public markets but are too small for private institutional investors.
* Cultivating a scalable valuation model that closely aligns company fundamental growth to increased share price.
* Supporting founders while transitioning to a public company by streamlining processes and containing costs.
* Creating attractive returns for investors, while allowing them to control the investment and liquidity decisions.

**Smaller Issuer SPAC Overview:** Blank Check Companies and Rule 419 (Slide 4)

A Special Purpose Acquisition Company (“SPAC”) is a blank check company formed for the purpose of effecting a merger or other form of business combination with an existing private company. The SEC use an IPO amount of $5mm raised by the blank check company to distinguish between Larger Issuers and Smaller Issuers.

Larger issuer SPACs gained popularity, notoriety, and scrutiny in 2021 when more than $160 billion flowed into SPAC IPOs (up from $12 billion in 2018).

Smaller issuer SPACs rely on Rule 419 and are subject to fewer regulatory requirements making it more suitable for RedHawk’s target market.

Smaller Issuer SPACs have not been as widely utilized by Wall Street but have all the advantageous features of being a public company in the US.

**SPAC Comparison (Slide 5)**

Larger Issuer SPAC - IPO > $5mm

* Requires listing on national exchange (NYSE, NASDAQ, CBOE, etc.) at IPO.
* Requires IPO to trade (generally at $10 per share) before a business combination.
* Requires significant corporate governance and other regulatory infrastructure to meet SEC, FINRA, and national exchange requirements.
* Extremely expensive and onerous – ~$10mm in costs to complete a business combination.

Smaller Issuer SPAC - IPO < $5mm

* Does not require a listing on any exchange as part of IPO raise or business combination.
* Exempt from many of the onerous requirements as a “smaller issuer” classification.
* Inexpensive and efficient

All SPAC Requirements

* 2 - year PCAOB audit for target company
* IPO proceeds to be held in SEC registered trust account until business combination is finalized.
* Ongoing 10Q, 10K, and other standard SEC filings

**Larger Issuer SPAC Scrutiny from SEC (Slide 6)**

The SEC spent over a year evaluating the SPAC industry and where the existing law failed to protect investors in the 2021 boom. In December 2023, they released the below document suggesting regulatory changes to how Blank Check Companies are treated.

(link to SEC final opinion)

The suggested regulatory changes focused on restricting the ability for Larger Issuer SPACs to bypass traditional IPO diligence and scrutiny.

**Smaller Issuer SPAC Regulation Unchanged (Slide 7)**

The SEC has spent thousands of hours evaluating the SPAC market and have left the Smaller Issuer SPAC process under the Rule 419 largely untouched.

Why?

* After the business combination is completed a Smaller Issuer SPAC must then apply to an exchange for the ability to trade in public markets.
* The maximum IPO raise of $5mm traded in the market for the first 12 months.

These factors make Smaller Issuers less of a risk to the general investing public in the eyes of the SEC.

**RedHawk SPAC Advantages for Acquisition Candidates (Slide 8)**

High growth businesses looking to raise ~$5mm have several private outlets they can utilize. Crowd funding, Reg A, venture capital, and family offices are all outlets that they can use but they do not provide the same advantageous aspects that the public markets offer.

* Perpetual Entity – Target companies can build a long-term strategy around growth or acquisitions without worrying about selling within a finite lifecycle of an investment to appease investors.
* Access to Capital – As a public company traded in the U.S., they have access to the largest pool of investors and capital on the planet for future growth.
* Valuation Arbitrage – In most industries, the valuation of a public company is greater than the same private cohort group. This allows future capital raises to be less dilutive to founders, employees, and shareholders.
* M&A – Many candidate companies have a goal of growing as quickly as possible and becoming an acquisition candidate for a larger strategic acquirer. Being a smaller public company with an established valuation, audited financials, and a transparent cap table can make that process easier for those prospective buyers regardless of valuation.

RedHawk brings more than 50 years of public markets experience and provides the connections and transition support needed for these companies to ensure that they can focus on the fundamentals of their business that will drive shareholder value and additional capital as they grow.

**Other Ways to Become a Public Company (Slide 9)**

A SPAC IPO is not the only way for a smaller company to get access to the public markets and capital.

* Direct Listing - A company with enough shareholders can file a registration statement with the SEC and apply to list their company on a public exchange. This process can take a long time and provides no certainty that they will be able to raise enough capital to meet their needs.
* Smaller IPO - A company can register with the SEC to raise future dollars in an “initial public offering” then become trading. This process also takes a long time and is only viable if the company is raising more than $15mm as part of their IPO.
* Reverse Merger - A private company can merge with an existing public company to get access to public markets. This process has been heavily regulated over the past few years and can come with a lot of unforeseen issues associated with the prior business or management that cause issues going forward. It also does not provide any guarantee that at the end of the merger process the company will receive funding.

A RedHawk SPAC provides certainty of capital for the company and eliminates all regulatory and liability risks that can come from a reverse merger transaction.

Many smaller companies are a perfect fit for the public markets, but they are not ready to do a Traditional IPO and are not ready for the regulatory burden associated with being on a national exchange - those businesses are perfect candidates to season themselves with a RedHawk SPAC.

**Unconventional Public Company Success (Slide 10)**

Not all companies wait to go public until they have a multibillion-dollar valuation. Below is a list of companies that went public through unconventional means:

**Reverse Merger:**

Occidental Petroleum: In the 1950s Armand Hammer "fathered" the reverse merger by merging his oil company into a shell company he invested into, thereby creating Occidental Petroleum.

Google Inc: In 2004, Google completed a reverse merger with a dormant public shell company called Oingo Inc which later became Known as Google Inc.

Texas Instruments: Texas Instruments went public through a reverse merger by merging with the Intercontinental Rubber Company in 1953 and listing on the NYSE.

Burger King: In 2012 Burger King went public through a reverse merger by merging with Justice Holdings, a publicly traded shell company.

Marvel Entertainment Group: In 1998 Marvel Entertainment Group did a reverse merger with Toy Biz that allowed Marvel to go public. In 2009 Disney purchased Marvel for $4 billion.

**Direct Listing:**

Ben & Jerry's: In 1984 Ben & Jerry's did the first direct listing, then raising only $750,000. In 2000 Ben & Jerry's sold itself to Unilever for $326 million which it is still a subsidiary of to this day.

More recent direct listings include Spotify, Roblox, Palantir, Coinbase, and Warby Parker.

**Smaller IPO:**

Qualcomm Inc: Qualcomm went public with its IPO in December 1991 with a market cap of around $225 million offering four million shares at a price of $16. Qualcomm has grown over the years into a company with a $195 billion market cap.

Netflix: Netflix went public with its IPO in May 2002 with a market cap of around $300 million offering 5.5 million shares at a price of $15. Netflix has grown over the years into a company with a $270 billion market cap.

**Acquisition Target Industries (Slide 11)**

RedHawk is targeting companies with high growth potential in industries that have established Microcap success and presence.

* Aerospace & Defense
* Business Services
* Apparel / Luxury Goods
* Auto Parts
* Biotechnology
* Medical Device
* Environmental & Sustainability Businesses
* Diagnostics & Research
* Drug Manufacturing
* Education & Training Services
* Electronic Equipment and Components
* Mining and Metals
* Internet Retail
* Software

**Acquisition Target Profile (Slide 12)**

Acquisition targets must be in an industry where there is already analyst coverage and institutional investor interest, but they also have to have the following profile to fit into the RedHawk SPAC strategy:

* Strong management team and advisory board
* Immediate capital need of ~$5mm
* Compelling value proposition for SPAC IPO and public market investors
* Clear operational strategy and defined budget
* Quantifiable business metrics and ratios that are used to value existing public companies.
* Desire and market demand to raise greater than $15mm within 3-years as part of an uplist to a national exchange (NYSE, NASDAQ, CBOE, Etc.)

**RedHawk SPAC Mechanics (Slide 13)**

SPAC IPO – 60-90 days

* Upon effective S1 filing with the SEC, raise IPO dollars from accredited investors into a trust account held by an SEC registered trustee.

Acquisition Target Identification and Negotiation - 3-6 months

* Identify potential target companies, perform diligence, negotiate transaction.
* Perform 2-year PCAOB audit.

Close Transaction – 60-90 days

* Present final investment documents, business plan, and cap table to SPAC IPO investors – investors have a 30-day window to decide on keeping their shares or redeeming their original investment dollars.
* File Post-Effective Amendment of S1 with SEC

Apply to FINRA for ability to trade on OTC Markets - 2-3 months.

**Why Invest in a RedHawk SPAC – Decision Making Power (Slide 14)**

A RedHawk SPAC is an alternative investment vehicle where the INVESTOR is in control of their own fate. Investors can exert discretion at every step of the investment.

* An investor may have financial stress requiring them to redeem their investment.
* An investor may look at the final transaction details and believe that the valuation is too high.
* An investor may have moral aversion to an industry that the target company operates in.

There are many reasons for an investor to like or dislike an investment. Because of this, it is virtually impossible to satisfy the needs and wants of every investor in an alternative investment setting that is not a RedHawk SPAC.

**Why Invest in a RedHawk SPAC – Liquidity Control (Slide 15)**

Most alternative investments are directed by a General Partner (Venture Capital) or by the Issuing Company (RegA / RegCF). These alternative investments are generally private companies, and an eventual liquidity event is at the discretion of the General Partner or Issuer.

* SPAC IPO investors can sell their position all at once, over time, or hold forever. Investing in a SPAC IPO is one of the only ways to access high growth alternative investments while staying in control of your own liquidity.
* SPAC IPO investors can manage their personal tax liabilities by selling or holding at appropriate times directed by their tax advisor.

**Why Invest in a RedHawk SPAC – Deep Value Investing (Slide 16)**

1 + 1 = 4 Investing – The example below compares a software company’s private vs public valuation based upon annual recurring revenue (ARR) which is the key valuation tool for software businesses.

Private company valuations are widely understood to be lower than public company valuations. RedHawk’s strategy is to find opportunities with a valuation arbitrage between private and public markets for the same types of businesses.

|  |  |  |
| --- | --- | --- |
| Valuation Arbitrage | 2mm ARR | 2mm ARR |
|  | Private | Public |
| Multiple | 6 | 16 |
| Valuation | $ 12,000,000.00 | $ 32,000,000.00 |
|  |  |  |
| Delta |  | $ 20,000,000.00 |

The ability to provide immediate growth capital to these private businesses allows for any increases in valuation because of operational execution (more customers, more clicks, more profit, etc.) to happen at public valuations creating greater near term returns for shareholders.

|  |  |  |
| --- | --- | --- |
| Growth Arbitrage | 2mm ARR | 4mm ARR |
| Private |  |  |
| Multiple | 6 | 6 |
| Valuation | $ 12,000,000.00 | $ 24,000,000.00 |
| Public |  |  |
| Multiple | 16 | 16 |
| Valuation | $ 32,000,000.00 | $ 64,000,000.00 |
|  |  |  |
| Delta |  | $ 40,000,000.00 |

**RedHawk Team (Slide 17)**

Redhawk’s management team represents over 95 years of collective experience in the private and public capital markets. The team represents a balanced and comprehensive skillset with members having served as CEO, CFO and on numerous public boards. The team also has significant external investment and advisory experience with public issuers.

The finance, accounting, regulatory and legal experience that Redhawk retains is of paramount importance to a successful transition from private to public markets for Companies. For successful issuers, the public markets offer access to strategic capital and significant growth potential.

***Alex Walsh***

Alex Walsh is the Managing Director of Private Equity at Kingsbarn. At Kingsbarn, he leads deal origination, diligence, and execution for a lower middle market private equity strategy, investing $3-7mm of equity to support partner and management buyouts. Prior to joining Kingsbarn, he worked for 15 years as an independent consultant for public and private companies with a focus on capital formation, management buyouts, M&A, and corporate finance strategy. He has a degree in Economics and Management from DePauw University where he was a three time Academic All-American on the golf team.

***Neil Reithinger***

Neil Reithinger is the Managing Partner and founder of Eventus Advisory Group, LLC, a management consulting firm that specializes in on-demand finance, accounting, SEC compliance and CFO support services. He is an experienced executive with over 25 years of experience working with public companies. He has a diversified practice in a broad range of industries including life sciences, consumer products, mining, energy services and technology. He has successfully created initiatives to streamline accounting processes and SEC compliance, develop capital market strategies, restructure, and optimize operations, and spearhead due diligence for financings and acquisitions. He earned a B.S. in Accounting from the University of Arizona and is a Certified Public Accountant. He is a Member of the American Institute of Certified Public Accountants and the Arizona Society of Certified Public Accountants.

***Matthew Schissler***

Matthew Schissler is an American business executive who has served in leadership roles in several privately and publicly held companies over the past 25 years. He is most notable for having founded and managed Cord Blood America, Inc. (CBAI), a company specializing in the harvesting and storage of umbilical stem cells in the U.S. and worldwide. He currently manages a series of private investment funds both multi-family and single family, focused on a wide variety of companies exhibiting significant growth potential. Matthew also serves on Boards of Directors and Advisory Boards across various disciplines. Mr. Schissler previously served as Chairman of the Nevada Development Authority Biotech Committees and on the board of the Las Vegas Natural History Museum. He earned his B.A. in Biology from St. Mary’s College of Maryland.

***Mark Grober***

Mark Grober is a Founder and Member of GHS Investments LLC with over 17 years of investing in PIPE’s. Prior to launching his own funds, Mr. Grober managed the portfolio for a boutique family of funds. Before joining the family of funds in 2009, Mr. Grober worked as an analyst for an eight hundred-million-dollar hedge fund on Long Island, New York mainly focused on private investment in public equity financing. He was responsible for overseeing fifty-five portfolio companies. Mr. Grober graduated with a BA in Finance from the State University of New York at Binghamton.

***Sarfraz Hajee***

Sarfraz Hajee’s work over the last 13 years has focused on managing several private funds that he has co-founded. Sarfraz’s ancillary work includes developing and advising private businesses over a broad range of industries. Prior to his transition into finance, Sarfraz worked for a New York State Agency, a class action administration firm, and an I.T. Company. Mr. Hajee received his J.D. from Boston University and earned his Bachelor’s in Philosophy Politics and Law from the State University of New York at Binghamton.