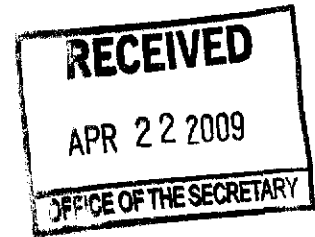


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April 10, 2009

Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-0609
Attn.: Elizabeth M. Murphy, Secretary

Re: Comment on Proposed Changes to Short Sale Rules

Dear Sirs:

I am submitting this comment in my capacity as an individual investor. I trade my personal account from a computer in my home office. Other than that, I am engaged in the business of building and construction in New York State.

I am writing this letter in order to refute the lies and distortions about short selling of common stock perpetuated by a small army of professional investors that has controlled the dialog to date on this important topic.

First, I would like to offer my conclusions, as follows:

- (1) The only legitimate use of short selling of common stock in our capital markets is to assist market makers in the maintenance of orderly markets, and therefore the practice should be used only by legitimate market makers and only for this one purpose.
- (2) Other investors seeking to act on their bearish sentiment about a company can sell the shares they already own, buy puts or write calls to whatever extent they choose without disrupting the actual market for that company's common stock.
- (3) If permitted at all, short sales should be *disfavored* in the regulatory scheme and should be constrained by two specific requirements: short sales should only be initiated on a true uptick (i.e., not on a "zero plus" tick), and covering of a short sale should only be permitted on a true *downtick*.
- (4) Naked short sales should be permitted only in furtherance of legitimate market making, and market makers should be subject to strict requirements as to when either a borrowing of stock or a covering of the short sale must occur. The rules on naked short selling should be strictly enforced.

Second, I would like to expose the principal myths that have been propagated by short selling's apologists.

Myth #1 is that short sellers provide valuable research identifying flaws in companies that would otherwise go undetected. In my view, there is no reason to believe that a short seller as such, as opposed to any investor who is seeking to find the truth about a company, is going to be more adept at identifying a company's hidden flaw. What is true, however, is that a short seller has a

motive to trumpet the flaw to the rest of the world in the hopes of driving down the company's stock price, whether or not the flaw, if it exists at all, is meaningful or is already known.

Myth #2 is that short sellers provide valuable liquidity to the market. In my view, short sellers actually sap liquidity from the market, particularly in the markets for smaller companies where liquidity is already an issue. The presence of short sellers for a company often drives away potential investors who would otherwise buy a company's shares, since they fear that the market price for the shares cannot withstand a sustained barrage of shorting.

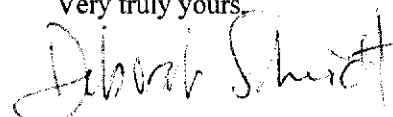
Myth #3 is that shorting is desirable because it creates a reservoir of inevitable buyers who will eventually cover their short positions. In my view, short covering does constitute "buying" of a sort, but when it moves the price of a company's shares at all, the move is transitory at best and if anything is more a distortion of the stock price than a true reflection of a change in value or in the perception of value by investors.

Third, I would like to identify the evils of short selling of common stock and why the practice should be strictly limited if permitted at all. To be clear, my views relate to the short selling of common stock only and are inapplicable to short selling in the commodities and futures markets.

- (1) Short selling is extremely disruptive for companies that need to finance, for reasons too numerous to explain, and this problem is especially acute for smaller companies at an early stage of development. Since small business is the primary U.S. employment engine, the U.S. can ill afford this unnecessary obstacle to successful financings that a small businesses desperately need.
- (2) Few companies are so flawless that they have no meat at all on which the short sellers can feed, and companies are few that can withstand the destructive power of a large and coordinated bear raid. Flaws are corporate problems that management may need to address and, if possible, solve, and over the long term, if management fails, the stock price will eventually come to reflect that failure.
- (3) In my view, efficient pricing of common shares does not occur as a result of short selling, but instead, it causes a destruction of value. In a world without short selling, a stock has a price, and in a world with short selling, that same stock also has a price, but it is not the same price. To me, it is self-evident that the price will almost always be lower in a world that permits short selling. There is no reason why we as a country need to suffer this unnecessary loss of aggregate market capitalization so as to accommodate the needs of a wealthy few that has other less-destructive ways to act on their bearish sentiments.

Finally, I would like to discuss my proposed solution to the short selling problem. Reintroduction of the uptick rule has been amply discussed elsewhere, but I would like to suggest that a downtick rule on covering a short sale would also be desirable, since it would prevent wild but transitory short covering rallies that mislead small investors who rely on the stock price itself as an indicator of value. Additionally, it would reduce the amount of short selling, since short sellers would have to factor in the additional risk that covering may be too difficult if something positive for the company (and hence for the country) occurs.

Very truly yours,



Deborah L. Schmidt