



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
REGIONAL OFFICE  
8787 WILSHIRE BLVD., SUITE 300 EAST  
LOS ANGELES, CALIFORNIA 90036-3548

IN REPLYING PLEASE QUOTE

January 4, 1989

Christine Bender,  
Commissioner of Corporations  
California Dept. of Corporations  
600 S. Commonwealth Ave.  
Suite 1600  
Los Angeles, CA 90005-4091

Dear Christine:

As the "Penny Stock" fraud problem seems to be escalating, particularly in this part of the country, the Los Angeles Regional office of the Securities and Exchange Commission ("SEC") would like to sponsor a meeting between the state securities administrators in this region, the National Association of Securities Dealers ("NASD") and SEC regional and home office staff to discuss ways of effectively dealing with this problem on a coordinated basis. Similar meetings are being conducted in other parts of the country in order to attempt to coordinate efforts to deal with a problem that is greater than our resources will permit us to deal with effectively on an individual basis.

Kye Hellmers, District Director of the NASD's District 2 South, has graciously offered to allow us to use the conference room in his office. The meeting has been scheduled for 10:30 a.m., Tuesday, February 28, 1989 at the offices of the NASD's district office located at:

300 S. Grand Avenue  
Suite 1600  
Los Angeles, CA 90071.

At the meeting, we would hope to have input from each organization represented as to the scope of the "penny stock" fraud problem in their area, as well as suggested ways of dealing with the problem. The SEC's home office representatives will describe the SEC's efforts in dealing with this problem and present suggested approaches for dealing with the problem in a coordinated manner.

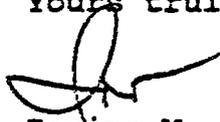
Please advise me, at your earliest convenience, whether you will be able to attend this important meeting. I would also like to know how many people will be attending from your organization in order to arrange for a modest lunch at the meeting site.

page 12

Please contact me at (213)468-3107 if you have any questions or comments.

I am looking forward to seeing you at the meeting.

Yours truly,

A handwritten signature in black ink, appearing to be 'I. Einhorn', with a long horizontal flourish extending to the right.

Irving M. Einhorn,  
Regional Administrator