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ValueRich, Inc.
1804 N. Dixie Hwy, Suite A
West Palm Beach, FL 33407

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VALUERICH COMPANY CONNECT

FEATURING SMALL-CAP COMPANIES

Clearly Canadian Beverage Corp. (OTCBB: CCBEF)

Material Technologies, Inc. (OTCBB: MTTG)

DNAPrint Genomics, Inc. (OTCBB: DNAG)

USA Video Interactive Corp. (OTCBB:USV0)

Rocket City Enterprises, Inc. (Other OTC: RCTY.PK)

SORL Auto Parts, Inc. (NASDAQ: SORL)

THE REVERSE MERGER INVESTOR RELATIONS CONUNDRUM

By Stanley Wunderlich

I had dinner recently with Tim Keating, President/Founder of Keating Investments, LLC. We spent most of the night comparing notes on both our China and domestic experiences

regarding small companies dealing with the reverse merger process. Afterward, I reread the interview with Tim in the Winter 2007 issue of *ValueRich*. He presented an updated and exciting perspective on the process of re-engineering reverse mergers.

But at one point in the interview, Tim refers to traditional investor relations programs as “spamming techniques ... which are completely ineffective.”

It's true that the subject of investor relations — as it relates to reverse mergers — has not always had a positive connotation. If you go to Google and search for “Investor Relations,” the following appears among the results: Stock Promotion Services, Stock Promoters.com and Penny Stock Promoters. These are not comforting descriptions greeting anyone looking for investor relations help for the first time.

Building relationships

There are important investor relations techniques and influences that do work for small fledgling companies; and when integrated within the small broker-dealer community, they can help build “enterprise value.” A case in point: at Consulting for Strategic Growth 1, we put numerous activities

and events in place when working with **HQ Sustainable Maritime Industries, Inc. (AMEX: HQS)**, a China-based leader in toxin-free integrated aquaculture and aquatic product processing, that helped senior management execute its short- and intermediate-term business plans.

An extremely important part of any investor relations program is one-on-one meetings or group meetings with interested broker/dealers focusing on the undervalued nature of the company. A peer group analysis beforehand helps to find a community of investors who would be interested in the company. Small-cap fund managers also often accept invitations to one-on-one meetings.

Management commitment

The successful introduction of a company to the investment community isn't accomplished by the investor relations firm alone. You need considerable sup-

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port from your client to create both buying and volume. Senior management must appreciate its responsibility to go on the road and meet qualified investors.

HQS management understood these requirements and, as an initial decision, opened their headquarters in lower Manhattan so they could be within walking distance of Wall Street. This allowed the Company to make presentations at numerous meetings throughout a two-year period. Consequently, equity financing with private investor groups, including Barron Capital Advisors, LLC and Tail Wind Fund Ltd., highlighted their growth. These introductions plus others with Roth Capital Partners and Ladenburg Thalmann & Co. were both meaningful and productive.

In addition to meetings, management must spend the necessary dollars to brand the company. It's OK to pass out pens and other gimmicks with the company logo on them, but

perhaps also showcasing your product would be more effective. HQS management served tilapia, a seafood product related to their business, at luncheon meetings.

Aggressive but thoughtful PR

Raising capital is essential to growth, but the delivery of the public message in the form of well-crafted press releases to “opt-in small-cap investors” is paramount. An ongoing dissemination of news helps a company explain its story and gain acceptance among potential investors. HQS made regular use of wire services with news about its activities that reached thousands of “opt-in” eyeballs.

Although the micro-cap market has its doubters, there are just as many believers at small broker/dealers. Our firm contacted more than 40 broker/dealers, arranging successful meetings for HQS. An audience for small-cap companies exists, and it is the

responsibility of the investor relations team to create both stellar meetings and educate the brokers on the merits of an investment.

We suggest you check out HQS on Yahoo and see for yourself the progress of

the Company, its ability to attract capital and its recent successful move to the AMEX.

Background

Process Equipment, Inc., a public company, announced on May 24, 2004 that it was changing its name to HQ Sustainable Maritime Industries, Inc., and its state of incorporation to Delaware by means of a reverse merger. The Company began trading over the counter under the symbol “HQSM.OB” on May 25, 2004. In June 2007, the Company graduated to the AMEX, trading under the symbol HQS. Through numerous methods of capital formation, the overall enterprise value of HQS increased from less than \$5 million in 2004 to over \$100 million in 2007.

Stanley Wunderlich is Chairman & CEO of Consulting for Strategic Growth 1, a New York firm specializing in reverse mergers, investor and media relations and corporate development. www.cfs1.com