September 15, 2006

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-2001
Via E-Mail: rule-comments@sec.gov

Subject: File Number S7-12-06

Dear Chairman Cox:

Abusive naked short selling has a negative impact on our capital markets, public companies, and innocent shareholders. It is clear that the current Regulation SHO is not working. Every day, ***dozens*** of Nevada-based companies appear on the Regulation SHO threshold list. Many of those companies stay on the list for weeks and months at a time. On August 25, 2006, Liz Moyers of Forbes Magazine reported that one Nevada-based company – Global Links – had ***daily*** fails to deliver of ***27 times*** the amount of shares that Global Links has ever issued (see http://www.forbes.com/2006/08/25/naked-shorts-global-links-cx_lm_0825naked.html?partner=yahootix).

I believe the SEC's proposals to amend Regulation SHO by repealing the grandfather provision and narrowing the options market maker exception are a good first step in solving the problems with Regulation SHO. However, I believe these proposals do not go far enough and I suggest that the SEC make two additional and important modifications to Regulation SHO.

1. Disclose the Daily Volume of Fails. Amend Regulation SHO so that the aggregate volume of failures to deliver is reported daily for each threshold security – including fails to deliver that occur within the Depository Trust and Clearing Corporation (DTCC) and outside the DTCC in "ex-clearing" transactions. Without this full disclosure, it is difficult to know the level of "naked shorting" and its risk to the capital markets. Any increased level of transparency in the system that works to stop this practice will lead to the elimination of abuses and to more investor confidence.

2. Require a Pre-Borrow for All Short Sales. Require that before any seller can short sell a stock, that seller must either (a) have the stock in his possession with the right to sell it, or (b) have entered into a bona fide contract to borrow the stock in advance of the sale. This should prevent the majority of purposeful and strategic fails to deliver. The current rules that allow a seller to locate a share (but do not require the seller to borrow the share) allow for one share to be "located" and sold short multiple times without it actually ever being borrowed or delivered.

The changes that the SEC has recommended to Regulation SHO are a step in the right direction. I commend you for this effort. I hope that the SEC will take the other two steps outlined in this letter.

Sincerely,

Barbara K. Cegavske

Barbara K. Cegavske
Nevada State Senator