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The Case For Taking Your Company Public On The Pink Sheets...

By Joseph Quinones

Over the course of history there have been events and legislation that has transformed the financial markets, our economy and the way we conduct business , such as the legislation that form the Securities and Exchange Commission, the Internet has also has transformed the way we do business and communicate.

Sarbanes-Oxley falls into that categories, this piece of legislation named after Senator Paul Sarbanes (D) MD and Representative Michael Oxley (R) Ohio was passed in response to the Enron and Worldcom scandal.

When legislators in Washington are confronted by a problem they also rush to come up with some type of legislation to give the appearance that they are doing something about the problem, and we the electorate have become accustomed to having Washington solve all of our problems.

But Washington's solution to one problem is the beginning of another one and often times a bigger one.

Sarbanes-Oxley is making it extremely expensive for small and mid-size company to be able to afford the cost of an audits, the requirement of Sarbanes-Oxley has almost double the cost audits.

And compliance with other requirement of Sarbanes-Oxley is also eating away at the bottom line, one company that chose to leave the American exchange for the pink sheets is Ziegler Cos. 103 year old investment banking firm based in Milwaukee.

John J. Mulherin CEO of Ziegler Cos. Says Sarbanes-Oxley rules would have cost the company 10-15% of its bottom line in the first year alone.

Many small and mid-size companies would prefer to put these resources in to expansion and product development, and that is why many are choosing to go public in the pink sheets.

The small companies our the backbone of our nation not the big bloated Fortune 500 companies which have lost over 20 million jobs over the last 10 years, while small companies have created 15 million new jobs over the same time period.

But unfortunately the big companies have all the influence in Washington, with politicians of both parties dependent on them for campaign contributions.

With banks refusing to lend money to small companies and the Small Business administration being a joke, the only way for small companies to gain access to the capital markets is to go public.

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So the pink sheets have become a viable option for many small companies to go public, Pink Sheet listed companies are not required to have audited financial statement. They must disclose financial information that is accurate but it can be prepared by the company's accountants.

These securities are traded on an unsolicited basis, which means that the NASD has not cleared a market maker to enter a quote in the security pursuant to SEC Rule 15c211. Instead a broker is relying on an exemption to the rule in order to display a quotation representing customer order.

The broker must ascertain that the issuer has made adequate current information available on the Pink Sheet website. The disclosure policy has been a good attempt at creating transparency of basic information that investors trading in public markets deserve.

But the pink sheets are not stopping here they are planning on having different tiers. The pink Sheet is planning to charge companies a flat fee for corporations to get a templates for financial information, and will be able to use the website to post media releases and hold question and answer sessions as well other service. This will help raise the companies into one of the new tier.

The top tier will be "Premier QX" which will be composed of companies large enough to be listed on a major exchange, with audited financial statements, annual shareholders meetings and share price of at least \$1.

A second tier will be made up of companies will be smaller issuers with audited financial reports. The final tier will be made up of small companies with information prepared by person with sufficient financial skills and complying with guidelines that the Pink Sheets will be mailing to issuers.

Another reason for listing on the Pink sheets is the cost of a public Shell, a Pink Sheet shell sells for half the price of a bulletin board shell, and sellers are more willing to sell all the shares they control.

By buying entire amount of the share controlled by shell owner you remove the probability of having to purchase those shares later at a higher price on the public market.

While Sarbanes-Oxley has created problem it has also created opportunities, and as long as we continue to exercise our God given creative genius no congress in the universe can stop our enterprising spirits from finding solutions to our problem.

While many in the past may have lost money in the Pink Sheets with its lack of financial disclosure, the amounts are small in comparison to the amounts lost in Enron, Worldcom and Global Crossing. All which were Exchange listed companies.

Among the companies currently listed on the Pink Sheets are Swiss chocolate maker Nestles, ARC Energy, TransForce and Vermillion as well as Volkswagon, plus many banks and insurance companies.

So don't be afraid of having your company listed on the Pink Sheets the company isn't so bad and its getting better as the new head of the pink sheets continues his trek to respectability.

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

Joseph Quinones, President of Genesis Corporate Advisors has spent over 25 years in the securities industry. In 1992 he founded JDQ Financial Group, Inc. and proceeded to build it up from a one Man operation to the point where it employed many traders, advised numerous client, and generated millions in revenues. <http://www.genescorporateadvisors.com>

Pink Sheets Discover Disclosure.

By Joseph Quinones

Once upon a time in the world of finance there were three kingdoms the most widely recognized was also the most snobbish and wealthiest its subjects were affluent and known worldwide. Its king was NYSE (New York Stock exchange) the king ruled proudly over his subjects.

Every brokerage firm had a stock ticker to provide their customer with trade information on NYSE listed stocks.

The second kingdom was not so well off, it had less subjects and the inhabitants were much poorer than those ruled by NYSE, the king was named AMEX (American Stock Exchange). They could be classified as low middle class.

Now the third kingdom was the largest of all, it's subjects range from middle class to very poor, this kingdom was ruled by OTC (Over The Counter Market). Some of the subjects of OTC were always looking to migrate to NYSE or Amex to escape the stigma attached to being a resident of OTC.

Some of the stock that at one time traded in the Pink Sheets are well known today such as EDS and many new IPO, as well as bank and insurance companies, but you also had stocks trading for a fraction of a penny.

If you wanted a price on a OTC stock you would call your broker who looked in the pink sheets to see who the market makers were, he would get on the phone to a market maker and ask the person answering the phone for a quote, the person answering the phone then gets the price from a blackboard in the front of the room and give it to the broker making the inquiry, this would take some time.

Market makers had a quote boy in the front of the trading room changing the blackboard every time a trader yelled a different price, this markets were good for 100 shares,

In those days it was possible to buy from one market maker at a price and turn around and sell to another market maker at higher price because the one market maker had no idea what the market was unless he made a phone call. So you always found disparities in the price of a stock.

Along came a knight in shining armor named NASDAQ the NASD Automatic Quotation System, which allow brokers to see the price by computer, it gave the mean market (average market) not the best price, but it was a giant step forward.

These NASDAQ machine did not provide live quotes you had to keep on pressing the enter key in order to see the updated quote.

And eventually all the better stocks were gradually included on the NASDAQ systems leaving the more obscure and unprofitable companies to trade on the pink sheet. And again the NASD decided to sink the pink sheets even further into the land of obscurity by creating the OTC Bulletin Board.

The OTC Bulletin Board started out not requiring much information from the issuer but gradually

started requesting more information and now they must have audited financial and must be reporting.

All this left the pink as the only market in total disclosure darkness being the only ones not requiring the issuer to disclose its financial reports.

But on February 15, 2005 a little daylight came into the pinks, on this day a new policy was implemented, this policy requires issuers of newly traded securities to disclose adequate current information to the investing public.

This is only required of those companies which have securities quoted on an unsolicited basis on the pink sheets, and have never been listed on an exchange or quoted on the OTCBB.

If an issuer is quoted on an unsolicited basis, this means that the NASD has not cleared a market maker to enter a quote in the security pursuant to SEC Rule 15c2-11. Instead, a broker is relying on an exemption to the rule in order to display a quotation representing an unsolicited customer order. This exception has been used to trade securities of new issuers without any disclosure to the investing public. To address this situation, in October 2004, Pink Sheets revised their policy for brokers entering unsolicited quotes in a new security that has never been listed on an exchange or quoted on the OTCBB. They now require that prior to publication of an unsolicited quote in the Pink Sheets for such securities the broker must ascertain that the issuer has made adequate current information publicly available on the pink sheets website. The disclosure policy has been a good attempt at creating transparency of the basic information that investors trading in public markets deserve.

Pink Sheets is now extending this requirement to companies that were previously quoted on an unsolicited basis. If the companies did not make the required disclosure by February 15, 2005, they removed their displayed quotation from the website.

This new policy is a big step forward for the Pink Sheets and they should be applauded for it, but I Personally would like to see all companies being required to make complete disclosure.

If a company is unable for whatever reason to disclose their finances and corporate updates to the investing public then they should not be allow to trade on any public market.

These companies operating in total darkness are the vehicles being used by stock manipulators to scam the investing public, even though the Pink Sheets have taken this giant step they must remove all non-disclosing companies from the public market place.

I am not sure the pink Sheets have the authority to do so but SEC does, and the SEC is the agency responsible for protecting the investing public.

Lets congratulate the Pink sheet for this change in policy and hope that they will continue to upgrade their standards, as a direct result of this policy we at Genesis Corporate Advisors are changing our policy of not bringing any company public to the Pink sheets.

Effective immediately we will begin considering candidate for the Pink sheets but our preference will continue to be The OTC Bulletin Board because we want as much transparency as possible.

In order to have viable healthy market you must have willing investors with access to current and accurate information.

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