

PRIVATE PLACEMENT PRACTICE

Alderman & Company Capital

INVESTMENT BANKERS TO THE AEROSPACE & DEFENSE INDUSTRY

*Member Financial Regulatory Authority
Member Securities Investor Protection Corporation*

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I. Introduction to Alderman & Company Capital

Alderman & Company Capital, LLC

Alderman & Company Capital, LLC, is a Connecticut limited liability company registered with the Connecticut State Banking Department and the United States Securities and Exchange Commission, and a member of the Financial Industry Regulatory Authority and Securities Investor Protection Corporation. The firm provides securities related services to clients in the aerospace and defense industry, including private placements, mergers, acquisitions, restructurings and divestitures. Affiliates of the firm include Alderman & Company Advisors, LLC (an investment advisor registered with the State of Connecticut Department of Banking, providing aerospace and defense investment advice to institutional clients) and Alderman & Company Consulting, LCC (a management consulting firm providing strategic and operational consulting services to companies in the aerospace and defense industry).



Leadership

Mr. Alderman is the founder and President of Alderman & Company Capital. During his 20-year career in aerospace and finance, he has completed more than \$1 billion in mergers, acquisitions, and related transactions. Mr. Alderman started his career at Bankers Trust Company and has held senior positions in investment management and corporate development in the aerospace industry at GE Capital, Aviation Sales Company, and most recently, as Managing Director of the aviation investment banking practice at Fieldstone. In the past, Mr. Alderman served on the Board of the HM Bullard Company (a family owned chain of retail furniture stores). Currently Mr. Alderman serves on the Boards of TeamStaff, Inc. (NASDAQ:TSTF, a provider of logistics services to numerous U.S. Government agencies including the Department of Defense), and Breeze Eastern Corporation (AMEX: BZC, a manufacturer of rescue hoists and related systems for the aerospace and defense industry). Mr. Alderman also serves as a trustee of the First Congregational Church of Ridgefield, founded in 1712. Mr. Alderman has a master's degree from the J.L. Kellogg Graduate School of Management and a bachelor's degree from Kenyon College, where he was a decorated soccer player. Mr. Alderman has been an FAA-licensed pilot since 1983, a member of the Wings Club of New York since 1992, and frequently speaks at aerospace industry conferences in the United States and abroad. He has been quoted as an industry expert by Bloomberg TV, CBS Marketwatch, USA Today, the Chicago Tribune, the Los Angeles Times, and the Washington Post. Mr. Alderman is 48 years old and competes in sprint and Olympic distance triathlons.

Clients

Clients of Alderman & Company Capital, LLC, include public and private companies in the aerospace and defense industry, including but not limited to, manufacturers, suppliers, distributors, and repair stations serving the general aviation, corporate aviation, commercial aviation, and defense markets. Clients of the firm are located inside and outside of the United States. The following is a partial client list:

Acorn Growth Equity Capital	John Hassall	Ritchie Capital
Aerotron AirPower	Kahn Industries	Quest Aviation
AGC Incorporated	Kinetic Systems	S & L Aerospace
Alken Industries	Kratz Wilde	Safire Aircraft
Aero Technologies	Leading Edge Aviation	Sandell Asset Management
Angelo Gordon & Co.	Services	Shaw Aero Devices
Birken Manufacturing	Loeb Partners	Soundair
Commuter Air Technology	Lunt Brothers	Strategic Value Partners
College Airways	Marathon Asset	TecoMetrix
Dixie Aerospace	Management	Texas Pneumatic Systems
Dyna Empire	Mason Capital	TL Investments
ESCO	Mellon Bank/HBV Capital	Universal Aerospace
Firan Technology Group	Metalcraft Technologies	UFC Aerospace
Fortress Capital	Nasco Aircraft Brake	Valair Aviation
GenMech Aerospace	Orn Capital	Wynnefield Capital
Goodrich Corporation	Phyre Technologies	Zolo Technologies
Hoffman Engineering	Precision Machine Works	Zygo Corporation
Hughes Bros. Aircrafters	Reimer & Rosenthal	

Licenses

Alderman & Company Capital, LLC, is registered as a securities broker-dealer with the Connecticut State Banking Department and the United States Securities and Exchange Commission. The firm is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The firm provides securities-related services to institutional clients exclusively in the aerospace and defense industry. Primary activities include private placements of debt and equity securities (issued pursuant to Regulation D of the 1933 Securities and Exchange Act), mergers, acquisitions, restructurings and divestitures.

Capital Market Coverage

The primary capital markets for securities offered by Alderman & Company Capital, LLC are institutional investors (private equity firms, hedge funds, family offices, and very ultra net-worth individuals) with experience investing in the aerospace and defense industry. Our firm expends considerable effort maintaining close relationships with this focused investor base and, in our opinion, we have an excellent reputation in this highly focused investment community.



Types of Financing

Most often, Alderman & Company Capital will serve as private placement agent for aerospace and defense companies looking to raise \$5,000,000 – \$75,000,000. While there are myriad financing possibilities available to our clients, some of the most common types of private placements financings are:

SENIOR DEBT

Interest rates can be variable or fixed and range from below prime to more than 4% above prime. Maturities can range from 3 to 30 years. Senior debt financings typically have significant collateral and restrictive covenant requirements.

MEZZANINE CAPITAL

Mezzanine financing is often accompanied by some combination of senior debt, common or preferred stock (often through attached warrants). Interest rates can range from levels near senior debt to more than 10% over prime. Subordinated debt is often structured with terms of 7 to 12 years or longer.

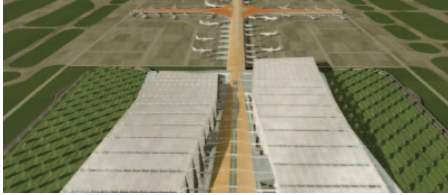
PRIVATE EQUITY

Many of the private equity firms we work with can provide more than just capital. They can also provide governance, financing, and assistance generating new business opportunities. Many of the firms we work with have leaders with high-level contacts throughout the aerospace and defense industry. While Private Equity investors often look for control positions, we also work with a number of firms that make non-control investments in the aerospace and defense industry.

STRUCTURED FINANCING

Structured financing is a broad term that encompasses various financial instruments to help stakeholders achieve various financial objectives including leasing, off-balance sheet financing, lowering financial costs, monetizing assets, deferring liabilities, transferring tax benefits, and risk shifting.

II. Private Placement Regulations



The following is not a complete discussion of all of the issues regarding the issuance of exempt securities and this is in no way meant to be construed as legal advice. Individuals and companies interested in the issuance of exempt securities are advised to retain qualified legal counsel to provide appropriate legal counsel in regard to these highly complex matters. The

three commonly used exemptions from registration are noted below: The following is a summary overview of some of the issues and processes relating to issues securities under Regulation D.

Introduction to Regulation D

Regulation D is a series of six rules (501-506) of the Securities and Exchange Act of 1933 establishing three transactional exemptions from registration of securities. Securities issued pursuant to Regulation D are commonly referred to a “private placements.” It is worth noting that the sale of 100% of the securities of a company is also controlled by Regulation D. While the sale of a company is seldom referred to as a private placement, technically speaking, a sale of 100% of the securities of an issuer is no different than selling 10% of the issuer, from the perspective of Regulation D.

Registration Exemptions (Private Placements)

Rule 504: Up to \$1,000,000

This rule applies to transactions in which no more than \$1,000,000 of securities is sold in any consecutive twelve-month period. It does not limit the number of investors, but this type of offering is not often an attractive financing alternative for the clients of Alderman & Company.

Rule 505: \$1,000,000 - \$5,000,000

This rule applies to transactions in which no more than \$5,000,000 of securities is sold in any consecutive twelve-month period. It limits the sale of securities to 35 “Non-Accredited Investors” during any consecutive twelve-month period. The term *accredited investor* is usually interpreted to include: i) purchasers whose net worth either individually or jointly with their spouse equals or exceeds \$1 million; and ii) purchasers who have income in excess of \$200,000 in each of the two most recent years and who reasonably expect an income in excess of \$200,000 in current year (or \$300,000, jointly with their spouse) and business entities (unless it was organized for the specific purpose of acquiring the securities offered). Rule 505 does not limit the number of accredited investors. Similar to rule 504, given the maximum size limit, this type of offering is not often an attractive financing alternative for the clients of Alderman & Company.

Rule 506: Unlimited Issue

Rule 506 applies to all sizes of securities offerings. To be exempt from registration under this rule, the securities may not be sold to more than 35 non-accredited investors. The offering can

be sold to an unlimited number of accredited investors. This is typically the form of exemption that will be utilized by clients of Alderman & Company.

Issuance Requirements

The following is a summary of two of the most important requirements regarding the issuance of securities pursuant to Regulation D (private placement).

Completeness of Disclosure

All the parties to whom the securities are being offered must be given a disclosure document containing the same kind of information concerning the issuer which would appear in a Securities and Exchange Commission (“SEC”) registration statement, and it must be in a form and format that is easily comprehended and evaluated. This document is commonly referred to as an Offering Memorandum. The issuer is responsible for taking all reasonable steps to insure that the information given to the offerees is complete and accurate. All information passed on in the course of the private placement, either orally or by memorandum (offering memorandum), is subject to the anti-fraud provisions of the federal securities laws. The fact that the offering memorandum is not reviewed by the SEC does not lower the standards for accuracy which would be applicable to any registered offering. The disclosure document, or “offering memorandum,” is based upon information provided by the issuer. While a private placement is exempt from registration with the SEC (i.e., Section 5 of the 1933 Act) of the federal securities laws, the transaction (and the disclosures made or a lack thereof) are all subject to the anti-fraud provisions of the Act. If the offering memorandum is materially misleading in terms of disclosures which have been made (or which should have been made), the issuer may be deemed to have violated or aided or abetted violations of the anti-fraud provisions of the federal securities laws, for which very serious consequences may result. Accordingly, Alderman & Company takes great care in working with its clients and their legal counsel and certified public accountants to ensure that the client’s Offering Memorandum is complete and accurate in all material respects.



Long-Term Investment

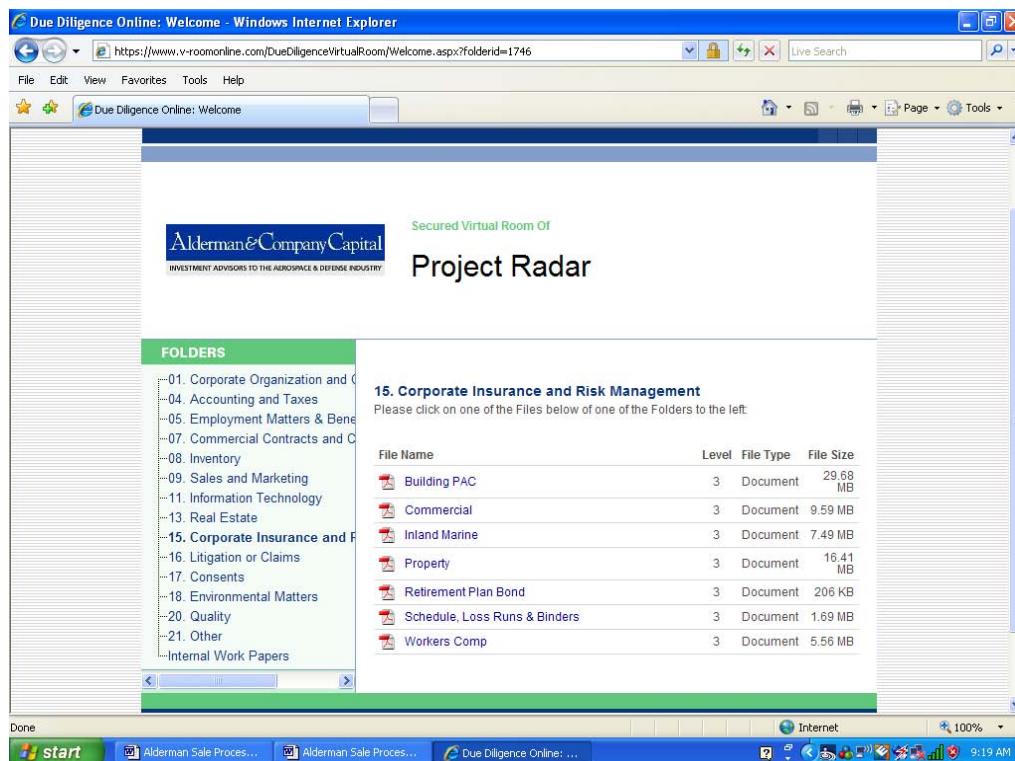
Purchasers in a private placement must acquire the securities for investment and not for the purpose of further distribution. Each investor must intend to hold the investment for the long term, which is considered to be not less than two-years by most securities professionals.

III. Private Placement Process

The following is the general process utilized by Alderman & Company Capital for private placements. We tailor our process for each client, each unique financing, and applicable market conditions.

Preparations for Drafting the Disclosure Document

The first step in our process is to gather all contracts and material documentation related to the issuer. We refer to these documents as the “Data Room” (this is a vestige from the past, when these documents would be collated and physically placed in to one room). Once gathered, the Data Room materials are first utilized by Alderman & Company Capital in the process of analyzing the financing need and developing optimal structures to meet the client’s needs and objectives. The Data Room next serves as the basis for preparation of the client’s disclosure document, referred to as the Offering Memorandum. Later in the process (as discussed below) the Data Room will eventually be made available to potential investors to facilitate due diligence. Most offerings today utilize Virtual Data Rooms, which securely store and make the client’s due diligence files accessible via the internet. We provide secure Virtual Data Rooms to our clients at no additional cost. The following is an example of an access menu from one of our Virtual Data Rooms:



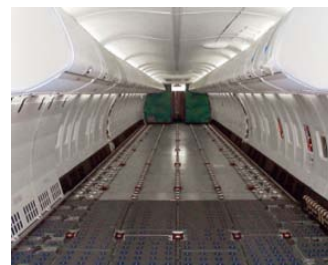
The Data Room must be completed before we can finalize the client’s disclosure document (the Offering Memorandum). We work with the client, legal counsel and accountants to obtain and review the Data Room files and ensure that the client’s disclosures are accurate and complete.

Financial Modeling, Structuring and Pricing

Once we have reviewed the Data Room files, we then thoroughly analyze the client's financial projections to ensure that they are reasonable in light of the facts and circumstances currently known. We will ask the client, or their accountants, to adjust the historical financial statements for non-recurring items (often called "add backs"). This data enables us and potential investors to more easily compare financial projections to historical financial results. Given that most of the investors we work with are highly knowledgeable about the aerospace and defense industry, they will typically develop their own set of projections for the client's business and evaluate expected returns based on their own financial models and projections.

Disclosure Document

Based upon the financial projections and the Data Room documents, we next work with the client and their legal counsel and accountants to draft the client's disclosure document (the Offering Memorandum). Content of the Offering Memorandum will include a detailed description of the issuer, including but not limited to, products, programs and services, competitive strengths, customers, employees, and facilities. A typical Offering Memorandum is 75-pages in length. The drafting of the Offering Memorandum is typically one of the longest lead-time items in the overall process. However, substantial time can be saved if the client can produce major sections of the Offering Memorandum from existing digital files, such as recent management, board, bank or customer presentations. The exact format and length of the Offering Memorandum is determined by the unique attributes of the client and the complexity of the securities offering. The following is an index of a typical Offering Memorandum:



1. Description of Securities
2. Terms of the Offering
3. Use of Proceeds
4. Description of Business
5. Risk Factors
6. Capitalization
7. Historical Financial Data
8. Management's Discussion and Analysis*
9. Management
10. Principal Stockholders
11. Financial Projections
12. Legal Matters

**(of Financial Condition and Results of Operations)*

Investor Solicitation; Distribution of Notices of Private Offering

As the Offering Memorandum is being completed, we develop a list of potential investors that we believe might have interest in the offering. Our standard practice is not to contact any investors without the client's prior consent. While not frequent, there are circumstances when clients ask us not to solicit interest from certain investors. As an example, a specific investor might have a stake in a direct competitor. Depending on the situation, our list of potential investors might be as small as 10 or as large as 100. Most offerings by Alderman & Company Capital are managed on a competitive process, in which we solicit interest from multiple investors at the same time and use a competitive process to obtain the most favorable terms for our client.



To help keep information about the client confidential, we only distribute the Offering Memorandum to qualified investors who have entered into a confidentiality agreement with the client in advance. We start the solicitation process with the distribution of a Notice of Private Offering ("NPO"). This is typically a one-page document that provides an overview of the client business (without disclosing the name of the business or any other identifying details), summary financial information, and a brief description of the securities being offered for sale. The following is an example of an NPO.

Project Lunar **\$12,000,000 Subordinated Notes** **Notice of Private Offering**

The Company

Lunar is a leading manufacturer of components and systems for corporate and commercial aircraft manufacturers in North American and Europe. The company has 850 employees.

The Notes

The Company is seeking to issue \$12,000,000 of subordinated notes. The notes will be subordinated in payment to all senior debt, will be secured by a second lien on all assets of the Company, will be non-amortizing, will have a maturity date 5 years from closing, and will pay cash interest quarterly in arrears at a fixed annual interest rate of 12.5%. The notes will include detachable warrants to acquire common shares representing 10% of the fully diluted ownership of the Company for a nominal price. The notes will be offered exclusively to accredited investors pursuant to Rule 144A under the Securities Act of 1933.

Use of Proceeds

Proceeds from the offering will be used by the Company to fund plant expansion and repay borrowing under the Company's \$6,000,000 revolving line of credit, which will remain in place and remain fully available to fund organic and/or acquired growth.

Financial Summary

The following is a summary of the Company's historical and projected financial performance:

	Audited <u>12/31/2008</u>	Audited <u>12/31/2009</u>	Audited <u>12/31/2010</u>	Projected <u>12/31/2011</u>	Projected <u>12/31/2012</u>	Projected <u>12/31/2013</u>	Projected <u>12/31/2014</u>	Projected <u>12/31/2015</u>	Projected <u>12/31/2016</u>
Revenue	43,514	45,787 5%	45,219 -1%	46,881 4%	50,385 7%	53,784 7%	56,287 5%	58,907 5%	61,648 5%
EBITDA	5,108 12%	4,298 9%	4,856 11%	5,972 13%	6,922 14%	7,389 14%	8,375 15%	8,682 15%	9,086 15%

Customers

The Company's customers include many of the aerospace industry's leading companies, listed in descending order (based on 2010 Company sales): Boeing, Airbus, Embraer, Spirit, Cessna, Gulfstream, Lockheed, and Sikorsky.

Next Steps

Accredited investors interested in learning more about this Subordinate Note offering are invited to contact Alderman & Company Capital, LLC exclusive placement agent and financial advisor to Lunar in regard to this offering:



William H. Alderman
President
Alderman & Company Capital, LLC
20 Silver Brook Road
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203.244.5680
walderman@aldermancapital.com
www.aldermancapital.com

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Confidentiality Agreements and Distribution of Offering Memorandum

Investors who express interest based on the NPO are then offered an opportunity to enter into a confidentiality agreement with the client. We ask our clients to work with their legal counsel in advance of this phase, to develop a form of confidentiality agreement. Because of the nature of these agreements and the importance of their content, we ask that clients' legal counsel take the lead in negotiating these agreements with investors. Once investors have entered into a confidentiality agreement, they are then given a copy of the Offering Memorandum. Given that most of our clients are now opting to use a Virtual Data Room ("VDR"), these documents are usually distributed by granting investors restricted access to the client's VDR. The benefit of this form of distribution is that it strictly controls distribution and provides an audit trail for all copies of the document.



Preliminary Non-Binding Term Sheets

Once investors have had sufficient time to review the Offering Memorandum, we will then request non-binding term sheets. In most cases, we seek to obtain term sheets from multiple potential investors at the same time, to give our client optimal visibility into market pricing and enhanced negotiating leverage. Depending on a number of factors, including but not limited to, investor interest, we will adjust the timing and process for bidding. During this phase, we communicate regularly with our client (often daily).

Investor Preliminary Due Diligence

Those investors who submitted favorable term sheets are invited to conduct preliminary due diligence. This is often accomplished by granting investors unrestricted access to the client's VDR. We work with the investors to address their initial due diligence questions and coordinate with the client, as necessary, to respond to investor due diligence requests. Typically at this stage, investors will commit limited resources to due diligence and focus only on those issues they deem critical to evaluating their potential returns from the securities being offered. The amount of time allocated to preliminary due diligence will vary depending on the client, the offering, the investors, and market conditions. At the end of this period, we ask investors to reaffirm their preliminary non-binding terms sheets. Those parties that reaffirm favorably are then granted an opportunity to tour the client's facilities and meet with company management.



Management Presentations

We next work with the client to select a small number of qualified investors to be invited to tour the client's facilities and attend a presentation made by company management (the "Management Presentation"). We provide coaching to the client's management team in preparing for questions that may be raised by potential investors. We also manage the necessary logistics for these presentations. Typically, a half-day is allocated for each of the investors. We will be in attendance in person for each Management Presentation.

Letter of Intent

After the Management Presentations are completed, we will request final term sheets from the investors. As with the non-binding bids, we usually seek to have all final term sheets submitted on the same date. Once the final bids have been received, we work with our client and their legal counsel to negotiate optimal terms and select the best overall best investor bid. Once the finalist has been selected, we work with our client and their legal counsel to negotiate a Letter of Intent ("LOI") that optimally meets their goals.

Confirmatory Due Diligence

The purpose of confirmatory is to provide the investor an opportunity to test the validity and accuracy of all of the information provide in the Disclosure Document (Offering Memorandum), the Data Room files (VDR), and during the Management Presentations. While many investors will accept most of information at face value during the initial phases of the process, it is our experience that most investors will go to extended lengths to validate the client's information after execution of an LOI and prior to closing. In confirmatory due diligence, it is common for investors to use both in-house staff and retained third-party experts (such as industry consultants, operations experts, accountants, attorneys, and environmental engineers) to review the disclosure materials in detail. While not all investors will go into the same depth of analysis, most will focus extensively on the client's financial projections. Accordingly, during the initial phases of our process, we expend considerable effort to ensure that the client's disclosure documents and financial projections can withstand the rigor of confirmatory due diligence. It is not possible to overstate the importance of the accuracy of disclosure documents. First and foremost, anti-fraud provisions of the Securities and Exchange Act of 1933 make it illegal to issue misleading disclosures. Additionally, inaccurate disclosures to sophisticated investors in the aerospace and defense industry usually lead to problems during confirmatory due diligence and failed offerings, after many months of hard work.



IV. Engagement Structure

Form

Alderman & Company Capital's securities offerings pursuant to Regulation D of the Securities and Exchange Act of 1933 ("Private Placements") are done on a best efforts basis. Best efforts placements are not guaranteed. Private Placements are not underwritten, and accordingly, the client assumes all of the risk that the placement cannot be sold in a timely manner or with terms and conditions that are acceptable to the client.

Fees & Expenses

Alderman & Company charges a standard market non-refundable upfront one-time fee and a success fee upon the completion of the financing. The upfront fee and success fee vary with the size of the transaction, structure and complexity of the issue, financial condition and records of the client, and the human resources of the client that can be dedicated to the financing. Our upfront fee ranges from \$10,000 to \$35,000. Our success fees range from a low of 1.00% for simple senior debt securities from repeat issuers to a high of more than 7% for a complex securities offering from a first-time issuer. In most situations, half of our success fee is paid in cash at closing and the other half paid in the form of warrants to purchase shares of the client's common stock. Prior approved expenses (principally travel) are reimbursed by the client when incurred.

V. Legal Disclosures

Securities Regulations

Alderman & Company Capital, LLC, is a Connecticut limited liability company registered with the Connecticut State Banking Department and the United States Securities and Exchange Commission, and a member of the Financial Industry Regulatory Authority and Securities Investor Protection Corporation. The firm provides securities-related services to clients in the aerospace and defense industry, including private placements, mergers, acquisitions, restructurings and divestitures. Alderman & Company Capital offers corporate debt and equity securities, which are not publicly traded, in transactions which are exempted from the registration provisions of the Securities Act of 1933. The firm's CRD number is 136492. The President of Alderman & Company Capital is William H. Alderman, CRD#1990080, who holds the following securities licenses: 65, 63, 24, and 7. Nothing contained herein is to be construed as legal advice or specific financial advice tailored to any individual person or company. Parties are advised to consult with their legal counsel regarding all matters of law relating to the information contained herein.

Trademark

Alderman & Companytm is a trademark representing a group of companies controlled by William H. Alderman. Alderman & Co. was formed as a d/b/a in the state of New York in 1996. Alderman & Co., LLC, a New York corporation, was formed in 2001. Alderman & Company Consulting, LLC, a Connecticut Corporation, was formed in 2004. Alderman & Company Capital, LLC, a Connecticut Corporation, was formed in 2005. Alderman & Company Advisors, LLC, a Connecticut Corporation, was formed in 2006. The companies listed in section I have been clients of one or more of the above-noted companies.

Business Continuity

Pursuant to the requirements of the Financial Industry Regulatory Authority and the Securities and Exchange Commission, Alderman & Company Capital, LLC, has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

Contacting Us

If after a significant business disruption you cannot contact us as you usually do at (203) 244-5680, you should call our alternative number (914) 414-4070. If you cannot access us through either of those means, you should contact our legal counsel, Myles H. Alderman, Jr. at (860) 249-0092.

Our Business Continuity Plan

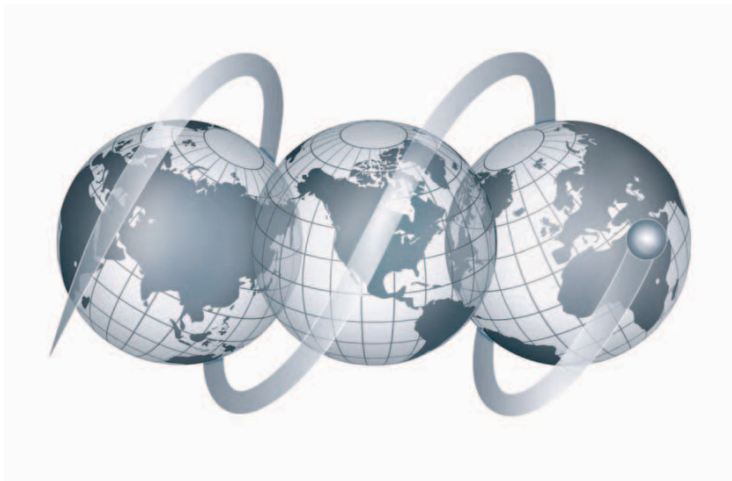
We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our Business Continuity Plan Addresses

Data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, staff, and regulators; alternate physical locations; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our clients prompt services if we are unable to continue our business.

Varying Disruptions

Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 48 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within 7 days. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you via telephone or email. If the significant business disruption is so severe that it prevents us from remaining in business, we will notify you as soon as that is determined. If you have questions about our business continuity planning, you can contact us at (203) 244-5680.



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