

# Creative way to market

## Vystar creating spinoff, priming for reverse merger opportunity

By Sam Cottrill  
Rubber News Staff

WORCESTER, Mass.—Vystar Corp. is taking steps to position itself to be an “attractive reverse merger opportunity,” with plans to have such a deal completed by mid-2022.

The publicly traded company said Feb. 23 that it will split into two companies. In this move, the Vystar and Rotmans brands will focus on the furniture and bedding industries, while the Vytex brand will join the parent company’s previously announced spinoff, RxAir NewCo, with its RxAir air purification and Fluid Energy Conversion (FEC) subsidiaries.

The split is intended to make the Vystar and Rotmans brands more attractive to potential reverse merger partners, according to the company.

It will create a singular focus for the brands in the retail furnishings and mattresses market, Vystar said, making the brands “more appealing for prospective furniture or bedding retailer merger partners desiring to become publicly traded without the burden of additional subsidiaries unrelated to their core focus.”

Bill Doyle, Vytex consultant, said the benefit of pursuing a reverse merger is that it creates a more streamlined and simplified process for a private company to become public instead of through a conventional initial public offering.



Doyle

“Ordinarily, you would have the acquiring partner be the larger public company. In this case, there are some furniture companies that are out there—whether they’re manufacturers or retail furniture—that are private and would look at the benefit of reverse merging into a public entity (like Vystar),” he told *Rubber News*.

This is especially the case when entering a reverse merger with a store throughout the Northeast “as prominent as Rotmans is,” he added.

“With that in mind, then, they would look at the merger of their inventory, their sales process—plus where Rotmans is with Rotmans’ inventory and sales process—and the combined companies would actually make a very attractive public company that can be accom-



Vystar Corp. will split into the Vystar and Rotmans brands, which focus on the furniture and bedding industries.

plished quite quickly through a reverse merger.”

Doyle is the former CEO of Vytex. He continues to work with the Vystar subsidiary after it acquired Rotmans and RxAir, among other entities. He was present at the beginning of Vytex’s development, and his name is on the patents that protect the latex purification process.

Vystar said it decided to take this action after early discussions took place with several companies that have shown interest in a potential reverse merger with the parent company and Rotmans.

“We have been approached by parties interested in different Vystar divisions,” Vystar CEO Steve Rotman said in a statement. “We always explore options, but after thorough analysis, we believe that a reverse merger by a significant furniture retailer or other manufacturer into Vystar could yield a four to six times multiple over a buyout.”

Rotman said a “specifically targeted reverse merger” has the potential to create a combined entity that could significantly increase revenue by \$100 million to \$150 million, as well as increase buying power for enhanced profits by \$10 million to \$15 million.

“Ultimately, we believe this would support a significantly higher share price and greater market cap,” he said.

“There is a keen interest in the Rotmans retail play coupled with the reverse merger into Vystar,” Doyle said, noting—from his perspective—there are four companies in discussions with Vystar, “with quite a few more that have now expressed interest.”

He could not divulge further information on the interested companies.

Vystar said it plans to execute the spinoff of RxAir NewCo prior to the potential reverse merger.

“Those holding shares of Vystar stock on the dividend record date would receive a dividend of RxAir NewCo shares on the dividend effective date,” the company said. The record date is set as June 30, 2022, and Vystar said it will release the effective date and ratio “once details become finalized and have passed regulatory review.”

### How it started

Doyle said the spinoff initially had been proposed with just the RxAir brand and gradually evolved into what it is now.

“The spinoff had been proposed in the past, looking at strictly the RxAir product line, and quite a bit of that had to do with the COVID situation that arose two years ago,” Doyle said, noting RxAir is a powerful air purification device with FDA clearance.

“They added in (FEC) because the person who had been tagged to take on that endeavor is pretty much an expert within the fluid energy arena,” he added, “and Vystar had bought that patented process prior.”

When the thought process of the reverse merger emanated, he said it made sense for the Vytex brand to join this spinoff to create a more focused entity between Vystar and Rotmans.

Vystar said it had decided to delay the previously announced time frame for RxAir NewCo to facilitate the addition of Vytex to enable this singular focused entity.

This “gist” of it, Doyle said, is the spinoff creates one entity (Vystar and Rotmans) that is furniture and bedding, and the other (RxAir NewCo) that contains the “more technical” and patented brands with more R&D focus.

### Details of the spinoff

Vystar’s completed spinoff of RxAir NewCo will become an independent, publicly traded com-

pany, but Vystar will retain a license to allow for the use of Vytex latex materials in the manufacture and retailing of mattresses, pillows, bed toppers and upholstered furniture for Vystar and Rotmans.

Vytex is a “purer,” deproteinized natural rubber latex that has been separated from non-rubber components and proteins via a proprietary blend of components, according to Vystar. This makes the material hypoallergenic and accessible to more users.

“Vytex multi-patented technology removes over 99.8 percent of natural rubber’s harmful proteins,” according to the Vytex website, “leaving the product virtually allergen and protein free. This process makes Vytex the most protein- and allergen-free natural rubber product on the market.”

“There’s a great potential for a product—a raw material—like Vytex that is shown to be very attractive within various aspects of dry rubber,” Doyle said. “It has been shown to have excellent properties within the dry rubber arena that are only now being explored.”

In addition to furniture and mattress markets, the Vytex latex has uses in the apparel, sports, medical and industrial sectors.

By retaining its Vytex license, Rotman said in a statement,

Vystar could create an additional revenue stream “and add value over time if the merger partner chose to pursue that avenue.”

“The combination of furniture retailer and Vytex license to produce bedding and upholstery is ideal for a reverse merger candidate that is looking for immediate growth and a low-cost entry into the capital markets,” he added.

The company said a reverse merger would have the potential to bring “valuable new assets, revenue and talent into Vystar,” setting up the foundation for future growth and a more dominant position in the industry.

“Vystar’s \$34 million carry forward tax loss could offer significant tax advantages for the new merger partner and the subsidiaries within RxAir NewCo,” Vystar said.

Additionally, after the spinoff, RxAir NewCo would issue shares to Vystar, the company added, so that Vystar will have a 9.5-percent ownership in RxAir NewCo.

“We have more changes afoot to increase shareholder value now at Vystar than ever in our history,” Rot-

man said. “We want to create a catalyst for growth for all of our subsidiaries, and we believe that a combination of placing Vytex into the RxAir NewCo spinoff, independent of Rotmans, creates a cleaner, publicly traded, higher-valuation entity that will be better-positioned to expand research and development of all three subsidiaries’ intellectual property across multiple industries.”

“Vytex continues to progress its R&D and explore new opportunities that have arisen across multiple industries,” he added, noting more information is yet to come.



Rotman



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