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The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, N.E.; Room 10700
Washington, D.C. 20549

Dear Madam Chairman:

It was indeed very gratifying to us as fifty-year-longtime investors to read your testimony given today before the Senate Banking Committee and read that you believe a "focus on investor protection and securities regulation as part of a reconsideration of the financial regulatory regime is timely and critically important."

It was also highly welcome news to see that you are also convinced that it is well within your grasp to further the public interest by "getting it right" and "paying attention to detail", and that you view this as "an over-riding commitment" – "to further the public interest." Moreover, that your stated commitment to three principles to guide you includes "investor protection is indispensible" and "investor-focused capital markets" is a requirement of "a more effective financial oversight regime" deserves resounding applause.

Furthermore, that you view a regulatory "regime that requires a focus on the needs of investors and their welfare" and "is one that requires a regulator to keep up with the breakneck pace of change in our ever-evolving markets" is indeed very satisfying all investors.

In section B. *Regulation of the Integrity of Market Information*, you stressed the need for "timely reliable information" and began with the following:

> *"However well structured, markets fail without timely and reliable information. Accurate information is the lifeblood of the securities market. A big part of the SEC's mission is to safeguard the markets' blood supply. We operate from the premise that our markets work best when investors are fully informed. Our job is to make sure investors get full and complete information. It involves setting meaningful disclosure standards, monitoring compliance with them, and, when appropriate, enforcing the law against those who fail to comply. It also involves programs to equip investors with tools to understand and analyze the market information they receive."*
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> *"SEC rules require complete and accurate disclosure of information that investors need to make informed investment and voting decisions. Companies cannot raise capital from the public without first filing with us comprehensive disclosures about their business, their performance, and their*

prospects. One of our major accomplishments over the last few years has been to streamline this process so that potential issuers of securities can raise money more quickly, while providing investors with more, and more current, information."

"Registrants file extensive disclosures about their business performance annually and update them quarterly, and — because today's markets demand immediate information — whenever certain specified events occur. We review these filings on a selective basis, and work closely with reviewed companies to improve the quality of their disclosure. In fiscal year 2008, our staff reviewed the filings of nearly 5000 reporting companies in addition to more than 600 new issuers."

"Accurate information, of course, encompasses both words and numbers, and we work to protect the integrity of both. We play a special role in the formation of accounting standards for public companies and other entities that file financial statements with the Commission. We oversee the process by which they are set to ensure that professional, independent standard-setters include those whose primary concern is the welfare of investors, that the deck is not stacked against investors, and that the outputs of the process are fair and appropriate."

It is In line with your above mentioned testimony today – particularly in section B. -- and since you went on to state that "Some of our [SEC] rules regulating financial intermediaries need to be modernized", that I am prompted to write today and bring to your attention a loop-hole in SEC regulations detrimental to investors in hopes you might work to see it promptly closed.

This loop-hole is probably one of the easiest things for you to "modernize" and fix immediately. I ask that you immediately move to amend the definition of the term securities "held of record" to include all beneficial owners of securities that are registered in the name of a broker, dealer, bank or similar nominee in order to close a "loophole" in the regulations that allows companies with more than 300 beneficial owners to exit the reporting system of the Securities Exchange Act of 1934.

As you know under sections 12(g) and 15(d) of the Exchange Act, a reporting company may stop filing reports and other materials with the Commission when the company securities are "held of record" by less than 300 persons. Section 12(g) and 15 (d) of the Exchange Act was adopted in 1964 -- 45 years ago, before anyone knew anything much about, let alone used, a computer and few even dreamed of a paperless society.

In carrying out the mandate from the adoption of section 12(g), the Commission defined the term "held of record" in Exchange Act Rule 12g5-1. The rule states that shares are deemed "held of record" by "each person who is identified as the owner of such securities on records of security holders maintained by or on behalf of an issuer." But under the rule, companies may count each broker, dealer, bank or similar nominee as one holder, rather than looking through those nominees to the underlying beneficial owners. The rule was designed to strike a balance, seeking to ensure that companies with the statutorily prescribed number of public holders are subject to the Exchange Act's reporting requirements while allowing them to look only to records maintained by or on the issuer's behalf.

Today the Depository Trust Company through its nominee Cede holds some 90% of all securities of publicly owned companies. As a result large numbers of beneficial owners go uncounted as

shareholders as these holders are represented by a only handful of nominee holders of record, thus allowing issuers galore to claim fewer than 300 holders to abandon the very "*disclosure of information that investors need to make informed investment and voting decisions"* that you described in section B.

With all due respect to the SEC and its staff, after all this is neither rocket science nor an issue for a Solomon to decide to alter, it is merely fair and right that beneficial shareholders be recognized and counted accurately, i.e. as *the shareholders.* This step is key to recognize the fact that computers are used today to record shareholder names, addresses and shareholdings, whereas once (before computers came into widespread use) stock certificates were held in vaults by the same beneficial owners.

Logic and fairness says that the SEC should only care about beneficial holders.

Whether a beneficial shareholder takes possession of the shares in the form of a paper stock certificate or leaves them with a custodian who aggregates them digitally with the shares of other beneficial holders should be irrelevant to SEC policy making.

Reason, logic and fairness dictates that the sole fact that the computer with its digital listing records has replaced the certificate, a paper document, should be neither a reason nor an excuse to reduce the number of shareholders counted for the purpose of meeting SEC issuer disclosure requirements to just the number of brokers and other institutions holding shares for and on behalf of shareholders and not count all the beneficial shareholders for whom they hold the shares.

I ask you Chairman Schapiro, paper work reduction should not be an excuse for a shareholder reduction or disenfranchisement or the elimination of the timely, reliable, and accurate information which you so aptly described in your remarks today "is the lifeblood of the securities market" when the shareholders have not changed and the same shareholders continue, through a nominee, set up only for convenience and efficiency, to be the very same shareholders, should it?

What is there to be disputed here?

A rose by any other name is a rose and so too a beneficial shareholder is a shareholder. The counting of only record holders is solely for the convenience and cost savings of brokers and banks and similar nominees and should not be a reason for allowing SEC issuer disclosure requirements to be eliminated.

You can fix this loophole, eliminate this wrong and prevent companies from unfairly "going dark" by making this regulation change today. You do not need Congress to fix this loophole in the Commission's regulations.

In line with your testimony today that "Some of our [SEC] rules regulating financial intermediaries need to be modernized" will you do so at once please.

Thank you

Warmly,

Lawrence J. Goldstein