We believe that the implementation of IM-2110-2 will hurt public investors who own non-penny stock OTC Securities ("Value OTC Securities") by (1) severely reducing liquidity and speed of execution and (2) creating inferior price executions.

This Rule was not drafted in the interests of investors who own Value OTC Securities, as it runs counter to decades of customary practice as well as to common sense.

Monroe Securities primarily makes markets in Value OTC Securities, consisting largely of local community bank stocks. These stocks are owned by tens of thousands of investors who enjoy owning stock in a local banking institution, and their holdings amount to billions of dollars of securities. Nonetheless, many of these stocks trade over-the-counter on the OTC Bulletin Board or Pink Sheets, and they generally trade anywhere from $5.00 per share to $20,000.00 per share. Some of these stocks trade very infrequently, ranging from a few times per day to a few times per year.

IM-2110-2 is predicated on the fact that buy and sell interest in OTC Securities will be reflected in quotes on the OTC Bulletin Board and Pink Sheets. However, since so many of these stocks trade infrequently, investors who would otherwise have interest in the stock simply do not bother to put in orders with their brokers. In fact, decades of customary practice have accustomed such investors to receiving calls from market makers and brokers when there is actionable buy and sell interest. This customary practice likely will be greatly curtailed with the implementation of Rule IM-2110-2

IM-2110-2 prohibits market makers from making a profit on limit order in these Value OTC Securities without buying the stock at risk. While Monroe and other market makers risk their capital every day to provide liquidity in these securities, requiring market makers to buy the securities in order to make a profit will inevitably reduce liquidity in these markets.

For example, suppose ABCD stock is $10.00 bid for 200 shares and $12.00 offered for 200 shares. ABCD traded 3,000 shares in the last month with a last price of $11.00 per share. Now a market maker receives an order to sell 7,000 shares at $11.00 per share. Currently, as has been the customary practice for decades, a market maker might call potentially interested investors and offer the stock at $11.10 per share. If the market maker finds the liquidity that is not currently represented in the quoted market, then (1) the customer will be filled at his/her desired price far above the bid and (2) the market maker can make a profit for its service.

Following the implementation of Rule IM-2110-2, the market maker in this example would be prohibited from making a profit for finding the liquidity. The market maker instead would have to buy and sell the 7,000 shares of ABCD at the same price. In order for there to be liquidity in these markets there must be market makers willing to work on buying and selling stock. In order for there to be market makers, they must be able to earn a profit to stay in business.

So instead of working on the order, the market maker will likely reflect an $11.00 offer in the market. It is unlikely that potential buyers of ABCD, which trades infrequently, will notice a change in the market. With a 9% difference in price between the bid ($10/share) and the offer ($11/share),

common sense dictates that even attentive $10.00 per share buyers are not likely to simply pay the offer price for stock. Thus, the result for the seller is likely to be less liquidity and a lower price.

In summary, what happens to an order by a holder of a Value OTC Security under Rule IM-2110-2? The customer's order might be reflected in the market, but (1) it is less likely to be executed at the limit price and (2) it is more likely to take longer to complete. The bottom line for this customer is likely to be less liquidity and inferior executions.

Block Size

Included the rule change from Rule 6541 to IM-2110-2 is a change in the definition in the size of the order on which terms and conditions may be negotiated. There is no discussion that provides any justification for the change. The change is from (a) 10,000 shares or more and greater than $20,000 in value (Rule 6541) to (b) 10,000 shares or more **and** greater than $100,000 (Rule IM-2110-2).

If there is to be any change at all to this Rule, the definition of block size should be "10,000 shares **or** greater than $100,000 in value." For many Value OTC Securities, 10,000 shares may represent a very large ownership stake in the company or, at a minimum, over $500,000 worth of stock. Some OTC Value Stocks trade for large prices. For example, Mechanics Bank (MCHB) is a $12.6 billion bank in Richmond, California that trades for over $18,000 per share. Why should an order in MCHB need to be more than 10,000 shares before the terms and conditions can be negotiated? Such a requirement surely does not help the holder of MCHB stock.

We would recommend that IM-2110-2 is amended to change the block size test to "10,000 shares or more **or** greater than $100,000 in value."

Conclusion

The application of IM-2110-2 in non-penny OTC stocks will result in less liquidity and inferior executions to investors. This rule injures and does not add to the protection of investors and the public interest. It runs counter both to decades of customary practice as well as to common sense. We believe that a more effective approach would be to apply Rule 6541 (Limit Order Protection) to all equity securities and not apply IM-2110-2. This would preserve the existing liquidity in the market place and result in superior-priced limit order executions for investors.