SEC Commissioners,

The rule S7-14-19 proposed, while well intentioned, disregards an important segment of the OTC Market. There are a significant number of companies that use an alternative reporting method that appear to provide limited information, but in fact provide shareholders with reports and financial updates. These companies, while not providing the information online, do mail shareholders the reports on a regular basis or make them available upon request.

Not Fraudulent Companies

The segment of the market I am referring to is dark companies that are actual businesses. Hundreds, if not thousands of these companies, have been around for decades. They are profitable and provide shareholders with financial updates regularly. Some send financials annually, some quarterly and a few, semiannually. Take for example, Pardee Resources (PDER), which is a company that is over a century old, is profitable, and has a long history of returning capital to shareholders. They provide every shareholder with quarterly financial updates and very detailed annual reports. Under the proposed legislation, the shares would no longer be quoted, and might be impossible to trade. They do not release financials in a way that would meet the requirements of the proposed rule. Would they comply with the new rule? Maybe, but maybe not. I reached out to the company and was not given a firm answer.

Pump and Dump Schemes

Does the SEC really believe the people who participate in the "sucker" side of a pump and dump know how to read a financial report? Or even look one up? If they did, they would not be investing in these companies the first place. Nearly every "pump and dump" I have come across produces financials. They typically show no income, or even revenue, but they are there for anyone to review. People buying into frauds and pump and dump schemes buy for the low share prices. A reverse split would immediately make these stocks less appealing. Trying to stop a pump and dump or fraud by requiring posted financials will do little - or nothing- to curb the problem. The issue is the allure of buying a stock for a penny, or less. "Investors" in these schemes have close to zero knowledge of financial reporting or financial literacy. To financially illiterate people, buying 100,000 shares at $0.001 seems like an attractive proposition, even if the company is a complete sham. Their line of thinking is that if the share goes to $10, they are rich! If you want to clean up the penny market, force reverse splits to bring the share price above $1. Force any company trading below $1 for 6 months or more to perform a reverse split to remain listed. Shareholders remain intact, with no change in their ownership of a business, and penny stock fraud will largely disappear.

Even This Proposal is Dangerous

This proposal is quite insidious. The very suggestion that these securities could become untradeable should be enough to put this market into a tailspin. If people were aware of this proposal, they would likely be selling. I doubt many retail holders of these shares follow the SEC proposals, which explains why the share prices remain largely unchanged. Personally, I have not sold anything to date because I believe the SEC will take the comments they have received seriously and not adopt this regulation. I am sure many others feel the same.

Small retail shareholders don't have money to hire lobbyists to fight this misguided legislation. The damage to the market, and the massive losses, would be forced on the shareholders, who are for the most part, small retail holders. If you really want to protect investors, impose financial penalties on companies that refuse to provide financials. Don't make the securities worthless by making them unquotable. This would only victimize the people you are trying to protect.

DO NOT ADOPT THIS PROPOSAL!

Sincerely,

Christian Gabis