

Dear SEC:

I would like to comment on Rule # S7-31-08.

I'll preface my comments with a little about my background on myself. I have a business degree from Wharton and a Ph.D. in a biostatistics-related field from the University of North Carolina. I am a well informed investor as regards the stock market's usual tools of investment including options and hedging strategies. I am writing to comment on this rule, because I am particularly concerned about naked short selling which targets small biotechnology companies, a favorite target for hedge funds. As regards biotechnology, I am also a very well informed expert in the whole process of interpreting medical clinical trial results, applying for FDA licensure for new drugs etc. as I have worked in this industry for over 11 years. I am therefore quite astute in investing in biotechnology stocks, and in particular, I invested in a small company called Dendreon in 2002.

However, since 2004, when a surge of short selling occurred in this stock through to today, I have observed chronic manipulation of this stock, chronic naked short selling. It is with this in mind, that I am sending you my comments as follows:

1) NSS is not necessarily a sudden and acute attack on a stock, as you describe it. It is a pervasive, long-term and thus chronic attack on a company by hedge funds

- A company like Dendreon, has suffered from weekly if not daily, failed-to-delivers over the past 4 years. It has at times been on the RegSHO list for over a year, and is currently on it for 160 days. The NSS attacks on Dendreon are chronic and result in a chronic choking off of the company's likely avenues of finance.
- Dendreon Corp could very well be one of the most manipulated stocks in the NASDAQ. The company has 92 million shares authorized and outstanding. However if you look at the January 2009 Open Option Interest on the puts on the \$2.50 through \$15 strike there are 761,000 contracts which equal 761 million shares the market makers have created/counterfeited out of thin air. Keep in mind that this is just for one month and just for the puts. If you take in account all of the open option interest in all months together with the 33+ million shares that are legally short, not too mention the the fact that Dendreon Corp has been on the Reg Sho List for well over a year due to chronic fail-to-delivers, then one could roughly guess that nearly 1 billion shares are floating around in the market place. How can a Company with 92 Million Shares authorized, have over a billion shares floating around in the market place? How can a small company with 200 employees, and a market capitalization of \$400,000,000 witness a daily turnover of stock on average of 1,500,000 when companies of similar size in the same industry have an average of 200,000 shares traded daily? Even a company like Genentech usually only has about 3,000,000 shares traded daily.

2) NSS schemes focus specifically on the biotech field because of the ample opportunity to spread fear, uncertainty and doubt given the highly technical nature of the industry i.e. clinical trial-biostatistics-medical science nature of the news flow for this sector, enabling NSS pros to easily use short/distort schemes. Therefore the SEC should focus now on the RegSHO biotech stocks and investigate and prosecute immediately the criminal hedgies shorting DNDN with NSS.

- There are numerous small biotechnology companies on the RegSHO list and the small biotechnology sector is one group that is easily targeted by short and distort schemes. This is because of the abstruse nature of the publicly available information about these companies, in particular, information arising from drug clinical trial data. This data is highly scientific and difficult for laypeople to understand, as a result, it is easy for others to manipulate or misrepresent, with severe implications i.e. publication of one single negative clinical trial results can easily result in a small biotechnology company losing 90% of its stock value in one day. Manipulation/misrepresentation, even to a very small degree, can thus result in a loss of confidence in a company. Thus, hedge funds bent on NSS, can easily profit from short/distort schemes in this area.

3) Financial journalists and financial analysts can certainly be party to these illegal abusive trading practices, as enablers of short and distort schemes, are thus should be prosecuted under these or other SEC rules

- Short and distort schemes rely on some vehicle for delivering the 'distort' message. Financial journalists are an easy vehicle. So are financial analysts. Collusion between hedge funds and these two parties should be covered under this or some other SEC rule regarding naked short selling practices.

4) Shareholders have little to no recourse, thus, the SEC needs to prosecute vigorously

- Shareholders do not have access to the type of data on trading and settlements that would allow us to bring legal cases against hedge funds. Therefore we are completely reliant on the SEC to protect our interests.

5) confidence in the fairness of the US market has deteriorated, and without some immediate SEC prosecution of illegal hedge fund activity, trust in the the NYSE, NASDAQ or any other US based stock market cannot be reestablished

- It is absolutely critical for the SEC to restore confidence and trust in the US markets. Chairman Cox has taken the very important step of publicly decrying

abusive naked short selling and instituting rules to tighten up enforcement.

However, until the US public and the world public actually see that these rules are being enforced, confidence will not be restored. Therefore, it is imperative that the SEC move quickly and responsibly to identify very winnable legal enforcement cases against perpetrators of these practices. It is important for an investigation to proceed quickly towards bringing an actual case against a hedge fund that is perpetrating these trading practices. The legal case needs to be of a significant scale of manipulation to garner publicity, not some small-change dealer who sold a few thousand shares short and failed to deliver, but something along the lines of several million share sold naked short.

6) The case of illegal NSS in Dendreon would be a perfect 'poster child' for the SEC

- I think the American public would react very favorably to an SEC announcement indicating that a case was being brought against a large hedge fund for illegal abusive NSS against a small biotechnology that happened to be on the verge of a medical breakthrough in the treatment of prostate cancer.

Thank you,

Jim Doherty Ph.D.