Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission 100 F. Street, NE
Washington, DC 20549-9303
Re: Release No. 34-58773; File No. 87-30-08 -Amendment to Regulation SHO Interim Final Temporary Rule

Dear Sirs,

I offer the following suggestions and flow sheet for your consideration in legislating against abusive naked short selling (ANSS) frauds.

FIGURE "S"

THE "SELF-GENERATED LEVERAGE" (SGL) ACCESSIBLE IN A CLEARANCE AND SYSTEM SYSTEM ILLEGALLY BASED UPON MERE COLLATERALIZATION VERSUS PAYMENT (CVP)

1) ILLEGITIMATE/INTENTIONAL FAILURES TO DELIVER (IFTDs) ARE GENERATED BY SIMPLY REFUSING TO DELIVER THAT WHICH YOU SELL

↓

2) IFTDs IN TURN GENERATE READILY SELLABLE AND INCREDIBLY DAMAGING "SECURITIES ENTITLEMENTS" (THESE "ACCOUNTING MEASURES" WERE ONLY MEANT TO LAST FOR THE 2 OR 3-DAY TIME PERIOD ASSOCIATED WITH LEGITIMATE/UNINTENTIONAL DELAYS IN MAKING DELIVERY)

↓

3) THE DTCC AND NSCC MANAGEMENT UNCONSCIONABLY PROFFER TO BE "POWERLESS" TO BUY THEM IN (THE ON LY "CURE" AVAILABLE) ONCE THIS 2-3 DAY TIME PERIOD HAS BEEN EXCEEDED DESPITE THEIR CONGRESSIONAL MANDATE AND 15 SOURCES OF 'EMPOWERMENT" TO DO SO (SEE SCHED. A)

↓

4) PPS (price per share) DROPS

↓ ↓

5) COLLATERALIZATION REQUIREMENTS DROP

↓

↓

6) NON-CASH FLOW POSITIVE COMPANIES MUST SELL THAT MANY MORE "REAL" SHARES MONTHLY TO FUND THEIR MONTHLY "BURN RATE"

↓

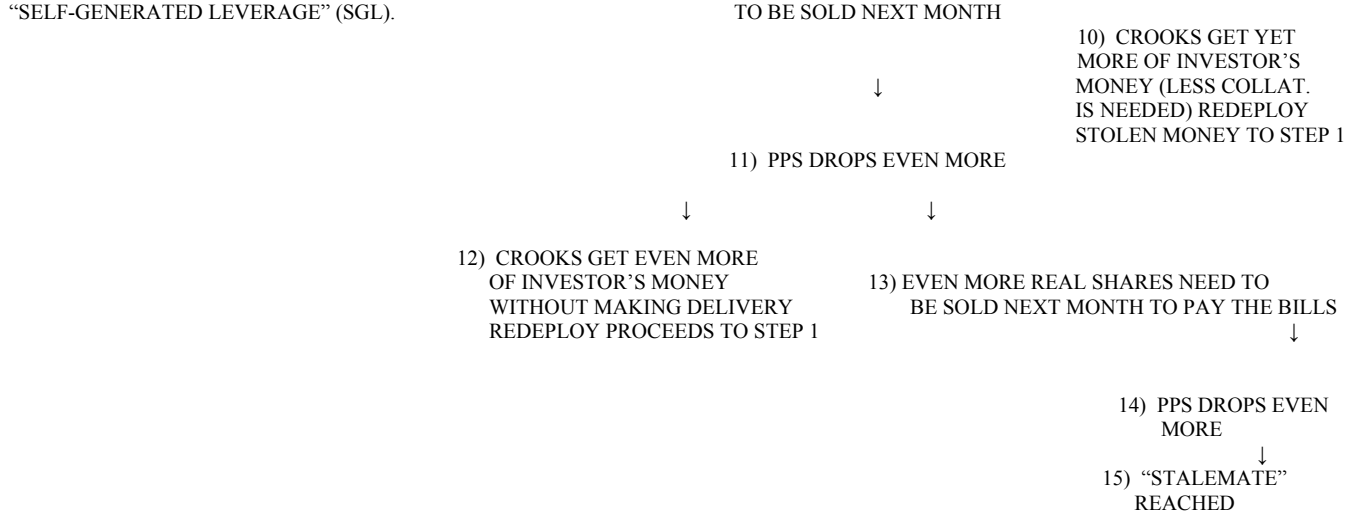
7) INVESTOR MONEY FLOWS TO THOSE REFUSING TO DELIVER WHAT THEY SELL SINCE THEY'RE ONLY ASKED TO COLLATERALIZE THIS EVER-DIMINISHING DEBT. THIS "STOLEN MONEY CAN THEN BE REDEPLOYED TO STEP 1 TO AMASS AND COLLATERALIZE THAT MUCH LARGER OF A NAKED SHORT POSITION. THIS RECYCLING OF THE STOLEN MONEY LEADS TO

8) PPS DROPS YET MORE

↓

↓

9) YET MORE REAL SHARES NEED



"STALEMATE" OCCURS WHEN THE SHARE PRICE GETS SO LOW THAT NAÏVE OPPORTUNISTIC INVESTORS SENSING A BARGAIN WILL BUY AS MANY SHARES AS THE NAKED SHORT SELLERS CARE TO SELL. ONCE THE SIZE OF A NAKED SHORT POSITION GETS TO AN ASTRONOMIC LEVEL THE NAKED SHORT SELLERS NEED TO SELL INTO PRETTY MUCH EVERY BUY ORDER THEY SEE JUST TO KEEP THEIR COLLATERALIZATION REQUIREMENTS IN CHECK BECAUSE EVEN THE TINIEST UPTICK MIGHT REPRESENT A LARGE PERCENTAGE GAIN AT EXTREMELY LOW LEVELS.

FIGURE "S"

The upshot of Figure "S" is that in a clearance and settlement system illegally converted to a foundation of mere CVP "collateralization versus payment" instead of the congressionally mandated DVP "delivery versus payment" the simple act of refusing to deliver that which you sell results in the investment funds of unknowing investors being predictably rerouted into the wallets of the "participants"/owners of this clearance and settlement system and their unregulated hedge fund "guests". These criminals are keenly aware of the unfathomable power of "self-generated leverage" (SGL) and in the absence of the NSCC management's addressing of these failed delivery obligations via buy-ins (the only known cure available when the sellers of shares absolutely refuse to deliver that which they sold) they merely continue to refuse to deliver that which they sold.

Note on the right hand side of Fig. "S" the enormous damages that can be incurred by the yet to be cash flow positive U.S. corporations that will incur damage via dilution from BOTH an excess amount of legitimate shares needing to be sold to service the monthly "burn rate" as well as the readily sellable "securities entitlements" resulting from IFTDs.

Nearly all U.S. corporations must go through this relatively defenseless development stage which renders them to be "sitting ducks" when "opportunistic" abusive naked short sellers aware of this unfathomably powerful SGL attack. Think of the DTCC as a gigantic "fraternity system" with the owners/participants being the "fraternity brothers" and U.S. development stage corporations being subjected to a mandatory "hazing" ritual while they're relatively young and defenseless.

As you look at Figure "S" try to appreciate the enormous illegal transfer of wealth it has caused and continues to facilitate. Try to appreciate the associated human pain contained therein whether it be through job losses, bankruptcies, divorces, delayed or permanently

deferred retirement plans, lost educational opportunities, hunger, etc. It's more than just another flow sheet. Figure "S" represents a financial weapon of mass destruction for U.S. families.

The accessibility of this incredibly powerful "self-generated leverage" (SGL) is what permits this heinous rerouting of funds. While designing solutions to abusive naked short selling (ANSS) frauds it needs to be kept in mind that our clearance and settlement system is so broken and so corrupt right now that a multi-disciplinary approach is going to need to be taken. The goal of any regulatory efforts in dealing with abusive naked short selling (ANSS) frauds therefore becomes to first of all understand SGL and then to deny criminal elements access to it by whatever means it takes. Using Figure "S" as the road map one can envision many different ways to deny this access.

SUGGESTED SOLUTIONS

Step 1 related solutions:

1) Don't permit intentional/illegitimate FTDs (IFTDs) to occur in the first place i.e. "prevent" their occurrence. Why? Because as it stands right now once the "securities entitlements" procreated by IFTDs enter the system the NSCC with the power and the congressional mandate to provide the only "cure" for them i.e. buy them in pretends to be "powerless" to do so. Thus "prevention" becomes the only possible approach. Again, this is not rocket science! A warning: The SEC has no history whatsoever in "preventing" fraud. They have a distinct history of "reacting" to previously established frauds AFTER their infrastructure has been laid down and AFTER enormous stores of wealth have been illegally transferred.

   With the exception of truly bona fide market makers it should be 100% obvious that we can't allow the sellers of shares to sell them UNTIL those shares are in place and ready for delivery by T+3. We tried it the other way involving putting the sellers of shares on some kind of an "honor system" and it didn't work. We need to learn from history before we repeat it once again. Self-generated leverage was too powerful and too tempting due to the insatiable levels of greed we witness daily from the Wall Street "banksters" and their unregulated hedge fund "guests". The result was the very predictable fraternity-sponsored "shooting gallery" described above. It's time to say "been there done that".

   SGL is far too damaging and far too enticing to criminal elements to continue to allow the sellers of shares to posit "trust me the certificate is in the mail". If the seller implies that the shares are only going to miss the previously agreed upon "settlement date" of T+3 by a day or two then let's just wait that day or two BEFORE allowing the sale of shares. If the seller was lieing then the "benefit" was that you just prevented a fraud. What was the "cost" if the seller was not lieing; a mere one or two day delay. The "cost/benefit" analysis pencils out nicely in favor of this policy especially when you factor in how incredibly

powerful SGL is and the previously referenced levels of insatiable greed on Wall Street.

Reg SHO's allowances for allowing a mere "locate" to be accomplished via having "reasonable grounds" to believe that shares are borrowable in order to accomplish delivery on T+3 is insane in a system based upon mere CVP amidst these ambient levels of greed. Mere nondecrementing "locates" represent an engraved invitation for fraud and the accessing of SGL and U.S. investors deserve better.

Unregulated "easy to borrow" lists are also insane. Non-decrementing "borrows" from any source are equally insane in a CVP-based system. Review the graphs at deepcapture.com illustrating FTDs as a function of share price and note how FTDs went absolutely through the roof as the share prices fell off of a cliff in certain banking stocks. Where was the protection afforded by "locates", "reasonable grounds" and "easy to borrow" lists? Those graphs tell the entire story and are a national disgrace. As it stands now when abusive DTCC participants sense weakness they're going to gang up and collectively go for the Jugular no matter how many laws they break in the process.

When the NSCC has a default policy that all FTDs are of a legitimate nature until proven otherwise and by the time "otherwise" occurs it's too late because the NSCC management is willing to pretend to be "powerless" to buy-in even IFTDs when detected then its obvious that you can't allow IFTDs to occur in the first place. Again, this is not a difficult concept! It doesn't matter that the NSCC management is lieing in order to further the financial interests of its abusive owners/participants. If that's the policy then IFTDs cannot be allowed to be procreated in the first place. One needs to legislate "around" the criminal elements that have established their "turf".

One must recall that when the congressionally mandated "immobilization" and "dematerialization" of paper-certificated shares into electronic book entries occurred in the early 1970s the difficult to counterfeit paper-certificated shares were replaced with incredibly easy to counterfeit electronic book entries. Why are they easy to counterfeit? It's because IFTDs were allowed to procreate readily sellable and incredibly damaging "securities entitlements".

Once "securities entitlements" reach an age of perhaps 2 to 3 days past the previously agreed upon "settlement date" then they become basically an act of counterfeiting. Their readily sellable nature was predicated on their being the result of legitimate/unintentional delivery delays lasting about 2 or 3 days in length. When that timeframe has been exceeded and delivery still hasn't been achieved then all bets are off and the readily sellable status needs to be done away with via mandated buy-ins. This is consistent with the NSCC's congressional mandate to "promptly settle" all securities transactions as per the '34 Act's Section 17 A.

The SEC can no longer wait for NSCC management, their greed-driven "bankster" participants and unregulated hedge funds to "find religion". You need not point an accusing finger at these conflicted SROs. They are what they are and therefore IFTDs (the "intentional/illegitimate" FTDs designed to kill corporations) and the incredibly damaging "securities entitlements" they give rise to cannot be allowed to form in the first place. One thing about the DTCC management and its participants is if nothing else they are very consistent in their actions. When investor protection butts heads with the financial interests of the abusive DTCC participants these "conflicts of interest" will be resolved in favor of the criminal elements on Wall Street. Any legislative or regulatory efforts need to keep that in mind.

2) There has to be an exception to the total banning of FTDs in the case of those practicing truly bona fide market making BUT ONLY IF THEY PROVE THEIR BONA FIDES COINCIDENT WITH THE NAKED SHORT SALE. As it stands now the single biggest loophole being abused in ANSS frauds is the illegal accessing of the exemption from making a pre-borrow or "locate" allocated to truly bona fide market makers (MMs) and only while acting in that capacity.

   The concept is very easy. If a theoretically bona fide MM accesses this incredibly powerful but universally abused exemption it must simultaneously place a bid for the same amount of shares that it is naked short selling at perhaps 98% of the share price of the admittedly naked short sale. In other words you must simultaneously PROVE that your accessing of the exemption is being done in a legal fashion just like how a truly bona fide MM would act.

   When Figure "S" is a reality you can no longer allow MMs to be put on the "honor system" in regards to accessing this exemption; been there done that. Do you notice a common theme developing? When you combine the power of Figure S's SGL with NSCC management malfeasance and stir in a little bit of insatiable greed and "regulatory capture" the placing of "banksters" and unregulated hedge funds on the "honor system" doesn't quite cut it. Whooda thunk?

3) The SEC needs to reinstate the mandate for market participants to label shares as "short sale exempt" when they are accessing the exemption accorded to bona fide MMs from performing a "pre-borrow" or "locate" of securities. MMs need to "formally" declare their accessing of this powerful but universally abused exemption in conjunction with placing a bid equal in size to any shares naked short sold at 98% of the share price where the naked short sale was done.

   The removal of this labeling requirement in response to the removal of the price test restrictions was ill-advised as there are other applications for this labeling requirement besides those associated with price test restrictions.

   A truly bona fide MM accessing this exemption while theoretically "injecting

liquidity" by naked short selling nonexistent shares when order imbalances characterized by buy orders dwarfing sell orders will promptly cover this naked short position during the next downtick when liquidity is in need of being injected from the buy side. As it stands now many MMs after establishing massive naked short positions are nowhere to be found when bids are needed as share prices plunge. This would be expected when a CVP-based clearance and settlement system unconscionably allows the sellers of shares to access the investor's money despite continuing to refuse to deliver that which it sold.

If you're going to access that exemption you need to formally inform the regulators of this choice so that they can make sure you promptly cover this naked short position should the share price drop as a truly bona fide MM would. This is an absolute must when you realize that this is the most popular loophole presently within Reg SHO.