

Subject: File No. S7-12-06

This is a CORRECTED REVISION of the August 2, 2006 submission. Replaces multiple instances of the word “shorting” with “naked shorting”, and addresses two grammatical errors.

August 7, 2006

As a long time investor, I strongly support revocation of the "grandfather clause" in Regulation SHO.

The assumed practice of borrowing shares for naked shorting is inherently unfair to investors who purchase stock long. It forces them to surrender their private property, for potentially harmful purpose, to others who make no similar up front financial commitment. Such naked shorting practice is especially egregious when it is against the investor's will, perceived best interest, and may also incur loss of voting rights or dividends.

The adverse effects of naked shorting lend themselves to compounding and amplification by poorly regulated internet forums and email, where the reach and purposeful planting of fabrication or willful misrepresentation of fact can create false impressions and adverse investor reactions at electronic speeds, long before a company can react and usually beyond its ability to ariht before irreparable damage is done.

It should be made SEC law that all shares purchased long by investors are automatically excluded from placement in the lending pool for naked shorting, or any other purpose, unless their owners specifically submit to such use(s) based solely upon their informed consent and in their writing.

The SEC must also absolutely enforce strict accounting mechanisms that exactly match buys and sells in real time, to assure that the total number of shares shorted from the lending pool can never exceed the number of shares authorized by their owners to be made available for naked shorting purposes.

It is insupportable and absurd that the number of shares shorted or transacted against companies has been allowed by the SEC, and others it controls, to exceed a company's float and in some cases by many multiples of that amount. The creation of such phantom markets by the SEC, totally divorced from any measure of accounting reality and aggravated by the adverse leveraging effect of electronic trading, is damaging and potentially lethal to victim companies.

Finally, as I interpret the proposed SHO rule change, it appears to still leave as victims those companies decimated before the SHO rule by illegal short selling practices. A company that I invested in is one of them. In complete fairness to all such companies, SEC action needs to be directed at making those victimized companies and their legitimate shareholders whole again, too, not just the token handful selected for protection and benefit to date.

For three quarters of a century, the SEC has employed the best minds to maintain fair and orderly markets through laws and their enforcement. Somewhere, somehow, something unacceptable has gone wrong. I applaud the SEC's actions to undo the harm that has been done.

Respectfully submitted,