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Ms. Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-13-20
Notice of Proposed Exemptive Order Granting Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders

Dear Ms. Countryman:

The Basile Law Firm P.C. is a boutique law firm in Jericho, New York representing over 30 small public companies in federal and state court litigation against toxic convertible note holders and would like to take this opportunity to comment on the Commission's proposed exemptive order concerning the activities of finders in securities transactions. We believe this exemption, addressed as it is to the needs of non-registrants, mostly issuers trading on the OTC Markets, will be helpful to small businesses that wish to raise capital legitimately to grow their operations but lack access to appropriate sources of funding.

When small publicly traded companies do not have access capital, they often resort to taking financings from predatory toxic convertible note lenders that feature interest as high as 240%, and conversion discounts as high as 80% of the market price offered as capital markets financings. Our research indicates that more than 2,300 OTC issuers have fallen victim to these toxic instruments which leave behind a trail of financially ruined companies and losses to investors. We are hopeful that the new exemption will potentially open doors to legitimate financing for at least some of these companies.

Most executive managers of OTC Markets companies are unsophisticated and do not have the experience, nor resources, to understand the short and long-term ramifications of taking a toxic financing. Toxic lenders often misrepresent the terms of their financing agreements and these agreements are

typically boilerplate and not negotiated in arms-length transactions (because of, among other things, the lack of sophistication and experience by the OTC issuers themselves). These lenders may also collude with certain transfer agents that charge fee's as high as $2,000 per conversions and law firms who morphed into toxic funders themselves and legal opinion writers. OTC Markets issuers are sitting ducks for predatory, unregulated lenders and unscrupulous finders. These toxic notes, also known as "death spiral," convertible promissory notes, tie in steep conversion discounts to an issuers trading price for conversion and the issuers stock declines precipitously, often reaching $0.0001 per share. When this happens, OTC Markets issuers have little choice but to take corporate actions (reverse split the stock) and seek additional similar financings with the same result. However, in some instances, FINRA will not approve a corporate action if the issuer has a "bad actor" trading, or potentially trading in its stock. Some of these toxic lenders are bad actors as proclaimed by FINRA, so any necessary corporate action to correct stock anomalies due to death spiral conversions is probably futile and most likely will not be approved by FINRA. Usually, an OTC issuer will issue several convertible notes to several toxic lenders within a short period of time meaning, 6 months later, these toxic lenders are competing against each other to sell stock they received at a steep discount to the trading price. At this point, many OTC Issuers are usually forced to issue new notes to pay off old ones and end up paying an adjusted APR in excess of 1000% for their capital. The fees, penalties, and discounts required under these agreements serve as a form of interest for them.

The SEC's past failure to pursue toxic lenders is one of the agency's greatest enforcement failures. Only in the last two years has the Commission brought a handful of actions against known egregious toxic convertible note lender's charging them with acting as unregistered dealers under the Securities Act. These actions will go a long way to stop the lenders who make a business of preying on desperate OTC Markets companies but many more are needed to address the current environment.

The new proposed exemption may provide needed relief for issuers by allowing individuals acting legitimately, and not in the service of a toxic funders, to help raise money. For most OTC Markets issuers, it will be helpful to engage a finder to make introductions to potential investors without having to hire a registered broker-dealer. Since many of these companies are non-registrants, they may have had no previous experience or associations with dealers and may not be in a position to bear the cost of hiring a broker.

The distinction the proposal makes between Tier I and Tier II finders is a good one. Because a Tier I finder will only make introductions between the company and prospective investors, and because the investors must be accredited, there seems no point in her being a registered broker. The requirements for Tier II finders are more extensive and include an obligation on the finder's part to make initial disclosures about herself and the arrangements she has with the issuer. Subsequently, but before the investor purchases the issuer's securities, she must make the same disclosures in writing.

We do not believe those disclosure requirements are adequate. While the proposal makes clear that a Tier I or Tier II finder must not be "subject to a statutory disqualification, as that term is defined in Section 3(a)(39) of the Exchange Act, at the time of her participation," we feel it isn't enough for her to

declare her status to the potential investors with whom she has contact. Currently, most sanctioned brokers and promoters with penny stock bars have worked, and do work, as finders. In fact, many individuals operating in the shadows of the toxic financing markets have prior disciplinary and criminal histories not disclosed to the issuers or investors.

While the Tier I and Tier II finders referenced in the proposal will only be associating with accredited investors, that is perhaps insufficient protection. By definition, accredited investors are well-off. It's assumed they're also "sophisticated," but that doesn't mean they'll necessarily research the regulatory past of a finder who approaches them, which is often the case with OTC issuers.

Finders that qualify for either tier should be required to make an EDGAR filing containing the disclosures she offers to prospective investors. They should update the filing as necessary for as long as their activity for the issuer continues. As a safeguard for both investors and issuers, when a finder applies for EDGAR passcodes, she will be required to provide identification and additional materials.

It might also be wise to limit the number of transactions a finder may engage in annually. At the end of each year, she should submit a fillable form to EDGAR, listing the issuers and/or financiers who paid her, the dollar amount she raised, and the amount she was paid. That will ensure adequate disclosure to investors. If the process is made too easy, unscrupulous individuals will take advantage. We also believe that the commission must write in prohibitions from finders introducing issuers to fixed discount rate convertible note lenders (toxic death spiral financings), or this exemption could exacerbate the problem of predatory lending.

While finders may reasonably be exempt from the Exchange Act's requirement that they register as broker-dealers, their activities should not be disclosed only to issuers and investors. To allow that would be to risk the creation of a new class of virtually unregulated market professionals to join the ranks of undisclosed promoters and shady shell vendors. This is critical due to managements inexperience in the business of capital raises. A failed or legally questionable offering could damage the company's chances of success in the longer term. Ultimately, the Commission should prohibit finders' payment in connection with any "death spiral convertible note – to be defined by the Commission).

With our suggestions, we believe the proposed exemptive order will help often-neglected small companies achieve capital formation and support its adoption.

Thank you for your consideration of our comments.

Sincerely,

/S/ Mark R. Basile, Esq.