

GLOBAL AMERICA

Future-shaping
Through 'Public'
Venture Capital
Investment



Armmed with a unique approach to selecting IPO candidates with strong growth prospects, Global America Chairman

Michael Markowski places the opportunity for realizing higher-than-average returns into the hands of investors, while minimizing the risk inherent in small-cap IPOs.



"The time has come for a financial entity capable of placing 'blue-chip' sized money and support behind emerging growth companies," says GA's John Steinmetz, director of private placement financing.

THE GLOBAL APPROACH: 'SUPPORT, BUY AND HOLD'

Global America Incorporated, founded by innovative investment banker Michael Markowski, follows a unique philosophy in its role as financial intermediary, advisor and broker. Why? The company has formulated a strict discipline for the selection and support of emerging growth companies for its investor clientele that goes *well beyond* the traditional underwriting process.

The discipline, developed and refined through Markowski's strong success in the

Central to Global's strategy of investing in early-stage, growth companies is its 'Growth Stock' Thesis, which applies fundamental success criteria to small-cap companies.

field of small-capitalization initial public offerings, puts a premium on superior management, billion-dollar markets and excep-

tional products. It reasons that optimum capital appreciation is possible through early identification of and investment in emerging growth companies.

Global seeks to discover and support public company candidates from concept or early stage through maturity (\$300-\$500 million in sales).

Upon going public, company stock is placed with patient stockholders both domestically and internationally, creating a strong support network. Global's individual and institutional clientele are proven long-term stockholders who share its conservative "buy-and-hold" approach. Company founders and original investors are expected to maintain their equity positions through the critical early phases.

In the process of nurturing "qualified" companies through their growth stages, Global places the opportunity for realizing higher-than-average returns into the hands of its investors, while minimizing the risk inherent in small-cap IPOs.

Central to Global's strategy of investing in early-stage, growth companies is the Markowski-developed "Growth Stock" Thesis, a theory which applies fundamental success criteria to small-cap companies.

THE 'GROWTH STOCK' THESIS

The approach is based on an extensive research study that outlines the criteria necessary for early-stage companies to be successful. Specifically, these criteria require that each candidate company:

- have a proven management team with prior public company experience;
- have exceptional products or services;
- compete in an industry or market that totals \$1 billion or more;
- have the ability to achieve sales of \$100 million or more in five to seven years.

Success for these newly public companies, as measured by Markowski, is steadily increasing sales, year in and year out. "If a company's sales increase annually," says Markowski, "stock price valuation will — and does — take care of itself."

APPROACH HONED THROUGH SMALL-CAP IPOs

Global founder Markowski made his mark as a standout in the challenging world of initial public offerings. While associated



"As an investor, you've got to have a discipline to build wealth," says Joe Riccio, senior vice president of equities. GA's chief trader, Riccio admonishes that without long-term goals "you can trade the market successfully for seven days — and give it all back on the eighth."

B

y adhering
to our special in-
vestment criteria,
we now can offer a



with a previous investment banking firm, he specialized in bringing to market promising companies with small capitalizations, helping it to become the most prolific small-cap IPO banker.

Responsible for all European institutional business while at the firm, Markowski headed a group that raised in excess of \$100 million for nine new companies.

vehicle for pension funds and individuals to participate in what amounts to public venture capital.

"These public venture capital plays represent the wave of the future, and Global America is the leading proponent of the concept."

Prior to that, Markowski served as vice president and investment advisor with another prominent brokerage firm. Because of his long-term view on investing — antithetical to the commission-driven ethic of Wall Street — he became one of only a few investment advisors within the firm working with high net worth individuals.

He also formulated the "Growth Stock"

Thesis during this period. It now serves as his guideline for selecting and sponsoring Global's investment banking clients.

'LIQUID' VENTURE CAPITALIST

Markowski's unique approach at Global has caused industry observers to characterize him as a "liquid venture capitalist." His objective: to achieve venture-capital-level returns while maintaining liquidity.

Putting well-founded, emerging growth stock into the hands of individual investors is only part of the picture. Global also actively brings institutions into the fold.

INSTITUTIONS EMBRACING CONCEPT

"Portfolio managers don't want the illiquidity associated with private venture capital investments," says Markowski. "In today's world, portfolio managers are judged on annual performance, and there is simply no standardized way to value a private venture capital investment."

Auditors, he noted, require a valuation* on all investments and would likely write the private ones down to zero. "Thus, to carry such an investment in a portfolio would detract from short-term performance. On the other hand, there is always value in holding a public company's stock — considerable value if it is well-supported and continues to grow its sales."

WAVE OF THE FUTURE

Markowski contends that investing in emerging public companies can represent a strong venture capital-like investment alternative for the largest category of the world's institutional money — the estimated \$10-trillion pension fund market.

"By adhering to our Growth Stock Thesis and special investment criteria, we now can offer a vehicle for pension funds and individuals to participate in what amounts to public venture capital," he says.

"This represents the wave of the future — public venture capital plays — and Global America is the leading proponent of the concept."

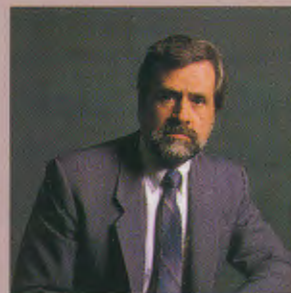
GLOBAL INVESTOR PROFILE

On the brokerage side, GA has developed a broad clientele of individual and institutional investors, both in the United States and Europe.

The typical Global individual investor has a net worth in excess of \$1 million.

Global continues to build its institutional investor account base. Key banks and institutions throughout North America, Europe and Asia are embracing the sound, conservative premise underlying its investment philosophy.

Importantly, Global's individual and institutional investors share its disciplined approach, and represent a built-in support network for all of its IPO and emerging growth clients. Stock is placed into strong stockholder hands — proven long-term holders — to the benefit of both the companies and, ultimately, Global's investors.



Twenty-eight-year securities industry veteran Jim Shanley, GA's chief operations officer: "We're uniquely dedicated to serving and supporting select emerging companies and our investors."

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Michael Markowski was guided by securities research originally conducted by Donaldson, Lufkin & Jenrette. While a broker associated with that firm, Markowski focused on a study entitled "More Than A Year," which sought to determine if investors could achieve attractive returns by the conservative practice of buying and holding stock, market conditions notwithstanding. This approach was in stark contrast to the "trading-the-market" theory then prevalent.

The study dealt with 250 strong-performing stocks culled from the *Securities Research Handbook* of 1,100 stocks. (Newer companies with less than 10-year track records were excluded, as were those exhibiting a high degree of stock price volatility.) The stocks were tracked assuming purchase at their lows of 1974 and sale at their highs of 1983, excluding all dividends and dividend reinvestments, but adjusting for splits.

SIGNIFICANT APPRECIATION DISCOVERED

The startling result: The median capital appreciation factor was 19 times. This meant a \$100,000-investment would have grown to \$1.9 million over the 10-year period, representing a compound annual growth rate of 34 percent — excellent by anyone's standards.

Remarkably, over 10 percent of the stocks in the study appreciated one hundred times or more in price. Or, a \$1-million investment appreciated to \$100 million over the timeframe.

To put this in perspective, over the same period the broad index of the Dow Jones Industrial Average appreciated by a factor of only two, while Standard & Poor's 500 index appreciated between three and four times.

Expanding on the study, Markowski, through his own exhaustive analysis, set out to determine what, if any, similarities existed among those companies whose stock price enjoyed such strong multiples of appreciation. His inquiry tracked all identifiable common denominators shared by the universe of 250 stocks.

"My research indicated that the winning stocks shared only one performance factor in common over the 10-year period — increased sales, sustained year-to-year," says Markowski. "Surprisingly, commonly watched measures such as debt, cash, book value, return on average equity, price-earnings ratios, and others showed no consistencies."

Further study showed a high correlation between the company's stock price appreciation multiple and its sales growth multiple.

With multiple sales increases as the key factor, Markowski reasoned, small companies are inclined to show greater stock price appreciation over time. While all the stocks studied showed sustained sales increases, only 80 percent achieved consistent earnings increases year to year.

"Earnings, while important, don't reflect all-important research and development expenditures or other clues indicative of positive activity, such as product backlog," says Markowski. "Sales, as they relate to stock price, are much more important than earnings, because without continuous increases in sales, earnings cannot grow in a corresponding manner."

To put the Growth Stock Thesis to the test during extremes in the market — defined as record highs on the Dow followed by precipitous drops — Markowski went back to the peaks of 1973 and studied the performance of his hypothetical stock portfolio through the languishing market of the mid-70s to the recouped highs of 1982. This exercise virtually eliminated the effects of the entire bull market on stock price valuation.

He again found sustained sales consistently driving capital appreciation, and reaffirmed the lack of correlation between P/E multiples and stock price.

THESIS APPLIED TO IPO CLIENTS

Markowski today applies these same time-tested criteria to Global's investment banking clients that may be likely candidates for initial public offerings or those poised for growth. In fact, he has expanded the guidelines for small companies to include additional tests.

First, a company must have top management experienced in running public companies. While this may appear obvious, only two percent of all small companies satisfy this important requirement.

The second "acid test" Markowski uses assesses the total market for a company's products or services. A candidate must participate in billion-dollar-plus markets. This affords room for a number of \$100-million-in-sales competitors to operate side by side.

Global America espouses the philosophy that an investor should buy a stock and continue to hold it provided sales and earnings grow consistently. Emerging companies with this growth pattern are selected

ALPHABETICALLY - STOCK	NO.	1/74	1/83	%
100. American Corp.	100	1.00	19.00	1900
101. American Corp.	101	1.00	19.00	1900
102. American Corp.	102	1.00	19.00	1900
103. American Corp.	103	1.00	19.00	1900
104. American Corp.	104	1.00	19.00	1900
105. American Corp.	105	1.00	19.00	1900
106. American Corp.	106	1.00	19.00	1900
107. American Corp.	107	1.00	19.00	1900
108. American Corp.	108	1.00	19.00	1900
109. American Corp.	109	1.00	19.00	1900
110. American Corp.	110	1.00	19.00	1900
111. American Corp.	111	1.00	19.00	1900
112. American Corp.	112	1.00	19.00	1900
113. American Corp.	113	1.00	19.00	1900
114. American Corp.	114	1.00	19.00	1900
115. American Corp.	115	1.00	19.00	1900
116. American Corp.	116	1.00	19.00	1900
117. American Corp.	117	1.00	19.00	1900
118. American Corp.	118	1.00	19.00	1900
119. American Corp.	119	1.00	19.00	1900
120. American Corp.	120	1.00	19.00	1900

for sponsorship by GA based on certain fundamentals. Candidate companies must:

- Have management with prior public company experience in a related endeavor;
- Have exceptional products;
- Compete in an industry or market that is bigger than \$1 billion and in a segment that is healthy and growing;
- Be able to realistically achieve sales of \$100 million or more within five to seven years.

PROFIT TECHNOLOGY INC. (NASDAQ: PRTE— 3-1/4*)

Profit Technology offers quality, performance-based training to the explosive micro-computer training market. The company also develops, manufactures and markets other computer-related products and services to leverage and improve the quality, effectiveness and productivity of the human mind.

PERSONAL COMPUTER PRODUCTS, INC. (NASDAQ: PCPI—4*)

The company develops and markets high-performance/low-cost laser printer hardware and software for desktop publishing, office automation, and other specific application needs. It recently introduced a series of products based on controller designs and integrated circuit technologies that were developed in a joint venture with Motorola.

SENIOR SERVICE CORPORATION (NASDAQ: SENR— 2-3/4*)

Senior Service provides products and services to improve the lives of senior citizens. It is the world leader in the development of adult day-care centers, working independently and in partnership with Holiday Inns. The company is already a leader in publishing and information services for older people.

QUADRAX CORPORATION (NASDAQ: QDRX— 2-3/4*)

Quadrax has developed a superior, proprietary process for continuous manufacturing of composite materials. It is becoming recognized as the best alternative by some of the biggest names in the defense and aerospace industries. The company was recognized by *Forbes* as the "Underwriting of the Year" for 1987.

SOLITEC INC. (NASDAQ: SOLI— 2*)

Solitec manufactures production equipment for the semiconductor industry. It has developed a revolutionary technology and is establishing a rapidly growing list of customers in the semiconductor integrated circuit business throughout the world.

TELENETICS CORPORATION (NASDAQ: TNET—1-3/8*)

Telenetics designs, manufactures and markets cutting-edge technology and products in the telecommunications field. Its products are sold to many *Fortune* 500 companies and in international markets. It was recently awarded a major contract to develop and supply backup communications systems for satellite communications.

DATAVEND INC. (NASDAQ: DATV—1-3/8*)

Datavend is developing a network of home entertainment superstores, operating under the name Choices, which rents and sells video cassettes, compact discs, audio books, VCRs, compact disc players and other equipment.

NYCOM INFORMATION SERVICES, INC. (NASDAQ: NYCM—1-5/8*)

Nycom provides telephone operator and information services as a better and more profitable alternative to those offered by the major phone companies. The company participates in the rapidly-growing, alternate operator services market.

HQ OFFICE SUPPLIES WAREHOUSE INC. (NASDAQ: HQOSA—5*)

HQ is a new, exciting entry in the warehouse specialty retailing business. With plans to open over 50 locations in the next four years, HQ could quickly become a major force in the burgeoning office supply industry.

*Bid price at 10/23/89 at market close.

GLOBAL AMERICA

Global America is a full-service investment banker providing for emerging companies private placements, initial public offerings, secondary offerings, warrant executions, and related services.

Global has developed and refined a selection process for early identification of high-growth companies. It seeks early involvement — before their potential is widely recognized.

Global has assembled a highly specialized cadre of investment bankers and brokers experienced in capital formation. They place new issues in strong stockholder hands — domestically and internationally. These investors, both individual and institutional, are proven long-term holders, a philosophy aligned with the company's buy-and-hold thesis. Global maintains a vested interest in the companies it supports.

Global America is a member of of the National Association of Securities Dealers (NASD) and the Securities Investors Protection Corporation (SIPC). It executes trades and processes its transactions on all major U.S. exchanges through Prudential-Bache Securities.

Serving on the Global Financial Group, Inc. Board of Directors are Arthur B. Laffer, Ph.D., Jurgen E. Last, Brad R. Tukey, A. Jeffrey Robinson and Michael J. Markowski, Chairman.

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