

PUBLIC OFFERINGS IN UK

Presented to Roth Capital Partners, LLC

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WHY GO TO UK?

- **Better Valuation**
- **Favored Industries**
- **No SOX Compliance**
- **Overall Cost**
- **Structuring Flexibility**
- **Legal Considerations**

BETTER VALUATION

Yes and No

- **Tendency to look at entrepreneurial value**
- **May benefit from better DCF analysis especially in favored industries**
- **Liquidity considerations**

FAVORED INDUSTRIES

Certain Industries are “hot” but UK is not for everyone or anyone

- **European operations**
- **Environmental**
- **Nanotech**
- **Biotech**
- **China**
- **Socially relevant businesses or regions**
- **Predominantly US domestic business or industry (e.g. US healthcare)**

NO SOX COMPLIANCE

No longer the main marketing point for US companies

- **LSE has dropped this from their selling efforts in North America**
- **Ongoing reporting is required but not at SOX levels – no 404**
- **US reporting company can use SEC reports without UK GAAP, without translation into Sterling**
- **Need entire UK team – attorneys, accountants, IR/PR, bankers (NOMAD)**
- **Need UK director**

OVERALL COST

Costs have skyrocketed in UK

- **USD/GBP exchange rate**
- **Supply and demand factors**
- **AIM – approx. £750,000 (\$1.5MM) in UK costs alone**
- **PLUS – approx £250,000 (\$0.5MM) in UK costs alone**
- **Lower annual costs of being public**

STRUCTURING FLEXIBILITY

AIM vs. PLUS

- **AIM flotations now much larger: £5-10MM minimum**
- **AIM transactions costs much higher than PLUS**
- **PLUS now respectable - old OFEX run by people who used to run AIM**
- **PLUS today where AIM was 18-24 months ago – cheaper and faster**
- **PLUS uses corporate advisor instead of NOMAD and uses less structured offering documents (e.g. pathfinder is not lodged and approved by LSE)**
- **Can repeatedly go into market with offering documents vetted by US and UK advisors – no integration, no waiting periods, no pre-review**
- **NOTE: AIM and PLUS both require working capital statement – problem for cash-strapped companies or reverse merger situations**

LEGAL CONSIDERATIONS

Private company

- **Easier for private company although consider taxation issues for US stockholders in exchange**
- **UK still strongly prefers company to move offshore**
- **Preferred jurisdictions – Isle of Man, Jersey, Bermuda, BVI**

LEGAL CONSIDERATIONS

Public company

- **Difficult for existing US reporting company to move to UK
 - **Taxation issues for US stockholders in exchange**
 - **May not be possible to “go dark” with SEC****
- **Dual listing may be best strategy**
- **US reporting company can use reformatted SEC reports as offering and reporting material**
- **No UK GAAP reconciliation required**
- **Report in USD without GBP translation**
- **Structure as Reg S offering for US purposes**
- **CREST2 electronically tracks Reg S shares for what is now six-month holding period (AIM only)**
- **Use paper certificates for PLUS**

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