



December 30, 2019

Via Electronic Submission

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-1090

rule-comments@sec.gov

Re: Comments to the Publication or Submission of Quotations Without Specified Information (File Number S7-14-19) (the “Proposal”)

Monroe Financial Partners, Inc. (“Monroe”) has been making markets in over-the-counter (“OTC”) community bank stocks and other value-oriented OTC securities since 1968. We do not make markets in penny stocks.

The purpose of this letter is to note the difficulties the Proposal creates with respect to non-bank OTC securities and propose a solution to address the Commission’s goal of investor protection without inadvertently hurting investors in OTC value-oriented stocks.

The Proposal risks destroying decades of accumulated value in well-established OTC value-oriented stocks.

As many other commenters have noted, there are numerous non-bank OTC securities that are value-rich and have created wealth for specialty investors over the decades. A few examples include (1) Pardee Resources (OTCM:PDER; 175 year-old company that owns land and mineral rights and is engaged in natural resources, energy resources and real estate development), (2) J.G. Boswell Company (OTCM:BWEL; 98 year-old company that is one of the largest owners of agricultural land and water rights in California), and (3) LAACO Limited (OTCM:LAACZ; 30+ year-old self-storage and real estate investment holding company). These three stocks alone amount to over \$1 billion in current market capitalization. If they no longer are permitted to trade OTC, then investors will lose ready access to \$1+ billion in value in these companies alone due to the Proposal.

Why don’t these companies simply comply to the new disclosure requirements of the Proposal? They might decide to comply to the Proposal; however, each of them has large shareholders who also are members of executive management. And they may decide for their own reasons that it is not worth the trouble to comply. For example, perhaps no longer being traded might help company insiders acquire more shares with less competition. Or they simply may not get around to it. Regardless, existing shareholders’ interests in having the shares trade should be protected rather than impaired due to the potential indifference of company management.

Stocks that (1) have over \$10 million in audited equity and (2) have been trading since before 2017 for more than \$1.00 per share should be exempt from the Proposal.

We respectfully suggest the following small class of stocks to be exempt from the Proposal: stocks with over \$10 million in equity, as demonstrated by audited financial statements no older than 18 months old, that have been trading for more than \$1.00 per share since 1/1/17. We estimate that there are approximately 100 of these companies currently trading OTC. We are not committed to any particular minimum equity value, but \$10 million seems like a good starting point. The additional requirement that they have not traded below \$1.00 per share for the last three years also would eliminate the vast majority of penny stock companies, where most scams take place OTC. The requirement that they have been trading since before 2017 would further prevent any new non-bank companies from being eligible for trading OTC without meeting the requirements of the Proposal.

“Grandfathering” these stocks would protect existing investments in these stocks from needless harm. Further, the rule would be clear cut, without need for constant monitoring of markets, trading volume and capitalization to determine whether they should be permitted to continue to trade.¹ Moreover, the number of these stocks is dwindling each year, as they are gradually acquired. Over time, there would be fewer and fewer of these “grandfathered” securities.

To summarize, the Proposal risks destroying decades of trading history and billions of dollars of value in well-established OTC value stocks. Rather than serving the SEC’s mission to protect investors, the Proposal would cause investors in OTC value stocks to lose ready access to billions of dollars of value. Similarly, rather than promoting the SEC’s goal of market integrity, the Proposal would force OTC value stocks to take a giant step backwards in transparency and liquidity by compelling them to trade in the grey market. These well-established, non-bank OTC value stocks should be exempt from the requirements of the Proposal to preserve the value of existing shareholders and to avoid rewarding corporate management who may be indifferent as to whether there is a trading market for their stock.

If you have any questions about any aspect of this letter, please do not hesitate to contact us at the number below.

Thank you for your consideration.

Sincerely,

Dan Kanter

Dan Kanter
President

Craig Carlino

Craig Carlino
Chief Compliance Officer

¹ We strongly recommend against looking at trading volume or the existence of offers in determining the eligibility of stocks to trade OTC. Lack of trading volume does not necessarily indicate lack of value or – believe it or not – even lack of liquidity. One bid may be able to absorb a large block of stock in these value stocks. As market makers and investors in these stocks, we refer to the bids to gather current pricing and value information, along with any recent trades. A bid is a definitive price that a buyer is willing to pay right now. This information is clear and cogent to anyone owning shares of the stock. Sometimes, a shareholder has to sell shares. Conversely, a shareholder is not ever forced to buy. Thus, the bid is the more important pricing information at any given moment.