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Securities and Exchange Commission
Office of Trading and Markets
100 F Street, NE
Washington, DC 20549

Re: Proposed Amendments to Rule 15c2-11
File No. S7-14-19

The Proposed Amendments to Rule 15c2-11 will punish many investors rather than protect them.

The following paragraph appears on the home page of the SEC's website:

The SEC enforces the securities laws to protect the more than 66 million American households that have turned to the securities markets to invest in their futures – whether it's starting a family, sending kids to college, saving for retirement or attaining other financial goals.

Many companies do not start out as shell companies, but become shell companies because their business model failed. The proposed amendments to Rule 15c2-11 (the "Rule") would punish investors who invested in companies that they, in good faith, believed would be profitable but whose business model ultimately failed.

It is unfortunate that some people choose to invest in companies for which no current, reliable information is available. However, this abnormal behavior has been going on for many years. Adopting rules and regulations to prevent people from foolishly investing in companies which they know nothing about has not worked in the past and will not work in the future.

Shell companies aid in capital formation.

The following paragraph also appears on the home page of the SEC's website:

The SEC's regulation of the securities markets facilitates capital formation, which helps entrepreneurs start businesses and companies grow. Last year \$4.25 trillion was raised in public and private securities offerings, promoting economic growth and job creation.

Most companies do not want to be public but are forced to become public for a variety of reasons, including the following:

- in order to raise capital, potential investors need an exit strategy. Having a public market for a company's common stock provides this exit strategy for investors, even though the investors may have to hold securities purchased from a company for a period of time; and
- being public provides greater value for employee incentives, such as stock options.

There are essentially two ways for a company to become public:

- file an S-1 registration statement (or a Regulation A offering circular) with the Commission and, assuming the company has at least 40 shareholders with free trading shares, have a broker file a Form 211 with FINRA after the registration is declared effective (or the Reg A offering is cleared); or
- complete a reverse merger with a shell company.

Preparation of an S-1 registration statement (or Regulation A offering circular) involves considerable time and expense. The process of preparing the registration statement and responding to the Commission's comments, can take months. In addition, according to footnote 11 to the December 30, 2019 letter from the OTC Markets Group responding to the proposed Rule, obtaining FINRA clearance for a broker to initiate quotations can take from two to six months.

Many private companies needing capital do not have the time for the registration statement process. By reverse merging into a shell company, a company's shares now have a market and investors, who now have an exit strategy, are more likely able to provide capital to the company. For a long time there has been a direct correlation between funds flowing into venture capital funds and the strength of the IPO market. The stronger the IPO market the more investors are confident that there will be eventual liquidity for their investments.

When a private company completes a reverse merger with a shell company, it has been my experience that the new management is comprised of legitimate business people who work hard, often without pay, to make the new business successful. Although there are abuses with shell companies, as pointed out on page 19 of the December 30, 2019 letter from the OTC Markets Group, "the vast majority of fraud by dollar volume occurs" in the exchange-listed markets.

Very Truly Yours,

HART & HART, LLC

/s/ William T. Hart

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