

Worldwide Stock Transfer, LLC – Summer Newsletter

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Monday Morning Quarterback

Somewhere throughout the workweek almost all of us have heard now and again one of our peers say, “is it Friday yet”? We all know why everyone loves Friday’s; the weekend is vastly approaching, special events may be planned or it may just be time to relax. But what about Monday’s? Shouldn’t Monday’s be just as exciting? Monday’s are the times to reflect and discuss the hot topics of the weekend. Monday’s are when “water cooler talk” turns into reiterated facts, and reiterated facts turn into semi-controversial opinions. For example, take the topic of “dematerialization” in the stock transfer



industry. In laymen’s terms, dematerialization is the action to completely eliminate the paper certificate, where registered shareholders would have their shares electronically held at the issuers transfer agent. One would only think this concept makes sense, especially since we are in year 2007

and the “average Joe” assumes paper securities went out of style with the 8-Track Player. But does this concept really make sense? And how did this all come about? With the adoption of “paperless legals” in full effect (which is the reduction of legal transfer paperwork reviewed by the transfer agent, solely putting the legal responsibility on the guarantor of the stock transfer) it was only a matter of time before proposals to dematerialize kicked into high gear. Dematerialization would be impossible without the system currently known as DRS or Direct Registration System. The DRS function allows eligible securities in the

Going Public Directly Through an SB-2 Registration Statement vs. Reverse Merger With a Public Shell — By Michael T. Williams, ESQ.

Going Public Directly involves a company obtaining a ticker symbol by preparing, filing and clearing with the SEC a registration statement, generally on Form SB-2, for its own securities – called a Direct Public Offering; for securities already owed by its stockholders – called a Selling Stockholder Offering; or a combination of both. Simultaneously, an NASD broker called a Market Maker files a Form 211 with the NASD to obtain a ticker symbol. When these filings clear at about the same time, the company has satisfied both requirements for obtaining a ticker symbol, free-trading stock and SEC reporting status, and the company commences trading in its securities. Unless a company has at least 50 non-affiliated shareholders that have

held for more than two years approximately 400,000 shares of stock initially purchased at a reasonable price, a Form 10-SB registration statement won’t work for obtaining a symbol because it doesn’t provide the free trading stock required to secure a ticker symbol that a Form SB-2 registration statement provides. Going Public through a Reverse Merger involves locating a Public Shell – generally a company with no operations or assets that has a ticker symbol, and merging with that company. When the merger closes, the company continues trading in its securities. Going Public Directly is significantly less expensive and provides several other key advantages over a Reverse Merger. However, a Reverse Merger generally can be accomplish

ed in a shorter period of time. Ultimately, the decision as to which method to utilize comes down to issues of price and time sensitivity and financing requirements.

Price - Clean OTCBB trading shells today generally cost \$500,000 to \$1,000,000 in cash, with the average being approximately \$750,000. However, that is not the true total cost of an OTCBB shell. In addition to cash, OTCBB shell promoters and other shell shareholders generally retain 5 – 10% of the equity in the shell company after the merger. Assume that the company post-merger has a market capitalization of \$40 million. 5% X \$40 million = \$2 million. So the true cost of this shell would be more than \$2.5 million. Going Public Directly will

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WST Welcomes Our Newest Clients

- | | |
|--------------------------------------|--------------------------------|
| - Ariel Way, Inc. | - NeoMedia Technologies, Inc. |
| - The Certo Group Corporation | - Nexus Nano Electronics, Inc. |
| - Connected Media Technologies, Inc. | - NS8 Corporation |
| - Innova Robotics & Automation, Inc. | - SmarTire Systems, Inc. |
| - Natural Nutrition, Inc. | - TXP Corporation |

(Quarterback — continue from page 1)

shareholders name on the books of the issuers transfer agent. This function allows investors shares to be easily transferred to and from their broker without any paper securities or medallion guarantees. Although this whole process sounds new and sounds refreshing, the DRS system has been around for almost 30 years. However, due to changing industry rules and different accounting methodology, the practice of the DRS system is still a work in progress. Starting January '07, all new publicly traded companies that will trade on the NASDAQ, AMEX, and NYSE will have to become DRS eligible. Starting in January '08, already listed securities on these three exchanges will have to be DRS eligible. However, it is still unclear when OTC BB and Pink Sheets companies will have to follow this new protocol. So what are some the PRO's & CON'S of dematerialization?

PRO'S

- The obvious; less paper, less paperwork which results in higher quality assurance.
- Millions of dollars will be saved in lost security fees as well as fewer securities being escheated as abandoned property.
- Safekeeping of physical certificates will be eliminated, where annual statements are mailed.
- Cleaner audit trails, less fraudulent claims and instant payment of funds/securities, where applicable.



CON'S

- There is no foolproof system in place to keep track of restricted shares and even if there were, all self agents and full service transfer agents would have to conform to a uniform system.
- Thousands of job will be lost through-

out the industry, from physical securities processors, lost security specialists, and even customer service/quality assurance personnel.

- Like any other software or computer system, what the system states is who you are and what you own. Human error and software hackers are always about. Plus believe it or not, some shareholders like to hold physical securities.

All in all, the reduction of the paper security will benefit most shareholders and industry personnel. However, even with industry leaders taking the appropriate steps to move this process along and all the "red tape" to sort out, most of us reading this article will not see this action in full effect during our lifetime; which in essence leaves us in the industry more to talk about around the water cooler.

(SB2 vs Rev Merger -continue from pg 1)

cost you much, much less than even the \$750,000 cash price of a shell, with the key variable of the total cost of Going Public Directly being the expenses of the required audited and interim financial statements. *Price Advantage: Going Public Directly.*

Timing - Going Public Directly generally takes approximately five or six months, but can be accomplished in a much shorter period of time if the company is lucky enough to get a "no review" by the SEC, as recently happened with one of our Going Public Directly clients. Reverse Mergers generally take approximately two months. Although Reverse Mergers used to be able to be done in a shorter period of time, the SEC adopted Release 33-8587, "Use of Form S-8, Form 8-K, and Form 20-F by Shell Companies" in 2005, which now

requires the filing no later than four days after merger which now requires the filing no later than four days after merger closing of the same disclosure information and audited financial statements about the private company that are required in the SB-2 filing in a Going Public Directly transaction. Because in practice this information takes a month or more to compile, the time required for the closing of Reverse Merger transactions has increased. *Timing advantage: Reverse Merger.*

Intangibles - Going Public Directly has many intangible advantages compared to a Reverse Merger. We described these in our June 30, 2006 article "Trading Shells: Words of Wisdom" @ www.goingpublicinformationblog.com. *Intangibles advantage: Going Public Directly!*

Why do a Reverse Merger?

We believe there is only one reason that a

Reverse Merger makes any sense at all: If a company's financing source insists that the private company obtain a trading ticker symbol at the time the financing source makes an investment, this method is the only viable alternative.

Why do a Direct Filing? - If the company can wait an extra four months to obtain a ticker symbol, it clearly should go public with a direct filing.

- 1) The direct filing provides investor liquidity by registering the shares of investors acquired in private placements in the SB-2 registration statement.
- 2) The risks inherent in a reverse merger transaction, many of which can lead to a lower trading price for a long period of time, do not exist.
- 3) The cost is significantly less, leaving the company with increased capital to develop its business and thus potentially increase its trading price.

Joke of the Quarter

Einstein dies and goes to heaven only to be informed that his room is not yet ready. "I hope you will not mind waiting in a dormitory. We are very sorry, but it's the best we can do and you will have to share the room with others" he is told by the doorman. Einstein says that this is no problem at all and that there is no need to make such a great fuss. So the doorman leads him to the dorm. They enter and Albert is introduced to all of the present inhabitants. "See, Here is your first room mate. He has an IQ of 180!" "Why that's wonderful!" Says Albert. "We can discuss mathematics!" "And here is your second room mate. His IQ is 150!" "Why that's wonderful!" Says Albert. "We can discuss physics!" "And here is your third room mate. His IQ is 100!" "That Wonderful! We can discuss the latest plays at the theater!" Just then another man moves out to capture Albert's hand and shake it. "I'm your last room mate and I'm sorry, but my IQ is only 80." Albert smiles back at him and says, "So, where do you think interest rates are headed?"

Cost Saving Tips For Company Mailings

Believe it or not, proxy season is no longer a season, but rather a continuous 12 month process. With gas prices "zigzagging", healthcare expenditure continually rising, and costly SEC fees already implemented, no wonder you're stressed out. Lets face publicly traded companies have their work cut out for them. Between filings, guidelines, and the overall operations, who has time to look for cost saving techniques in your 50+ hour workweek? Not many of us do, however here WST we have come across some cost saving techniques in regards to shareholder mailings; especially when it involves multiply enclosures during annual meeting season. Listed below are some of the many cost saving techniques regarding shareholder mailings.

First and Foremost - Plan Ahead

The more time you and the other parties involved know the "X's and O's" of a particular mailing, there are less likely to be unexpected errors and timing issues and the successfulness of the mailing to your shareholders is greatly increased. For example, shareholder meeting coordination should start to take place 3 1/2 months prior to the actual meeting date. The SEC requires a broker search (which is the solicitation of brokerage firms to determine the number of beneficial owners) to be at least fulfilled 20 business days prior to the record date. Next there must be at least 7-10 business days between record date and the mailing date and at least 4-5 weeks between the mailing date and the actual meeting date. By having these dates spread out, it gives the shareholders plenty of time to vote, (which it turn gives the proposal(s) at hand a greater chance at passing) it eliminates the need to contact shareholders to get their vote in on time, and allows time for extra materials to be mailed to shareholders who have not received materials, possibly due to having a bad address. Lastly, because third parties such as ADP (who is the primary mailer for beneficial shareholders material) have up to 5 days to mail items for issuers, extra time is already "padded in" to justify the lag in the mailing.

Mail Registered Materials in Bulk Mail or Standard Mail

Most proxy packages on average cost between \$2.35 to \$2.85 to mail first class. By having your transfer agent or other third party mail registered materials in bulk mail it can reduce the cost of the package by as much a 15-20%. However, bulk mail does take up to a week longer to get to your shareholders, therefore as stated above allow extra timing between the mail date and meeting date.

Have Your Annual Report Available Online Via Your Website

By having your annual report, 10-Q, or 10-K available on your website, practically reduces the rate of the proxy package in half, if the shareholder opts not to physically receive it. About 4-6 months prior to your next shareholder meeting, schedule your transfer agent or other third party to mail a brief letter to registered holders asking if they would like to view their annual report, 10-Q, or 10-K online in lieu of receiving it in the mail. Over the next couple of months, your transfer agent or other third will receive the results, code the requested accounts and provide raw numbers regarding how many sets of materials is needed to print at the next meeting. The beauty of this service is the fact ADP who mails to 95% of all the beneficial owners does this automatically each year.

Financial Word Search Puzzle

B	K	P	Y	V	W	G	U	B	X	E	F	N	Z	P	A	F	W	Z	B	B	K	E	L	T	O	C	T	V	Y	I	P	I	X	
R	G	M	L	T	N	Z	B	U	D	N	R	L	V	H	M	G	R	X	W	K	E	P	C	F	Z	Q	M	R	G	A	S	S	M	L
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U	J	E	W	O	Q	O	P	K	Y	G	I	A	X	S	N	B	T	E	E	L	K	I	O	D	O	X	E	F	I	U	R	V	P	R
T	O	R	I	N	T	C	X	E	C	P	Y	Y	F	S	Z	E	J	N	M	J	E	S	R	D	H	T	O	F	M	D	N	W	R	A
A	B	D	R	N	S	S	L	T	K	E	M	G	V	B	M	I	D	H	A	A	T	O	O	X	M	W	P	L	D	T	U	S	U	M
P	O	R	P	O	R	T	I	O	N	E	K	Y	K	Z	V	O	P	I	V	M	T	R	S	B	N	I	E	Y	R	E	N	M	D	K
V	T	N	E	M	T	S	E	V	N	I	Q	N	B	A	G	K	A	D	V	I	E	U	Z	U	T	X	H	T	G	C	Y	P	Z	K
H	N	F	R	G	N	I	D	A	R	T	N	I	G	R	A	M	H	E	M	I	L	F	J	O	Z	Y	G	T	W	R	Z	D	V	G
R	J	V	B	O	R	R	O	W	S	E	Z	X	Q	O	H	L	S	I	E	E	D	B	Q	C	K	P	U	D	T	V	Y	R	L	P
P	S	L	A	I	T	I	N	I	N	K	Z	L	E	V	O	Q	L	R	E	D	R	O	N	I	G	R	A	M	V	P	E	J	B	R

Words To Find = Bear Market Proportion Limit Order Dividend Yield Bull Market Investment Borrows
 Initials Margin Order Stocks Street Name Margin Trading Market (3 times)

“Personalizing the Needs of Stock Transfer Services”

- Experienced
- Professional
- Highly Efficient
- Advanced Networking



- Quick Turnaround
- Resourceful
- Informative
- Technologically Sound

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Our Services

Our business philosophy is deeply rooted in our conviction to keep the client satisfied by providing them with only the highest quality of stock transfer services. We stand side-by-side with our customers to get the job done to their complete satisfaction. WST offers a wide array of stock transfer services, using state of the art technology. Our highly experienced staff and networking affiliates have an unlimited amount of resources that will not only fulfill your every stock transfer need, but also walk you through the process every step of the way. Here are some of the many stock transfer services we provide.

- Complete Securities Transfer Services
- Accurate Record Keeping & Account Maintenance
- Annual/Special Meeting Coordination
- Inspector of Election Services
- Corporate Actions
- Cash & Stock Dividends
- Restricted Stock
- Shareholder Relations
- Cost Savings
- Compliance & Security

The Daily Double

Current Clients – Refer our business and receive 1 month free off your composite fee once a client is fully signed on.

All Third Parties – Refer our business and receive up to \$250- as a marketing fee once a client is fully signed on.

.....And not to mention all of our clients no matter how large or small, always receive the following services for **FREE!**

-Unlimited Shareholder Reports -Unlimited Stock Issuances

-Online Services for Clients & Shareholders -Maintenance of Related Classes of Stock Accounts

- Maintenance of Previously Un-Exchanged Reorganization Files

*WST is registered to conduct stock transfer transactions with the U.S. Securities & Exchange Commission (SEC), the Depository Trust Company (DTC) & is a member of the Securities Transfer Association (STA).