SANTA MONICA PARTNERS, L.P.
Founded 1982

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March 30, 2009

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

Dear Ms. Murphy:

It is the proxy season now. Proxy statements and shareholder voting ballots are beginning to arrive in our mailboxes daily. Corporations in which we are shareholders are actively soliciting our vote and the votes of all shareholders.

The strange thing is all of these corporations which are sending shareholders these voting documents don't know us from a hole in the wall. They do not know our names and addresses or even how many shares we own. The reason for this of course is that our shares, and probably 90% of the shares of all American corporations, are held for all of us by brokerage firms, and our brokerage firms hold all of its clients' shares in the name of its nominee Cede.

Corporations count only our broker as a *"holder of record."* Oddly enough while the corporations I am invested in, and which are seeking to have me mark my voting preferences and return the ballot with *my vote*, do not count me, or the scores, or hundreds, or thousands of other shareholder clients of my broker as a *"shareholder"* under Sections 12(g) and 15 (d) of the Exchange Act.

Guess what? If a company can attest to the fact that it has fewer than 300 holders of record it doesn't have to send proxy material or ask me to vote anymore because as you know under sections 12(g) and 15(d) of the Exchange Act a reporting company may stop filing reports and other materials with the Commission when the company's securities are *"held of record"* by less than 300 persons. Companies certifying this deregister and "go dark."

How does this make any sense: the corporation doesn't look-through my broker and count me as a shareholder, yet it indirectly asks me to vote?

My broker is no longer willing to hold stock certificates and I certainly do not wish to be bothered safeguarding and mailing them either. However, just because I and all my fellow *beneficial* shareholders leave our shares with a custodian broker who aggregates them digitally with the shares of other *beneficial* holders should be irrelevant to SEC policy making. Shouldn't it?

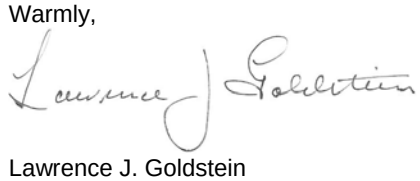
Last week, Chairman Mary L. Schapiro, in testimony before Congress *said "Some of our rules regulating financial intermediaries need to be modernized."*

Sections 12(g) and 15(d) of the Exchange Act is one set of rules which needs to be modernized at once so that all beneficial shareholders can be counted the same as holders of record, and so that the flow of timely, reliable and accurate information to shareholders will not be turned off.

Will you do so please?

Thank you.

Warmly,



Lawrence J. Goldstein

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February 25, 2009

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

Dear Ms. Murphy:

I write to follow up my letter to you yesterday, February 24, 2009, in order to provide additional information, facts and perspective with respect to the issues created by the SEC definition of *"shareholder"* being *"shareholder of record"* and not "*beneficial shareholder."*

I am not a Johnny come lately to this issue and the problems it has caused investors. *Nineteen* years have now elapsed since I first brought this very same matter to the attention of the Commission.

I brought the matter and its negative impact to the attention of the then Chairman of the SEC, Richard Breedon, in a letter I wrote on March 28, 1990. I waited over two months without any response. A type of reaction from the SEC which we unfortunately have seen continue as the SEC norm with the previous administration – need I say anything more than "Madoff" or "Harry Markopolos?" -- and the reason we now bring this issue up once again, and with great hope for a change, given the new SEC Chairman, new commissioners and new staff.

After a while I realized I was getting bed bug treatment responses and I brought all of the above, in the spring of 1990, *nearly nineteen years ago,* to the attention of my Congresswoman Nita Lowey who then called the matter to the attention of then Chairman of the Committee on Energy and Commerce, John D. Dingell. Chairman Dingell in turn brought the matter to the attention of the SEC Chairman Richard Breedon, who in turn I presume handed the issue and all my correspondence over to E.T. That is to SEC Associate Director Ms. Mary E.T. Beech.

In May 1990 I had also started writing to Ms. Mary E. T. Beech. Today long after the still popular 1982 Spielberg hit film ***E.T. the Extra-Terrestrial*** "E.T. I am inclined to ask the famous question posed in that film, "E T where are you?" (Smile) since her last correspondence to me was June 15, *1990* when she wrote *"your suggestions will be given consideration by this Division and will not be forgotten as we move forward with our responsibility to ensure full and adequate disclosure pursuant to the federal securities laws."*

Please see the attached scanned "Letters to and from SEC 1990 PDF" – there was no computer, no email and no website inexistence to post on back in 1990 -- with key correspondence of Chairman Breedon, Chairman Dingell, Mary E. T. Beech and myself.

I am a patient man but have finally concluded *after waiting nearly twenty years,* I was in fact *"forgotten"* and the Commission has not felt any "*responsibility to ensure full and adequate disclosure"* to the fullest possible extent which means recognizing that companies having *more than 300 beneficial shareholders* have been allowed to go dark because a stockholder is defined as one of record and not one which is beneficial. But hope springs eternal in me. And so I have decided to write to the Commission once again.

Along with many other investors, we have been victimized by a very troubling trend which began in the nineteen eighties, accelerated in the nineteen nineties and in the twenty-first century spurred on by the July 30, 2002 passages of Sarbanes Oxley (SOX) has progressed even further to the detriment of public shareholders. Please see our November 1, 2002 letter to Mr. Jonathan G. Katz, SEC at http://sec.gov/rules/proposed/s74002/ljgoldstein1.txt.

The Problem Persists and Worsens

As I mentioned yesterday, I am hopeful that today you will take up the same issue about the definition of "shareholder" in order to remedy, indeed to protect shareholders from the damage that companies going dark cause them. Today, after well over twenty years of no change, shareholders in all too many companies have been and continue to be disenfranchised as many "darkened companies" no longer issue proxies or hold annual meetings and the owners no longer receive quarterly or even annual reports. Moreover, proxies are no longer issued nor is such basic information such as the names of the management and the board of directors and their shareholdings and compensation revealed. Shareholders are also denied all the other usual and normal information they received about the companies in the past such as media interviews, conference calls or even mere financial press releases.

We repeatedly have warned the SEC of all the damage that would result to shareholders as more and more companies "go dark" and that would and indeed has resulted merely from the use of computers and the advent of digital record keeping which was going to sweep through the investment community. Digitalization meant brokerage firms would no longer hold stock certificates and would therefore no longer hold securities in any but one main nominee name thereby reducing the number of *beneficial holders* to a far smaller number of *record holders*. The significance of this of course was as described above that the SEC defined *shareholder* as a record holder and not a beneficial holder and so by SEC definition companies could claim far fewer *shareholders* despite no change in the actual number of real owners i.e. the beneficial shareholders.

Today shareholders have found there is additional cost if they want to become shareholders of record. Brokers and DTC now make material charges if a client (beneficial owner) requests a stock certificate. Some brokers have even erroneously told me it is no longer possible to obtain stock certificates.

Let's see how it works. If a company has 500 shareholders with stock held at a handful of -- say 25 brokerage firms -- and 10 shareholders with certificates in their names, they are relieved from reporting requirements as under the regulations there are only 35 holders of record. Commencing January 1, 2009 the Depository Trust Company and its broker members have made it even more difficult for shareholders to register stock in their own names. A person buying stock and having it put into his/her name is almost an extinct practice at this point. Some firms now charge $100 (I was just informed that Goldman Sachs has a $200 charge) to register stock assuming they will even do it at all. Therefore, hundreds, and perhaps thousands, of public companies have escaped SEC regulation and *"gone private"*, the so called *"gone dark"*, even though they have many hundreds of shareholders and in fact have more than 300 beneficial shareholders -- the level below which they are permitted to de-register from the SEC -- strictly due to the disenfranchising enabling technicality of counting a "shareholder" as one which is *"of record"* and excluding all the *"beneficial shareholders"* who are the corporations owners.

My suggestion nineteen years ago was to remedy the damage real and potential with the stroke of the pen by merely substituting *"beneficial"* for *"record"* in defining *"shareholder."* I urged the SEC to merely make a one word change in its definition. The SEC has for decades now refused and we have since seen and suffered all the damage that has occurred in the last twenty years and is ongoing as we speak. I again urge you to do the right thing and make the appropriate change now today. Change record holders to beneficial holder or direct nominees to look all the way through brokers and others for whom they hold stocks and bonds too, to the beneficial owners.

Thank you very much for your prompt attention to this very important matter.

By all means please call me please call me to discuss further or if you have any questions. I will very much appreciate hearing from you

Warmly,

Lawrence J. Goldstein

L.J. GOLDSTEIN & COMPANY
INCORPORATED
230 PARK AVENUE
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212-661-0732

March 28, 1990

The Honorable Richard Breeden
Chairman
Securities and Exchange Commission
450 Fifth Street, N.W.
Judiciary Plaza
Washington, D.C. 20549

Dear Sir:

I believe the time has finally arrived to recommend to the Congress a small change be made in the language of Section 12(g) of the Securities and Exchange Act of 1934.

Unless the change suggested herein is made, the number of major U. S. corporations terminating registration of their securities will accelerate.

I am enclosing a fairly complete file of correspondence on the subject of "who is a shareholder".

Under the Securities and Exchange Act of 1934, Section 12(g), a public company may terminate its registration if it certifies that the number of its shareholders has fallen below 300.

The Act defines a stockholder as a "holder of record".

With the aid of computers the entire investment community, including banks and brokers, has made a concerted effort, encouraged by the SEC itself, to reduce paperwork. One key result has been that the use of a small number of nominees to replace substantial numbers of beneficial owners as holders of record has become widespread.

The entire stock brokerage industry, for example, essentially uses a <u>single nominee as the holder of record</u> for all of the industry's clients who are the real, <u>beneficial</u> owners of securities. (The most frequently used nominee by that community is CEDE & Company, the Central Depository.)

Consequently, while a company could have hundreds or thousands of shareholders, they only know of one record holder, in this instance, CEDE.

Once a company certifies (on a one page form) that it has fallen below 300 record holders, that company may stop filing quarterly (10-Q) and annual (10-K) reports, and may cease soliciting proxies. In short, they may stop providing shareholders, the public and the government with important information.

I have had many experiences where companies with 500 or 600 beneficial shareholders suddenly are able to de-register by claiming they had fewer than 300 record shareholders. Even though I have been able to provide documentary evidence to both the company and the SEC that the company really had in excess of 300 beneficial holders, the company is able to say, "sorry, record holder is what counts; no information for you any more".

As the enclosed article, "Now you See the Junk, Now you Don't" on page 40 of Business Week, April 2, 1990, suggests, it now looks like a much larger ox is being gored than might be imagined. A lot of well-known companies apparently have just begun to use this "loophole" rule with regard to who is a holder. For them, a record holder means everything while beneficial owner means nothing.

I can see no reason for the government and security holders to be cut off from information, and investors to be disenfranchised simply because the use of nominees to reduce paperwork, etc., has been encouraged by the Commission and become the norm in the 1980's and 1990's.

I believe that the Securities and Exchange Act of 1934, Section 12(g), should be amended to require companies to continue to be registered with the SEC if they have 300 or more beneficial holders as opposed to record holders.

Incidentally, the rule is really a peculiar one because, as I understand it, the way it now reads, while a company may de-register if it falls below 300 holders, it isn't required to re-register until it has more than 500 holders. As a result, while "everyone" thinks that only companies with fewer than 300 holders don't have to report, there are numerous publicly traded companies with as many as 499 holders that also are not reporting companies.

Every company that has public shareholders and securities traded in the stock market, even if "stock market" means over-the-counter in the Pink Sheets, even if the shares are closely held and inactively traded, should have to provide 10-Q's and 10-K's and meet proxy disclosure requirements as promulgated by the SEC.

We pride ourselves in this country on having the best securities markets and the best flow of information in the world. This loophole in Section 12(g) more and more is being used to eliminate the SEC standards of full disclosure and negatively impact the high regard which the U.S. markets enjoy the world over.

I originally started to bring this issue to the attention of the Securities and Exchange Commission, New York and American Stock Exchanges, National Association of Securities Dealers and the Securities Industry Association, and others in the fall of 1988.

The spark that ignited my efforts was the decision of Gray Communications Systems, Inc. to de-register in October 1988. They claimed that they fell well under 300 holders. I provided them with documentary evidence that they had well in excess of 300 stockholders. Of course, the operative word for them was record holder while for me it was beneficial holder.

Gray Communications, incidentally, owns newspapers and television stations. I found it ironic that such an enterprise which is obviously interested in reporting information to the public, decided to cut off the information flow about itself. In this instance, it affected all shareholders negatively because not only did the information flow fall dramatically, but the market for the company's shares has virtually disappeared. None of this would have happened if the SEC Rule had been based on beneficial holders.

I suspect if this change (from "holder of record" to "beneficial owner") was made, some of the companies in the Business Week article would find that they have more than 300 security holders.

My point is that there is a much larger constituency that now should have some concern about an antiquated rule, and this includes Congress which has concerned itself with the whole junk bond phenomenon.

"Record holder" was almost synonymous with "security holder" in the 1930's when the Act was written and it needs to be changed to "beneficial owner" in the automated 1990's. There is no reason not to make this change since the spirit of the SEC Rule, if not the Rule itself, is being violated, to the detriment of the government, the public, investors and the securities markets.

I believe any problems that might be associated with requiring companies to identify all beneficial holders can be simply and easily overcome.

I hope you will give this matter serious and prompt attention. I would appreciate your letting me know what you will do.

Sincerely,

Lawrence J. Goldstein

LJG:jbn
Encl.

U.S. House of Representatives
Committee on Energy and Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515

June 13, 1990

The Honorable Richard C. Breeden
Chairman
Securities and Exchange Commission
450 Fifth Street, N. W.
Washington, D. C. 20549

Dear Chairman Breeden:

This is with reference to the enclosed correspondence to Representative Lowey concerning the ability of highly leveraged companies to hide public disclosure of their debt by taking advantage of a loophole in the Securities Exchange Act of 1934.

Please have someone look into this inquiry and advise us of your findings by the close of business on Friday, July 27, 1990.

Thank you for your cooperation and attention to this request.

Sincerely,

JOHN D. DINGELL
CHAIRMAN

Enclosure

cc: The Honorable Nita N. Lowey
Subcommittee on Telecommunications and Finance

L.J. GOLDSTEIN & COMPANY
INCORPORATED
230 PARK AVENUE
NEW YORK, NY 10169

212-661-0732

June 1, 1990

Mrs. Mary E.T. Beach
Associate Director
Securities and Exchange Commission
Division of Corporation Finance
Washington, D.C. 20549

Dear Mrs. Beach:

As you know, I have tried many times to reach you by telephone since receiving your letter of May 7th.

I know you did return one of my calls when I was out to lunch one day. I would like to speak with you.

The NASD, in administering the operation of the NASDAQ system, utilizes a "beneficial holder" standard for meeting criteria for inclusion in NASDAQ (see Part II, Section 1(5) of Schedule D of the NASD By-Laws).

Why can't the Securities and Exchange Commission move promptly to amend Section 12(g)(4) of the Securities and Exchange Act of 1934 by replacing the words "holders of record" with the words "beneficial holders", thereby modernizing the Rule and joining with the NASD which has already seen fit to do so?

Please be assured that I appreciate your considering my suggestion. However, I think you can understand that I would like to have some sense of whether you are willing to put this on the front burner and deal with it sooner rather than later.

I would also like to point out to you that making the suggested change from "holder of record" to "beneficial holder" ties in very nicely with the Commission's approval of the OTC Bulletin Board Display Service which I understand is effective today on Levels II and III. It is paradoxical that in adopting the OTC Bulletin Board, the NASD, with the full support and approval of the Commission, has taken a step forward with regard to improving marketability for a very substantial number of stocks of companies which have ceased to be filers with the Commission. In many instances these companies were permitted to deregister because of the definition of shareholders.

In effect, the Commission is now encouraging trading in securities for which there are no reporting requirements. Indeed there is no dissemination of information. This is a far cry from the "full disclosure" that the Commission normally requires of companies whose shares are permitted to trade in the United States.

Sincerely,

Lawrence J. Goldstein

LJG:jbn

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

June 15, 1990

Mr. Lawrence J. Goldstein
L.J. Goldstein & Company, Incorporated
230 Park Avenue
New York, New York 10169

Dear Mr. Goldstein:

Thank you for your letter of June 1, 1990, in which you reaffirm your desire that the Commission make certain legislative proposals to Congress regarding reporting requirements for public companies. Because we have had difficulty reaching each other by phone, I am responding by letter.

In your most recent letter, you state that you believe a paradox exists in that the Commission has recently approved a system implemented by the National Association of Securities Dealers which you assert improves the marketability of a substantial number of stocks issued by companies which have ceased to file reports with the Commission because they have been allowed to deregister pursuant to Section 12(g). As you know, the NASD's OTC Bulletin Board represents the automation of a system which has existed for many years and its implementation does not relieve issuers that list their securities through that medium of any obligation under the federal securities laws that existed previously. The same information still must be made available by market makers before a given security may be listed on the Bulletin Board, including information regarding Section 12(g) companies.

You also ask why the Commission cannot move promptly to modernize Section 12(g)(4) of the Securities Exchange Act of 1934 by replacing the words "holders of record" with the words "beneficial holders," thereby reflecting policies already implemented by the NASD in its By-Laws. As I indicated in response to your letter of March 28, 1990, your suggestions will be given consideration by this Division and will not be forgotten as we move forward with our responsibility to ensure full and adequate disclosure pursuant to the federal securities laws.

Thank you again for you communications.

Sincerely,

Mary E.T. Beach
Associate Director

L.J. GOLDSTEIN & COMPANY
INCORPORATED
230 PARK AVENUE
NEW YORK, NY 10169

212-661-0732

June 25, 1990

Mrs. Mary E.T. Beach
Associate Director
Securities and Exchange Commission
Division of Corporate Finance
Washington, D.C. 20549

Dear Mrs. Beach:

Thank you for your letter of June 15, 1990 in which you responded to my letter of June 1, 1990.

I would like to clarify my point with regard to the OTC Bulletin Board.

Yes, it automates an existing system - "pink sheet trading". However, if you accept as true the assertion that marketability of a substantial number of stocks issued by companies which have ceased to file reports with the Commission has improved, (and this has been the case as there are numerous instances in which firm bids and offers have already replaced pink sheet "indications" and "workout" quotes, and spreads between bids and offers have also narrowed. It is my understanding that the volume of transactions has also picked up.) then you have the paradox which I described.

Large numbers of issuers who are not subject to Commission regulation, do not file 10-K's or 10-Q's, do not solicit proxies and provide little or no information whatever to shareholders, are now seeing an improved market for their securities.

I will be very glad to discuss specific situations with you if you are interested.

It seems to me that what we are witnessing is a Securities and Exchange Commission approved market system in which trading has been both facilitated and improved without issuers having a requirement to provide information to shareholders. While this may not have been the intent, it is nevertheless the real world effect.

I had thought that the Commission required full disclosure from companies whose shares are permitted to trade in the United States. Was I wrong?

Also, I want you to know that I am pleased that you will see fit to give consideration to my suggestion to modernize Section 12(g)(4) of the Securities Exchange Act of 1934 by replacing the words "holders of record" with the words "beneficial holders".

I would like to know if there is anything I can do to assist you in this matter and when you will, as you say, "move forward"?

Thank you again for your prompt attention to these matters.

Sincerely,

Lawrence J. Goldstein

LJG:jbn
Encl.