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Take Your Company Public: Pros And Cons Of Reverse Mergers & Direct Filings

Now more than ever public shell predators are out in full force taking advantage of CEOs and corporate executives who need to go public in order to gain more influence in the marketplace, raise capital, grow through acquisition and bring on prize executives with share ownership.

Many uninformed board members and 'C' level executives who take the route of a reverse merger fall prey to shell selling hoodlums who retain a sizable portion of the company after transfer as well as cover up liens, free trading shares and other issues that will have a tragic effect on the new owners of this shell that will soon crumble after the merger is complete.

Another issue that reverse mergers have is that the original investors in the entity want out and the second the stock price achieves even the most modest of gains it will virtually immediately plummet due to the original shareholders liquidation of their shares. This liquidation will typically take the company into the black hole of no return as the share price will never rebound and the once profitable company is now a tumbling house of cards.

I'm not saying that reverse mergers can't work. There are some solid firms out there who set up quality shells for reverse merger activity but before proceeding with a merger, one should contract with a solid corporate strategies consultant for references and industry insider information.

Customized filings, on the other hand, have fewer draw backs but there are still problem areas. In taking a company public via direct filing one should choose a firm with a solid track record for rapid completion of the s1 comments phase and FINRA approval. The third party audit should be done by a firm proven in completing this solution in a timely manner. Most lawyers and consulting firms take 10 to 12 months to take a corporation public on the OTCBB. But there are some elite, turn-key 'Go Public' facilitators that do so many of these transactions that it will only take 3 to 4 months for the entire process.

At the end of the day both reverse mergers into public shells and customized, direct filings are viable options for achieving a public trading symbol and raise capital and all the other pros and cons that come and go with having a public entity but before moving forward one should be well read and in the know of the good, the bad and the ugly with both routes.

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