

# STOCK SALE COMPLIANCE

March 29, 2006

The United States Securities And Exchange Commission  
Advisory Committee on Smaller Public Companies  
450 Fifth Street N.W.  
Washington, DC 20549

RE: Request for Public Comment on Exposure Draft of Final Report (Release No. 33-8666;  
February 28, 2006)

Chairman Cox, Commissioners & Advisory Committee members,

I am the president of a small NASD Broker-Dealer specializing in small business M&A and investment banking speaking on behalf of my firm to express some concern with one of the recommendations of the Advisory Committee on Smaller Public Companies (the Committee) as it appears in the request for public comment on the exposure draft of the final report. The item is 4.P.6 and regards the Securities and Exchange Commission spearheading a multi agency effort to create a streamlined NASD registration process for finders, M&A advisors and institutional private placement practitioners.

First, allow me to keep our concerns in balance by commending the Committee on its outstanding job in studying and recommending logical cures for what many see as an environment of over regulation, the cost of which is adversely impacting the very investors that these regulations were designed to protect. We believe however that the challenges created by some practitioners that choose to sell stock outside of all regulatory oversight are a very different issue than the negative impact of Section 404 on small business.

The root of this particular problem stems from a combination of factors including the unlicensed practitioners' lack of education regarding licensure requirements, confusion created from mixed legal opinion and inconsistent State to State regulation. The problem with unlicensed practitioners is compounded by limited to non-existent enforcement. This combination of factors are "freezing" the problem in place at high cost to the investor who, we believe, are unknowingly forfeiting some of the protection that they are entitled to under the law.

The fact is that economical systems, enabling qualified practitioners the opportunity to come into compliance, exist today. Viable options for those that desire to come into compliance include working to become an NASD broker dealer or working under the supervision of an NASD broker dealer as a registered representative. The second option is an often overlooked one. Truth is many legitimate NASD Broker-Dealers practicing in the area of M&A and capital raise are seeking qualified practitioners to serve as firm registered representatives or firm registered principals.

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The problem with unlicensed practitioners identified by the Committee could be resolved under existing regulation by offering best practice procedures for NASD Broker-Dealers, working with States Securities Administrators to remove the barriers to free flow of capital from State to State and in challenging those that are operating unlicensed.

Stock Sale Compliance believes that small company investors are entitled to the same protections as large company investors. To this end we would question "broker-dealer lite" type solutions. Presently, NASD Broker-Dealers are all held to the same high standards in the interest of investor confidence and protection. This is not a bad thing. A fundamental understanding of all aspects of the securities industry by those that manage others in our industry is critical. Many professions correctly follow such models. The legal profession requires a practitioner to pass a BAR examination to become licensed to practice law. Passing the BAR examination is not easy as it takes into account the need for attorneys to have a working understanding of many areas of the law; even though most attorneys ultimately specialized in one area. In the medical profession, doctors must undergo a residency program in order to achieve a competency level in all aspects of patient care, before they go on to specialize and become expert in one area of medicine. The same logic parallels today's NASD Broker Dealer.

NASD Broker-Dealers, like attorneys and physicians, must have a working understanding of all aspects of the securities industry as different types of securities relate to one another. If special carve-outs or alternative registration processes were to be spearheaded by the SEC at the recommendation of special interest groups, other subgroups will likely want the same thing.

Were a new division to occur at the NASD Broker-Dealer level, we believe the investor would not benefit from such a change. That said, we would agree with the observation that much of the current NASD testing procedures and NASD Broker-Dealer best practices could be improved to be more applicable to finders, M&A advisors and institutional private placement practitioners. We would also recommend that the States be encouraged to work with one another to create uniform code instead of trying to solve the problem with proprietary solutions that may have the effect of impeding the flow of capital State to State. A good start to this challenge may be for the SEC, NASD, States Securities Administrators and industry practitioners to work with one another on the goal of creating a new NASD Series examination more appropriate to registered representatives practicing the M&A and investment banking segment of the securities industry.

There are presently over 5,100 NASD brokerage firms managing 657,800 registered representatives. From small closely held "main street" companies to large publicly held corporations and all businesses in between, investor confidence that is born from investor protection and is the key to the formation of capital. In closing, we believe that existing regulatory systems will work in the small business M&A and the capital raise arena when all practitioners that sell stock are held to the same standards of conduct and investor protection.

Sincerely,

  
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President & CEO

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