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July 20, 2009

Richard G. Ketchum
Chairman and CEO
FINRA
1735 K Street
Washington DC, 20006

Dear Chairman Ketchum:

The Securities Transfer Association, (“ STA”), is writing to express our concern about certain unexpected consequences, reported by members of our STA Small Agents Committee, which appear to stem from the Regulatory Notice issued by FINRA in January of 2009 (Notice No. 09-05)(the “Notice”). This Notice, which reminds FINRA member firms of their responsibility with regard to unregistered resales of restricted securities, is having an unanticipated and negative effect on the ability of law abiding non-problematic companies to raise capital and survive.

Founded in 1911, the STA is the professional association of securities transfer agents. Our membership, consisting of over 150 transfer agents maintain records in the aggregate of more than 150,000,000 registered shareholders on behalf of more than 15,000 issuers, including a considerable number of small company issuers. Our transfer agent members are reporting that certain of their clients, these smaller issuers, are being denied the ability to have their shares traded, based on the Notice mentioned above.

Let us begin by stating that the STA and its members totally support the efforts of FINRA to curb problems and secure an efficient market where trades occur in accordance with Federal securities regulations. As a step in that direction, the Notice is laudable and possibly a bit overdue. However, our transfer agent members are reporting to us some unforeseen consequences stemming from this Notice, namely the fact that brokers are refusing to accept for deposit penny stocks across the board, not making any distinction about where they trade or the transparency in filings they have supplied to the marketplace.

It appears to our members that rather than undertake the due diligence and “meaningful investigation” that the FINRA directive requires, brokers are simply refusing to accept deposits of certificates for any penny stocks.

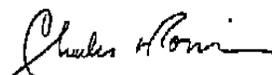
This course of action may be warranted for non-current, non-reporting PinkSheet securities; however, current and reporting PinkSheet companies and those that are on the OTC Bulletin Board that are already subject to certain reporting requirements in order to be quoted on the OTCBB service, are being unfairly refused the ability to trade.

Coupled with this problem are the recent actions taken by The Depository Trust Company in rejecting most penny stock issuers from entry into the FAST program and thus, deposit by DWAC. DTC has either ignored the presented issuer for FAST eligibility or been vague and inconsistent in their reasons for rejection. If these issuers are not able to become FAST-eligible at DTC nor can their shareholders present certificates for deposits into their brokerage accounts, then, in effect, all small cap penny stock issuers are no longer able to trade.

According to the SEC's own mission statement, the industry as a whole needs to protect investors and, at the same time, maintain a market and facilitate capital formation. FINRA's directive, while protecting FINRA member firms and investors, may cripple the continuation of an entire market and provides insurmountable hurdles for continued capital formation among the small cap issuer base. In point of fact, all companies once started out as small companies. If brokers refuse to trade in these securities, these small companies will not be able to raise capital, which will be deleterious, not only to the companies but to the American economy in general. As our government representatives are never hesitant to say, the backbone of our nation is small business and the majority of jobs are created by small business. The last thing the financial industry needs to be known for at this point is stifling the creation and growth of small businesses.

The STA, on behalf of the small cap clients of our members, asks that FINRA revisit this directive, and issue a clarification notice. Suggested resolutions might be either continued restrictions on non-reporting or late reporting Pink Sheet stocks, while loosening the restrictions for Bulletin Board stocks that are compliant with FINRA and the OTCBB service, or placing six-month temporary holds on shareholder accounts from selling those stocks at the penny stock level where the investor has provided no other funds in their account. (Traditionally, the SEC has considered that six-month holds thwart both the possibility of unregistered distributions and AML situations.) If the PinkSheet companies are compliant they can then continue to trade and have their shares accepted by brokerages or the issuers could rise to the Bulletin Board level where there is FINRA oversight already provided. But to allow the brokerage and clearing firms to label all penny stocks, whether quoted on the PinkSheets or the Bulletin Boards, as too troublesome to deal with is having a disastrous effect on those small companies that are the foundation of the American economy. We sincerely hope that you will revisit this issue. If you have any questions about our concerns, or need further information, please feel free to contact either Salli Marinov (602) 485-1346, or Jonathan Miller (610) 649-7300. Salli and Jonathan are Co-Chairs of the STA Small Agents Committee, whose members have brought these concerns to our attention.

Sincerely,



Charles V. Rossi
President

The Securities Transfer Association, Inc.