59

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October 29, 2007

Ms. Nancy M. Morris
Secretary
Securities & Exchange Commission
100 F. Street NE
Washington, DC 20549-1090

RE: File No. S7-18-07
Comments on Proposed Rule 501 of Regulation D
SEC Exchange Act Release 33-8828

Dear Ms. Morris:

Please accept this somewhat belated comment letter to SEC Exchange Act Release 33-8828.

My comments herein relate to the following:

1. The proposed revisions to Rule 501 of Regulation D which would redefine an accredited investor.

2. The proposed revision of the integration standard for offerings exempt under Regulation D of the 1933 Act.

My comments will be in order.

1. Respecting the proposed revision to add to Rule 501 the definition of "Accredited Investor" a category of investors consisting of those who have $750,000 or more in ordinary investments.

The undersigned seriously questions the Staff proposal to add this new category to the "Accredited Investor" definition.[1]

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[1] I have been practicing securities law for over 35 years and this letter is in part written based on my experience in the enforcement area.

It was my understanding that the "Accredited Investor" concept was originally designed to pre-select categories of investors who had, by reason of their assets, the financial ability to assume the risks of their investment and/or had a less than ordinary need for the disclosures mandated by the Securities Act of 1933.

I do not know how an individual with $750,000 in investments fits into this classification.

By way of example, a widow living in Los Angeles with $750,000 in municipal bonds would appear to fit into the new proposed definition of an "Accredited Investor."

This widow would, prior to the investment, be receiving, if typical interest rates are considered, about 5% interest on her investment or $37,500 per year in living income exclusive of social security. She may or may not own her own home and she may have a mortgage on that home.

Regardless, the monthly rent or mortgage payment will likely exceed $800 per month for a yearly total of $9,600 leaving her $27,900 to pay taxes and live.

This individual needs all the disclosures she can get and I do not see how she may be able to assume the risks of an ordinary Regulation D investment, even if it is for only 10-20% of her invested capital.

The proposed amendment to Rule 501 will simply serve as an additional license for promoters to prey upon the elderly.[2]

I also wonder whether the proposed change has been vetted by the Commission economists and/or representatives of the retired.

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[2] As may also be expected, I would also propose raising the $1,000,000 total asset limitation in Rule 501 to at least $2,500,000.

2. Respecting the proposal to reduce the safe harbor for the integration of offerings from 6 months to 90 days.

The undersigned suggests that this reduction only be made after a serious economic analysis and consultation with the enforcement Staff of the Commission.

The reduction to 30 or 90 days (and especially 30 days) will indeed be a boon to small issuers and that is indeed the problem.

The average investor, when evaluating an offering, looks to the status of the company pro forma with the completion of his offering. He or she does not contemplate that his or her interest in the company will be the subject of a constant series of diluting future offerings. Moreover, the reduced time period (especially to 30 days) lends itself to a very basic type of fraud. By definition, it allows the issuer to underestimate the present need for funds in the initial offering because the need (to the surprise of existing investors) will be met by the dilution of future offerings.

In a sense, I am truly puzzled by the Staff acquiescence in this integration reduction proposal. For years it had been assumed, at least in my experience, that a registered offering would not be allowed to become effective unless assurances were given to the effect that the funds raised would be sufficient for the immediate future. This safeguard to investors would appear to be abandoned by the present Staff position.

As the Staff has intimated, it may be that the present rule will restrict the ability of issuers to raise capital. However, the solution to that problem may lie more in amendments to the rules relating to registration statements than in changing the integration structure of Regulation D.

Very truly yours,

SHELDON M. JAFFE

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