September 14, 2006

Nancy M. Morris
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Securities and Exchange Commission
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(By Mail & Fax)

Dear Ms. Morris,

Thank you for the opportunity to provide feedback regarding the monumental changes the SEC has committed to make. We believe such changes are necessary to regain equity and basic integrity in our capital markets. We have over 40 years of experience in the investment industry and would be happy to contribute to this effort in any way. We think some discussion of the SEC's template would be beneficial. We will be brief. Many prior submissions have covered these subjects well.

Having perused many of the prior responses, we subscribe to criticism by Dr. Susanne Trimbath, Dr. Jim DeCosta, Dr. Patrick M. Byrne and the National Coalition Against Naked Shorting. In particular, comments on exemptions for market makers and options market makers, NSCC Buy-ins, NSCC's stock borrow program, CNS and upholding Section 17A of the 1934 Securities Exchange Act are poignant.

Many "clauses" presented in the SEC proposal will continue to leave windows open for abuse of the very regulations the SEC is struggling to bring about. Market Maker and Options Market Maker exemptions are currently used to circumvent locate requirements. Crosses in shares **of Fairfax Financial Holdings (NYSE: FFH, TSX: FFH*)*** and **Overstock.com (Nasdaq: OSTK)** are routinely executed on Chicago Stock Exchange in concert with an enormous number of put/call contracts. The contracts are rolled monthly to a new series, at prices that suggest:

1) A guaranteed profit for Market Maker
2) In exchange for a huge block of stock, shorted by the Market Maker to the client, via the Chicago exchange, using their short selling exemption.

Maker Makers are recipients of very generous commission for putting on these trades. Clients are happy to pay if they can skirt the rules. It would seem that both client and market maker are happy with this little exception. Only the regulators and unsuspecting equity investors could find anything wrong with the scenario.

NSCC buy-ins are a subject of some contest. DTCC/NSCC has indicated that they feel failed trades are a non-issue. That is to say the total market cap of fails represents a small portion of trades executed each day. This makes me feel good, until I encounter a real life situation like OSTK. You see, fails are concentrated in a handful of stocks. After all, that's the way the game is played. It doesn't help to spread out the fails. The success of NSS is contingent on quickly dropping the market price. Concentrate your efforts. Sell as many shares as you can! We entered into a contract to buy shares of OSTK late last year in 57 client accounts. The trades failed for several weeks and I encouraged my cage to pursue delivery via NSCC buy-ins. We bought-in the same number of shares almost 50 times without delivery! Not only is it a waste of time for us, it seems to be a strategy for failing brokers. Every week, the CNS department of a participant would call us and ask, "We owe you XXXXXX shares of OSTK, are you going after that?" Every week we answered yes, we were going to buy them in. Every week we'd have another failed trade. Buy-ins ***must*** give the counter-party who is owed stock, a viable process by which to acquire the stock. This is not happening.

We propose you look at the system TSX (Toronto Stock Exchange) has adopted in Canada. A list is published at 1:40p containing the preliminary securities to be bought-in. The list updates at exactly 2:40p. The final list represents a solicitation by TSX for securities wanted for the buy-in that day. Participants check their inventory for the securities each day because the exchange offers a **premium** (which is paid by the failing brokers and/or clients) The premium is determined by the exchange and depends on price and availability. Generally TSX will increase premiums after ten unsuccessful buy-ins. This system works well. Any stock with reasonable liquidity can be tendered and repurchased. All buy-ins are same day trades. The shares tendered need to be fully segregated in cash accounts (no margin) which guarantees delivery.

In consideration of your efforts we would like to thank you again, for assuming this enormous responsibility. Our capital markets are extremely important. To think the interests of investors are being compromised is infuriating. If we can be helpful in any way, please do not hesitate to contact us at the address below.

Andrew and David Wilkes