

March 26, 2008

Memorandum

To: The Securities and Exchange Commission

From: Aime E Girard

Subject: Short Sale Rule

I was shocked last summer to hear that the Short Sale Rule would be abolished in July.

For more than 35 years many of us in the financial industry including Tom Lewis, Billy Devin, Frank Graham and myself as well as many other buy side traders, listed sell side brokers, NOIP members, the NYSE, and specialist fought so hard to keep that rule in effect. We made numerous trips to Washington, D.C., defending this rule. In addition, we invited SEC officials to our meetings so that they could hear from us, directly, how important it was to keep this rule in place.

The Short Sale Rule was put into effect after the depression and has served the industry well for more than 70 years. I remember Frank Graham's words to the S.E.C. "If you do away with the short sale rule you (the S.E.C.) would turn the investment industry into a gambling casino." He was so right, God Bless his soul, because the last six months has been an absolute disaster.

The amount of money lost by individuals, mutual fund investors and pension funds, combined with the enormous volatility can be traced to the fact that the short sale rule has been abolished. Hedge funds and brokers dealers could sell stocks literally down to zero. It is inconceivable to me that the rule was abolished before a thorough test during a down market. Well now you have seen the test and it has been disastrous.

The S.E.C. is supposed to protect the individual investors and not cave in to the hedge funds. There are more hedge funds, today, compared to institutional money managers so it appears that the hedge funds are controlling the brokers and the regulatory authorities.

Has the S.E.C. demanded the records of all hedge funds manager's activity and have they seen the results of the settlement activity? It is my understanding that short sales were made without making delivery because they could not borrow the stocks, and covered two or three days later and in some cases much later. I strongly feel that the S.E.C.

should take on a massive investigation of the last six months to determine if violations were made and to what extent.

I have also heard that the reason the rule was abolished was because the hedge funds found ways to get around the short sale rule. It seems to me that the S.E.C. instead of caving in to the hedge funds by abolishing the rule that the S.E.C. should have instituted new rules to block the hedge funds from circumventing the rule.

I have spent 50 years in the industry and have served on many industry committees at the NYSE, NASDAQ, STA and served as NOIP's first chairman, I must admit it truly hurts to see the GAMBLING CASINO that we experience today. For example, when a company announces that its earnings are up 80% and yet they missed their earnings target by a penny and the stock is sold down 40% this is not investing. Hedge funds drive a stock up so much, and of course they follow each other, making it much worse, and then sell it down in dramatic fashion, combine these weapons with an accommodative S.E.C. and you can see, there is no way, that an individual investor has a chance.

I sincerely hope that the S.E.C. will make a substantial investigation of the hedge funds industry and study the pattern of trades that have taken place during the past six months and determine the number of violations that have taken place.

I firmly believe that after a thorough investigation that the S.E.C. will reinstate the short sale rule and may it never be abolished again. It is wrong and unfair to the individual investor and I appeal to your better judgment to make appropriate changes.

Sincerely,

Aime E. Girard

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