Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.; Room 10900  
Washington, DC 20549  

Re: Rule-Making Petition 4-483  

Dear Ms. Murphy:

We have been significant investors in small capitalization equity securities for over twenty five years. We are again writing to express our strong support for the “Request for Rulemaking under Section 12(g)(5) of the Securities Exchange Act of 1934 concerning securities held in ‘Street Name’” (Rule-Making Petition 4-483). We find that there is currently an unambiguous and critical need to change the requirements for the deregistration of a security. We hope that with the change in administration there is a renewed emphasis on the rights of small outside shareholders.

Over the past few years we, along with most small cap investors, have experienced a very troubling trend. The boards and managements of many of our small company investments have decided to deregister their equity securities and numerous others are seriously contemplating it. Companies with thousands of “beneficial shareholders” but less than 300 shareholders of record have taken advantage of the loophole in the legislation to leave public shareholders materially damaged. Their explicit justification has generally been to free themselves from the requirements of the Sarbanes-Oxley and Security Acts. Unfortunately, the current serious flaw in the law in the definition of “holders of a security” has provided an easy mechanism for many unethical companies to essentially “opt out” of the securities regulations and leave their public shareholders “in the dark”. We believe that this is clearly not the intent of the regulations. Companies should not simply be allowed to “choose” to no longer be subject to regulations that they find demanding.

It is important for you to understand what happens once a company deregisters. Here is the typical scenario. The stock price collapses and trading volume becomes miniscule. Bid offer spreads become extremely wide as the shares are relegated to the pink sheets. Moreover, once many of these unethical companies deregister, managements, fully cognizant that there is no longer any regulator “looking over their shoulders”, simply cease all communications with their outside shareholders. Press releases disappear. Managements become completely inaccessible. Financial statements are not provided and annual meetings are not held. Managements begin to act as if they are private companies and outside shareholders are left “in the dark” with a completely illiquid stock and with little recourse. Legal action is possible under Delaware Corporate Law (or other applicable state law), but most small investors do not have the time or the financial resources to fight for their rights. This is why it absolutely critical that you act to remedy this situation.
Investors buy securities with the explicit expectation that they will be provided protection by the Federal Securities Laws. Allowing companies to simply choose not to comply with the law by taking advantage of a technicality is certainly not the intent of the legislation. We urge you to change this egregious loophole in the law and help restore confidence in the equity markets.

Sincerely,

Anthony Chiarenza