August 13, 2008

I would like to comment on upcoming changes to the “naked” shorting rules. We applaud the Commission for moving forward in this area. We believe the rules should be tightened up in several areas –

1. Restore the “uptick” rule for shorting.
2. Require those who short stocks to disclose what they are doing (no more secret shorting by hedge funds, etc.), particularly for those who hold 3 percent or more of the stock (or are shorting 3 percent or more).
3. No more shorting of stocks under $3 per share. There is no sense in driving companies totally out of business via shorting.
4. Clean up the current naked shorting lists. Require those who are “gaming” the stocks currently on the Threshold Security List (Reg. SHO) to bring these stocks off the naked short list immediately.
5. Clamp down on shorting of stocks from overseas and Canadian accounts and the smaller boards (OTC, Pink Sheets, etc.).
6. Keep a closer eye on what the dealers are doing (the market makers) in regard to shorting.

Sincerely,

Dwayne Hines II