

Reevaluating Congressional Research Service: Examining the MMTLP Meme Stock Controversy and the Concerning FINRA Trading Halt

August 24, 2023

Amid the unfolding discourse surrounding MMTLP, it becomes increasingly apparent that the situation surpasses its initial perception in both intricacy and gravity. Given the ongoing nature of this issue, **which has persisted for 259 days without resolution**, it is a stark reminder that substantial gaps and vulnerabilities persist even within what is meant to be one of the most stringently regulated securities markets globally. This pressing concern underscores the necessity for a formal congressional hearing, especially in the face of an issue that has been prolonged for an extensive period without effective resolution.

This prolonged ordeal has left investors in purgatorial limbo, trapped without legitimate shares of Next Bridge Hydrocarbons and yet devoid of the funds invested. This precarious situation exemplifies the urgency to address the matter head-on, seeking comprehensive solutions that restore confidence, rectify the wrongs, and ensure investor protection within the marketplace.

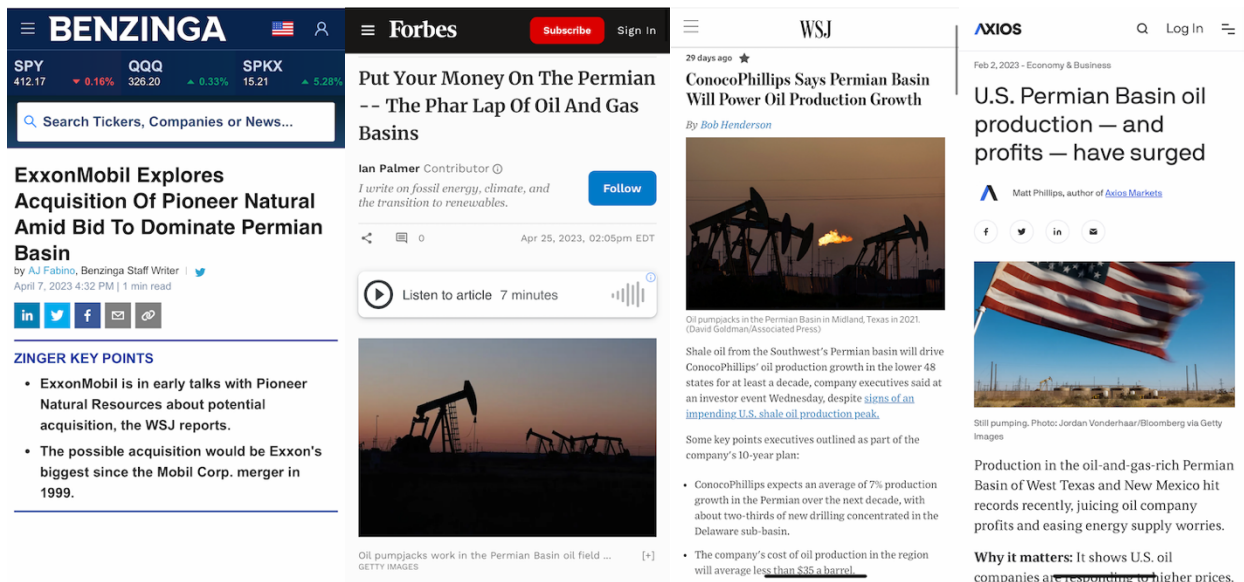
It is essential to emphasize that the CRS report fails to address pivotal details that would significantly illuminate the circumstances at hand. These crucial omissions overlook vital insights imperative to grasp the situation's complexity comprehensively.

A Broader Perspective on Meme Stocks:

The CRS report's characterization of meme stocks as primarily deriving their value from social media speculation is oversimplified. Like all stocks, Meme stocks are influenced by a myriad of factors, from company performance to macroeconomic conditions. **Social media amplifies both positive and negative investor sentiment, but it's reductionist to suggest that social media is the primary driver.** The unique nature of MMTLP's situation exemplifies the need for nuanced analyses considering the complexities beyond social media influence.

Furthermore, it's crucial to clarify that the trading trajectory of MMTLP was far from a typical meme stock scenario. Retail investors did not artificially inflate the stock's value through coordinated actions, as seen in some meme stock instances. **MMTLP wasn't originally intended to be traded as a stock; it was a preferred share dividend issued to shareholders of TRCH (Torchlight Energy Resources) in June 2021.** The subsequent developments and trading activity surrounding MMTLP were rooted in the intricacies of its corporate actions and ownership rights.

The intrinsic value of MMTLP is deeply linked to its representation of ownership rights to a substantial onshore oil discovery in the Texas Permian Basin, an asset with significant value according to reputable sources like the Wall Street Journal, Forbes, and Axios. Dismissing MMTLP shares as "worthless" overlooks the substantial value inherent in the assets held by Next Bridge Hydrocarbons (formerly MMTLP), which are far from negligible. (Figure 1)



The screenshot displays four news articles related to the Permian Basin oil production and ExxonMobil's acquisition of Pioneer Natural Resources. The articles are from Benzinga, Forbes, WSJ, and Axios.

Benzinga: "ExxonMobil Explores Acquisition Of Pioneer Natural Amid Bid To Dominate Permian Basin" by AJ Fabino, Benzinga Staff Writer | April 7, 2023 4:32 PM | 1 min read. ZINGER KEY POINTS:

- ExxonMobil is in early talks with Pioneer Natural Resources about potential acquisition, the WSJ reports.
- The possible acquisition would be Exxon's biggest since the Mobil Corp. merger in 1999.

Forbes: "Put Your Money On The Permian -- The Phar Lap Of Oil And Gas Basins" by Ian Palmer, Contributor. I write on fossil energy, climate, and the transition to renewables. Apr 25, 2023, 02:05pm EDT. Listen to article 7 minutes.

WSJ: "ConocoPhillips Says Permian Basin Will Power Oil Production Growth" by Bob Henderson. Oil pumpjacks in the Permian Basin in Midland, Texas in 2021. (David Goldman/Associated Press). Shale oil from the Southwest's Permian basin will drive ConocoPhillips' oil production growth in the lower 48 states for at least a decade, company executives said at an investor event Wednesday, despite signs of an impending U.S. shale oil production peak. Some key points executives outlined as part of the company's 10-year plan:

- ConocoPhillips expects an average of 7% production growth in the Permian over the next decade, with about two-thirds of new drilling concentrated in the Delaware sub-basin.
- The company's cost of oil production in the region will average less than \$35 a barrel.

Axios: "U.S. Permian Basin oil production — and profits — have surged" by Matt Phillips, author of Axios Markets. Feb 2, 2023 - Economy & Business. Still pumping. Photo: Jordan Vonderhaar/Bloomberg via Getty Images. Production in the oil-and-gas-rich Permian Basin of West Texas and New Mexico hit records recently, juicing oil company profits and easing energy supply worries. Why it matters: It shows U.S. oil companies are responding to higher prices.

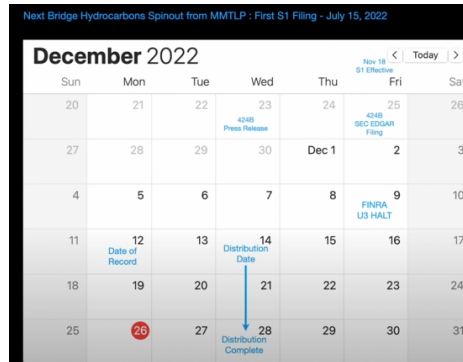
Mismanagement of Share Trading Authorization:

The fact that MMTLP, originally meant to be a non-tradable asset, was traded on the OTC market without proper authorization raises severe concerns about market oversight and regulatory controls. The unauthorized trading of MMTLP for over a year is not a typical case of meme stock trading driven by social media discussions but rather a significant breach of regulatory protocols. This challenges the assumptions often associated with meme stock trading and points to a deeper problem within the regulatory framework.

Regulatory Failures and Ongoing Limbo:

While recognizing FINRA's authority under Rule 6440(a)(3), it is essential to underscore the concerns and alarms raised by retail investors about the implementation of the trading halt. **Meta Materials Inc (MMAT) meticulously navigated a rigorous regulatory process for the spinout of MMTLP**, involving a series of filings, including an initial S1 filing on July 15, 2022, followed by **four subsequent amendment filings**.

Significantly, the SEC approved this process on November 18, 2022. The SEC-approved S1 explicitly outlined the impending cessation of MMTLP's existence, paving the way for its transformation into Next Bridge Hydrocarbons, Inc., a private entity. The proposed conversion operated on a straightforward 1:1 ratio, facilitating an equitable exchange for MMTLP shareholders. This structural blueprint was further anchored in specific dates: a record date of December 12th and a distribution date of December 14th, with all distributions needing to be completed by December 28th. **This allowed for a balanced two-week period to enable settlement and clearance of the new shares based on a 1:1 conversion. (Figure 2)**



Of notable significance is the fact that the information about MMTLP's transition to a private entity was public and known for over a year, given the well-coordinated filing process undertaken by MMAT and the subsequent SEC approval. Therefore, using a rare "U3 Halt" on December 8th, categorized as an "extraordinary event," raises valid questions about the appropriateness and necessity of such a measure. Just days before the scheduled cancellation and conversion of MMTLP shares, the halt's timing appears incongruent with the well-established knowledge and anticipation surrounding the spinout. This abrupt halt deprived investors of the opportunity for fair market value determination of their shares, introducing an element of market disruption and investor unease.

This sequence of events raises fundamental concerns about regulatory efficiency and investor protection.

Clarifying MMTLP's Creation, Listing, Deletion, and Conversion:

While the CRS report provides a comprehensive timeline of MMTLP's creation, listing, deletion, and conversion, it falls short of acknowledging the intricate dynamics that unfolded during this process. Addressing the implications of FINRA's actions and assertions within this context is crucial.

The report's representation of FINRA's belief that MMTLP shareholders settling after the record date would receive zero value from Next Bridge Hydrocarbons overlooks a critical consideration. The concept of "Position Close Only trading," a widely recognized practice, allows for closing short positions before a spin-off, permitting shareholders to sell their shares and realize their intended value. The absence of such a provision disproportionately impacted shareholders who purchased shares intending to sell before the record date. This unfortunate consequence resulted in the devaluation of shares from approximately \$10 on December 6th to \$2.90, raising concerns of potential price manipulation and a coordinated effort to halt trading before shorted positions were required to close.

Furthermore, the report mentions the potential for Next Bridge shares to become listed and tradable upon receiving a new trading symbol. While opening trading is an option, it is essential to recognize that Next Bridge Hydrocarbons has expressed no intention to become publicly tradable, a decision that should be respected. Instead of obligating Next Bridge to public trading, an alternative approach could address the issue of shorted positions in the private company. **By aggregating and auditing share counts from all brokers and American Stock Transfer & Trust Company, LLC (AST),** Next Bridge Hydrocarbons could ascertain the presence of shorted positions within its ranks. Under the guidance of the Securities

and Exchange Commission (SEC), Next Bridge could initiate a targeted two-day trading event in a 'Position Close Only' format. This event would necessitate brokerages to margin-call shorted positions, rectifying the unintended consequences of FINRA's decision to halt trading prematurely.

A Nuanced Perspective on Short Selling and Trading Dynamics:

While the report provides a succinct overview of short selling and the concept of a 'short squeeze,' it's essential to recognize that trading dynamics are influenced by a wide range of strategies investors employ, including momentum trading, swing trading, and fundamental analysis. Attempting to attribute the motivations of retail traders solely to a potential short squeeze oversimplifies the complexities of investment decisions made by individuals with varying strategies.

Contrary to the suggestion that retail traders primarily targeted MMTLP for a short squeeze, it's crucial to note that MMTLP was initially a preferred dividend designed to be non-tradable. Retail investors' interest in MMTLP arose when they recognized the opportunity to invest in a preferred dividend linked to valuable oil assets in the Permian Basin. This connection to substantial oil resources is a compelling reason for investor interest rather than a blanket assumption of speculative short-squeezing.

The absence of a pronounced MMTLP short squeeze can be attributed to various factors, including the unanticipated timing of the FINRA trading halt, which disrupted the potential for a last-minute gain. **Many shareholders of MMTLP received corporate action notices indicating the expectation of two final days of trading in 'Position Close Only' format, reinforcing the notion that no short squeeze opportunity was realized due to the halt.** Broker-dealers adapting their operational conversions to accept Next Bridge shares does not necessarily translate to the complete closure of short positions but rather points to the potential presence of illegal short positions within a private company.

Moreover, the allotted number of Next Bridge Hydrocarbons shares aligns precisely with the one-for-one spin-off ratio from MMTLP, indicating that no additional shares were available for purchase by short positions during the spin-off. This data reinforces the notion that the trading halt, rather than facilitating a short squeeze, potentially pointed to the existence of illegal short positions within the private company's structure.

Urgent Need for Transparency, Accountability, and Answers:

The situation surrounding MMTLP becomes even more disconcerting when considering the emerging evidence that challenges the narrative presented by regulatory bodies. **Emails obtained through a FOIA request reveal that FINRA was well aware of the issues surrounding MMTLP as early as November 2021, raising questions about their handling of the matter. These emails also indicate that FINRA requested the "Blue Sheets" from all involved firms on December 5th, 2022—four days before they initiated the trading halt. The timing of these actions, in light of the ongoing situation, suggests the possibility of undisclosed motives and raises concerns of intentional concealment.**

Such actions undermine the credibility of regulatory oversight and further reinforce the perception that broker-dealers and other parties might have engaged in wrongful practices. This is particularly troubling given the potential consequences investors have faced, including financial losses that have led to dire circumstances such as lost homes and health problems caused by stress.

The situation also brings to light the alleged sale of counterfeit shares of MMTLP to the public by market makers through broker-dealers. The implications of such actions extend beyond mere market manipulation—they directly threaten the stability of our financial markets and even national security.

The trading halt imposed by FINRA disrupted the normal functioning of the market, resulting in significant losses for retail investors. If the halt indeed served a necessary purpose. In that case, it demands an explanation as to why it was implemented in a manner that seemingly disregarded the rights and interests of retail investors.

To ensure a fair resolution, the outstanding shares of MMTLP must be reconciled to the authorized amount through transparent means. This could involve utilizing the market and adhering to a predetermined trading period approved by the SEC in the S1 filing. However, this process must be under strict, independent oversight to prevent any possibility of market manipulation.

We strongly emphasize the need for prompt and definitive steps to elevate the significance of this matter. **Utilizing subpoena powers to procure Electronic Blue Sheet Data for MMTLP and all pertinent emails related to the matter—between FINRA, the SEC, and broker-dealers—is a crucial step toward shedding light on potential wrongdoing, ensuring transparency, and upholding the interests of MMTLP shareholders.**

The urgency of addressing this situation transcends individual losses—it strikes at the heart of maintaining our national security, preserving market integrity, and safeguarding the rights of everyday investors.

Author Information

Fair Markets Now is a community-driven organization started by members directly affected by the irregularities surrounding MMTLP. Our mission is to advocate for fair treatment and equal access for retail traders in the equity markets. All investors should have a level playing field regardless of their size or resources. We aim to hold hedge funds, shorts, market makers, and brokers accountable for their actions and ensure they adhere to the same regulations as other market participants. By advocating for the enforcement of existing rules and penalties for rule breakers, we strive to create a transparent and equitable market for everyone.