

OFFICE OF COMPTROLLER
DEPARTMENT OF BANKING AND FINANCE
STATE OF FLORIDA
TALLAHASSEE
32301

December 7, 1988

Dear Member:

Enclosed is a package of information regarding penny stocks.

This topic will be discussed during at least two portions of the Winter Enforcement Meeting in California. Please note that the session on Saturday, January 14, from 1 to 3 p.m. will include Joe Goldstein of the Securities and Exchange Commission. He has been designated their national coordinator for SEC and state efforts involving penny stocks.

The enclosed material has been divided into sections. The first is an overview of the over the counter markets, including penny stocks, and how they function. Another section deals with newsletters and how they are involved in, or are used to manipulate, the penny stock market. The third portion delineates the violations that are usually found in examinations of firms involved in these trades. We have also included four Florida lists. These are: recent penny stock firm actions, recent penny stock associated person actions, a compilation of the results of examinations of these firms, and a list of known penny stock firms. Finally, there are some suggested answers for the normal questions involving penny stocks. (Please treat the specifics of the newsletter section as "confidential," although the methods of manipulation can certainly be openly discussed.)

We anticipate the California meeting will include a discussion of these topics as well as the solicitation of suggestions regarding enforcement methodology, both by the states and the SEC.

It would be appreciated if you would prepare a summary of the penny stock situation within your jurisdiction and submit it to me in California or via mail prior to that date. This information will be compiled and used by both NASAA and the SEC in determining the current magnitude of the penny stock problem throughout the country, as well as in public relations activities.

Your attention and cooperation is appreciated.

Sincerely,

L. H. Fuchs

LHF/ljs

Enclosures [Enclosures not included]