



REVERSE MERGER, IPO OR DIRECT PUBLIC OFFERING (DPO), WHICH ONE IS RIGHT FOR YOU?

A direct public offering is when a company raises capital by selling its shares directly to what is referred to as affinity groups, unlike an IPO which are sold by a broker dealer to its customers and the general public through other broker dealers who have customers interested in buying shares in the company.

In IPO's you have a firm commitment underwriting, where the underwriters promise to purchase the securities for their own account if they can not sell them to customers.

Best-effort underwriting: The underwriters do not guarantee any specific number of shares to be sold, they merely act as brokers.

In an IPO the lead underwriter is referred to as the syndicate manager, he keeps the book and invites other broker dealers to join the syndicate. In a firm commitment underwriting, an eastern underwriters agreement makes members liable for any unsold securities, regardless of how much of their allotment they sold. The eastern underwriting agreements have joint and several liability.

A western underwriting agreement: In a firm commitment underwriting, it makes underwriters liable severally but not jointly. If one syndicate member can not sell its entire allotment, only he must buy the unsold securities.

In a direct public offering the company sells the shares to affinity groups, who fall in this category? Customers, suppliers, distributors, friends, employees and other members of the community.

In a direct public offering the company places its shares in the hands of those people who are familiar with the company and know the company's product and management, and are most likely to hold the shares longer because they feel comfortable with the company's prospects for the future.

Direct public offerings are considerably less expensive than IPO's and most effective for smaller offerings, for large offerings the sales staff and customer base of a broker dealer are usually necessary.

Since the affinity group is already familiar with the company and its practices it doesn't put pressure on the company to change the way it does business, and will remain loyal to the company because of its presence in the community.

DPO's are preferable to venture capital financing because it allows the present management to execute its business plan without outside interference. When a small company turns to a single large investor they tend to surrender the freedom to make all the decisions.

In a DPO like other methods of going public today audited financial statements are required, unlike a reverse merger you choose your shareholders and you don't have to deal with shady, unscrupulous shell owners.

Shell owners usually keep between 5-15% of the shares outstanding and are quick to liquidate, and besides they do not have an interest in the well being of the company's share price. Even if you insert a stipulation in the contract that they can not sell for a year they will find a way of shorting the stock and destroying the share price.

This makes DPO a preferable option even for companies that don't need financing but would like to go public. If you are in the kind of business that keeps records of your customer in order to bill them or for follow ups you already have a head start.

You must be able to contact those affinity groups in order to market the shares to them, a popular business that has a lot of clients but does not have the contact information is at a disadvantage because it's unable to contact its customer.

There are other ways to market the company's stock for example a medical supply company might try contacting doctors in the area or by purchasing a mailing list.

But the best way is when you have an established relationship with your affinity group and are in constant contact with them, by mail, newsletter, or email.

Sometimes a supplier or distributor may want to purchase an interest in the company in order to retain the business and keep competitors from stealing the client.

A DPO does not always require audited financials but if you plan on going public you will need them. So you must hire an auditing firm. A foreign company must use a Certified International Accounting Firm.

A good Attorney that has experience with Direct Public Offerings, one that is familiar with the process and does not have to waste time researching and learning.

You must prepare sales material that provides a good deal of information about the company, you want investors to feel that your company has a future.

You should always have a business plan, it will show investors that you have a strategy for making the company succeed and doing it one step at a time.

By setting dates for the implementation of each step in your plan it shows investors that you have things well under control, but allow some time in case you must make adjustments.

If you wish to take your company public then you must file a form SB with the Securities and Exchange Commission and a form 15c211 must be filed with the NASD.

A DPO is an alternative to an IPO or Reverse Merger for a company wishing to go public or obtain financing, it allows the company owner(s) to call the shots instead of an underwriter or a shell owner.

We assist companies in going public through Reverse Merger, DPO and assist them in finding an underwriter if the company prefers an IPO.

Which one is right for you? We can help you decide.

For additional information visit our website:
<http://www.genesiscorporateadvisors.com>