Thomas Vallarino

May 5, 2007

RE : Amendments to REG SHO *Release No.:* 34-54154, *File No.:* S7-12-06

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Dear Secretary :

This is further analysis of the FTD data provided on the NFI security over a long period of time. The fact that market makers refuse to infuse buy side liquidity because they know that other market makers can infuse unlimited sell side liquidity is seen in the market for NFI securities.

The data shows the damage to equity investors the market maker exemption causes. As the number of fails go up, the price of the equity security goes down.

The abuse of the marker maker exemption is also clearly visible. It is only too obvious, that when on a given day, a large portion of the trade volume of the security fails to deliver due to the market maker exemption, that this harms equity investors. The FTD data from the SEC shows exactly this:

1. On 5/18/2006 the FTDs increased by **547,818** shares from the previous trade day (on 5/15/2006 the total trade volume was reported as only 742,800 shares and on 5/18 as 369,900 shares traded)

2. On 9/20/2006 the FTDs increased by **734,987** shares from the previous trade day (on 9/15/2006 the total trade volume was reported as only 727,600 shares and on 9/20 as 378,000 shares traded)

3. On 11/20/2006 the FTDs increased by **1,868,692** shares from the previous trade day (on 11/10/2006 the total trade volume was reported as only 697,200 shares and on 11/20 as only 1,034,100 shares traded)

4. From 2/1/2007 to 2/22/2007 the FTDs increased by **1,672,127** to an all time high of **4,977,983** FTDs

This clearly shows the ever increasing abuse on the part of market makers via the market maker exemption and the harm caused equity investors. Naked short selling and delivery failures are harming equity investors in NFI specifically due to the market maker exemption.

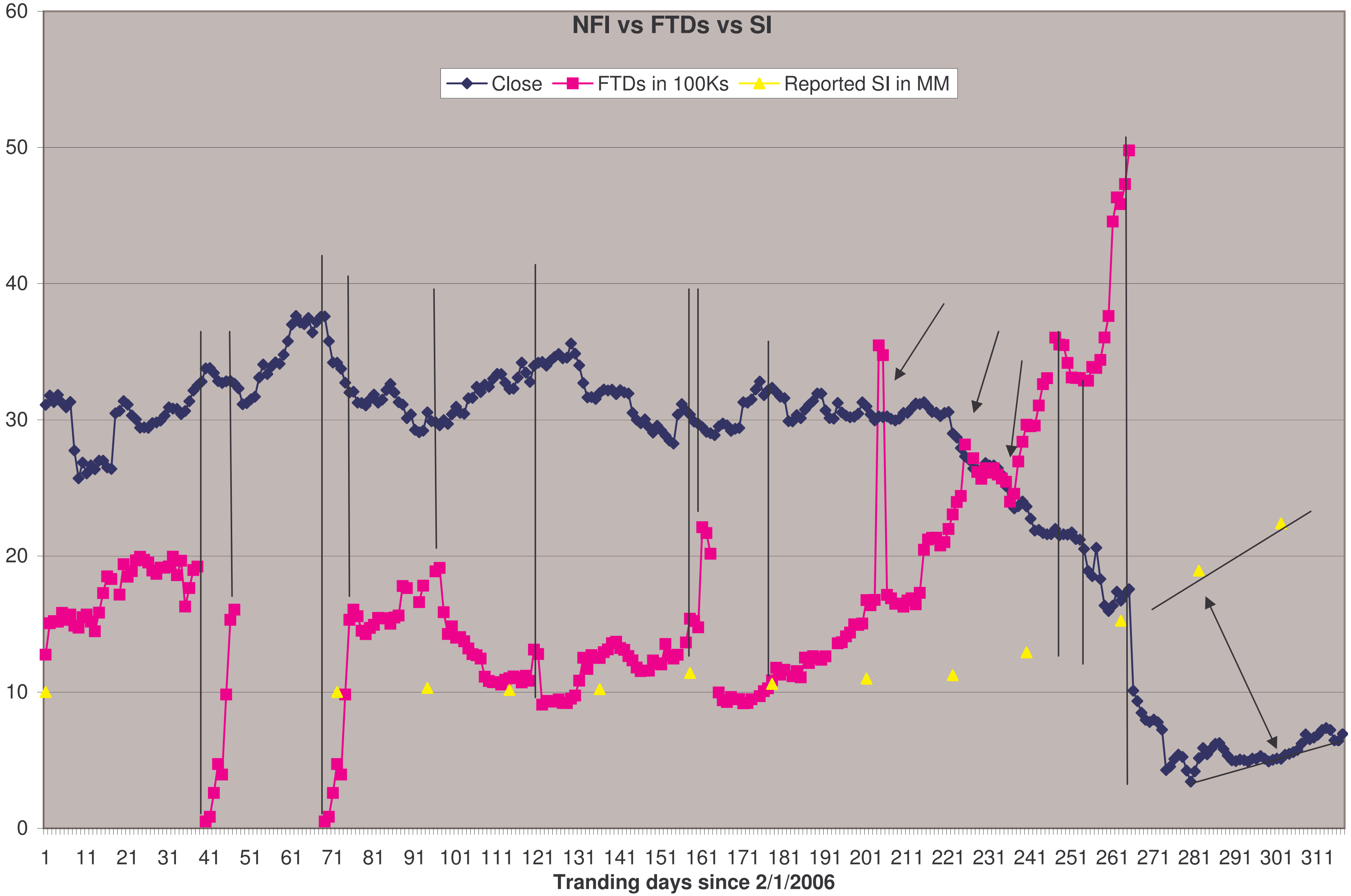
This also shows that there is something wrong with the data being reported when the number of new FTDs, from one day to the next, exceeds the total reported trade volume.

There is no compensating mechanism in the market to counteract the "liquidity" that these counterfeited share entitlements produce and no obligation on the part of market makers to provide buy side liquidity. The idea of a rational supply/demand market is impossible when market participants are allowed to violate the most basic rules set up by the Securities and Exchange Act. No market maker would supply buy side liquidity when its obvious that other market makers can provide unlimited sell side liquidity. The entire scheme is off kilter and unbalanced and needs to be amended to balance the two or be eliminated altogether.

The SEC also needs to consider the fact that these phantom shares are also securities that are not registered, despite the fact that the Securities Acts require securities credited to investor accounts when purchased to be registered. Investors need to know and have confidence that when the brokers credit registered securities into their accounts, that the brokers actually have them.

Sincerely submitted,

Thomas Vallarino



NFI vs FTDs vs SI
Close
FTDs in 100Ks
Reported SI in MM
60
50
40
30
20
10
0
1 11 21 31 41 51 61 71 81 91 101 111 121 131 141 151 161 171 181 191 201 211 221 231 241 251 261 271 281 291 301 311
Tranding days since 2/1/2006