Title:
Reverse Merger: Have They Taken the Reverse out of Reverse Merger?

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Summary:
Are the promoters and consultants destroying the market for Reverse Merger? First lets take a look at reverse merger.

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Article Body:
Are the promoters and consultants destroying the market for Reverse Merger? First lets take a look at reverse merger. In a Reverse Merger, an operating private company merges with a public company that has little or no assets, nor know liabilities (the “shell”).

In some rare instances, the shell may have some amount of cash remaining for investment in the new enterprise. The public corporation is called a “shell” since all that exists of the original company is its corporate shell structure and shareholders.

The private company owners obtain the majority of the shell corporation stock (usually 90-95%) through a new issue of stock for the private enterprise or assets.

The public corporation will normally change its name to the private company’s name and elect a new board of directors which will appoint the officers.

The public corporation will usually have a base of shareholder sufficient to to meet the 300 shareholder requirement for eventual admission to quotation on the NASDAQ Small-Cap Market, Or some other market.

Now to the problem or the devil is in the details: The private company goes out perform the proper due diligence on a “shell” after finding it to be clean, and with no adverse past history to disqualify it, goes ahead completes the purchase.

After paying an astronomical price, say in the neighborhood of $500,000.00- to

700,000.00 for a Bulletin Board shell they get 90-95% of the stock.

Not only is the price extravagant, he will also take the reverse out of Reverse Merger, by insisting on a stipulation that you won't do a reverse split and reduce the number of shares outstanding. By reverse splitting the shares you are reducing his 10%. Which was the original intent of the reverse merger.

What a bargain $500,000.00 or more for 90% of nothing and it gets better, Lets say the company has 300 shareholders and those 300 shareholders collectively own 500,000 shares and in some cases more, and the shell has 30,000,000 million shares outstanding which the owner(s) of the shell get keep 10% or 3.000,000 share. I am using the old math not the new.

After the market maker files and the company is trading on the Otcc Bulletin Board. Your problems begin, lets say friends and acquaintances hear your company is now public and go out and buy some shares driving the price to say $3.50,

now those 300 share holder who received their stock for pennies decide that they have hit the lottery and start selling making it necessary for you to go out and buy stock in the open market.

Now back to basic math, supposing you want to maintain the 3.50 price so you go out and buy the stock. 500,000 x 3.50 = $1,750,000.00 forcing you to go raid the kid's piggy bank if you don't have the spare change.

Now what about the 3,000,000 shares in the hands of the "shell" owner? 3,000.000 x 3.50 = $10,500,000.00, Time to ask the wife for loan.

And don't forget about those astute market makers and trader that are aware of the stock that will be coming out and depress the price of your company's stock.

Being the enterprising individual that they are, they will establish a short position on the stock of your company, after all they are entitle to make a living too.

Before you jump from the Empire State Building make sure there is net down below waiting for you.

Don't get me wrong a reverse merger can be done if you have a consultant that is looking out for you and is not part of the triumvirate (shell owner, securities Attorney and consultant). And in a few cases the same individual is performing all three functions.

I wouldn't recommend for you to go step out in to the mine field without a mine detector, in some of my previous articles I suggested way to check the smooth talking consultants and shell owners before they take you to the cleaners.

Also be aware that there are alternate way to go public the Reverse merger is only one of several option, so don’t jump without looking, if you feel that you must do a Reverse merge insist on obtaining all the stock and not a share less.

In order to prepare you to deal with the complexities of the public arena I would have to write a book not an article, but I will continue to try and inform through articles so that you will be prepare if you decide to take the plunge and go public.

There are honest hard working consultants out there, in over 25 years in the business I have personally come across two of them. But there must be more.

If you want to know about the alternatives to a reverse merger get in touch with me through our website: www.genesiscorporateadvisors.com the alternatives may not be cheap but they are cheaper than paying $500,000.00 for 90% of nothing.

The answer to the title of this article is a resounding yes! They have taken the reverse out of Reverse merger.

For additional information please visit:
http://www.genesiscorporateadvisors.com