April 17, 2007

VIA FEDEX

Nancy M. Morris
Secretary
United States Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-9303

Re: File No. SR-2007-13
Release No. 34-55533

Dear Ms. Morris:

This letter represents the comments on the above-referenced rule proposal (the "Proposal") of four of the nine equity specialists firms active on the American Stock Exchange ("Amex" or the "Exchange"). Collectively, our firms, of which we are principals, serve as specialists for a significant portion of the equities listed on the Exchange. Individually, each of us have served as specialists on the Exchange for many years and, with respect to several of us, decades. Given the Proposal's focus on specialist commissions, we very much appreciate this opportunity to comment on the Amex's Proposal and, indeed, feel uniquely qualified to do so in light of our position and experience as equity specialists on the Exchange.

As a general matter, the Proposal would extend the recently approved prohibitions on specialist commissions, which are currently found in Amex Rule 154,[1] to equities that trade on the Exchange's AEMI system. The proposal would also extend these prohibitions to Exchange Traded Fund shares and expand and otherwise slightly modify the previous prohibitions in certain respects.

While we are not taking a position on the Proposal's substantive terms, we do wish to express our strong disagreement with the Exchange's stated rationale for the Proposal, which is that

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[1] *See* Securities Exchange Release No. 55008 (December 22, 2006), 72 FR 597 (January 5, 2007) (Order approving SR-Amex 2006-98 and amending Amex Rule 154).

specialists commissions weaken the Exchange's competitive position and that this, in turn, hurts investors.[2] We believe that the Exchange's view is simplistic and, as a general matter, mistaken and, if carried to its logical conclusion, would actually be harmful not only to the Exchange but to investors as well.

The Exchange's rationale begins with a seemingly commonsense statement that "Specialists commissions increase the cost of doing business on the Exchange." From this innocuous statement, the Amex concludes, as though it were self-evident, that "[t]hese increased costs weaken the Exchange's competitive position relative to other markets as other markets do not need to compete as aggressively with the Exchange to cut their prices to investors." The Amex then concludes that the Proposal would both "benefit investors" and "strengthen the Exchange's competitive position.

Obviously, in selecting a venue for order execution or trading, cost can be a significant factor. All things being equal, rationale order flow providers and traders should select the cheapest venue. Things, however, are rarely, if ever, equal and, as a result, cost, while often significant, is just one of many factors that must be taken into account in selecting a market. Moreover, and because one size truly does not fit all, the specific factors deemed relevant, and their relative importance, will vary from user to user and even with respect to the same user over time. That said, most, if not all, users are interested not only in cost but in the quality of quotes, including price, depth, and liquidity, ease of access, available order types, speed, and, perhaps, less objective factors such as the venue's reputation.

Simply put, these factors, and the process of weighing their importance, represent a search for "value." That is, in selecting a market venue, users are seeking "value" and not, as the Amex simplistically seems to think, attempting to avoid "cost."

To the extent, however, that the Exchange would prefer to dwell on costs, rather than value, we suggest that it might be more productive for the Amex to focus on reducing its own rather more significant costs rather than specialist commissions. Indeed, we believe that doing away entirely with specialist commissions would not change the fact that the cost of trading on the Exchange would still be high relative to its competitors. While there are undoubtedly many reasons for this state of affairs, two reasons stand out. First, the Exchange's previous neglect of technology has saddled the Amex with increased technology development and implementation costs. Second, the Amex continues to rely on an inefficient, manually intensive, regulatory program that is significantly larger and far more expensive than those of many of its competitors, including many with far greater market share.

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[2] *Id.* at 4.

As noted above, however, we believe that it is more useful to focus on value relative to cost rather than cost in isolation. From this perspective, we think that the right question for the Amex to have asked is whether specialist bring value in excess of their costs. If they do not, we would agree that specialist commissions hurt the Amex competitively – though, as discussed further below, even here we would disagree with the Exchange's reasoning as to the impact of these costs on investors.

In beginning to answer the question of whether specialist provide value, we start with the traditional description of the specialists function as embodied in the Amex's rules. As stated in Amex Rule 170 (b), "a specialist is to engage in a course of dealings for his own account to assist in the maintenance, insofar as reasonably practicable, of a fair and orderly market on the Exchange . . . ." This obligation is commonly viewed as composed of an affirmative obligation and a negative obligation. The negative obligation finds expression in Amex Rule 170(c), which limits specialist executions to "such dealings [as] are reasonably necessary to permit such specialist to maintain a fair and orderly market. . . ." That is, specialists may intervene in the market only when necessary to fulfill their affirmative obligation, which, as stated in Amex Rule 170(d), requires that specialists limit their transaction to those that "constitute a course of dealings reasonably calculated to contribute to the maintenance of price continuity and reasonable depth, and to the minimizing of the effects of temporary disparity between supply and demand, immediate or reasonably to be anticipated. . . . "

In every day terms, the specialists' affirmative obligation of price continuity and depth should translate into increased liquidity, narrower spreads, and decreased volatility. Ironically, in light of the rationale expressed by the Exchange in the Proposal, the Exchange itself prominently trumpets these values on its own web site at http://www.amex.com/equities/services/eq_amx_adv_auxMktSpec.html (copy attached) and at http://www.amex.com/equities/services/eq_amx_adv_competitive.html (copy attached). The second of these two URLs not only highlights these advantages but exhaustingly documents them by comparing quality of market statistics for the common stock of six companies that left the Amex in 2005 for the Nasdaq Global Market. Revealingly, the securities of all of these companies suffered significant increases in volatility and spreads while experiencing substantial decreases in volume of trading and liquidity.

Nevertheless, and perhaps surprisingly for a group of specialists, we would be the first to admit that the value provided by specialists will vary depending upon a variety of factors, including, perhaps most notably, the extent of a security's "natural" liquid and whether the security is derivatively priced. For highly liquid, derivatively priced securities, it is doubtful whether a specialist adds much, if any value, except perhaps during times of turmoil when liquidity may disappear. The reverse of this situation consists of thinly traded securities, especially securities that are not closely followed by the industry and therefor can be difficult to price. With respect to these securities, we believe, as apparently does the Amex if we are to assume it actually believes its own web site postings, that specialist provide significant value to investors.

Returning to the Amex's rationale for the Proposal, we believe that with respect to investor benefit, the Exchange's view is not only wrong but, in our view, actually has got things completely backward. Put another way, where the value of what the specialist does is least, as in our example the highly liquid, derivatively priced ETF, there will undoubtedly be multiple venues competing against one another to trade that security. Accordingly, the Amex's competitive position will have little if any impact on the greater market for such security and, therefore, little if any impact on investors.

Conversely, where the value of what the specialist does is greatest, as in our example the illiquid, lightly followed security, there is much less likelihood of robust competition among multiple venues. Indeed, in our experience, the competition that exists in these securities, consists largely of "me too" traders that "piggyback" off the quotes that we establish. Importantly, when we are not active in the market, we notice that spreads widen considerably. Indeed, what we see is consistent with what is shown on the above referenced Amex web page. That is, the removal of these securities from a specialists marketplace leads to significant increases in volatility and spreads and substantial decreases in volume and liquidity.[3] Clearly, there is no way that this result can be fairly characterized as benefiting investors.

In conclusion, we believe that the Exchange's rationale for the Proposal is simplistic and overly broad. More significantly, we believe that the proposal offers no benefit to investors and, indeed, we believe that the Proposal, if carried to an extreme, would actually harm them. We suggest that the Amex would be better served both by getting its own house in order and by attempting to develop a more considered view of specialist commissions that attempts to take into account value rather than just cost. With respect to this last point, we stand ready to assist the Exchange in this endeavor and to share our experience if requested.

Thank you in advance for your consideration of these concerns.

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[3] *See* http://www.amex.com/equities/services/eq_amx_adv_competitive.html.

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Very truly yours,

Jonathan Q. Frey
Managing Partner of J. Streicher & Co.

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Michael Marchisi
AIM Specialists

AIM SPECIALISTS

Market Structure Advantage

Auction market efficiency
The American Stock Exchange is an auction market, where trading is conducted through a centralized specialist system. At the Amex, the overwhelming majority of public buy and sell orders meet directly, not needing specialist intervention. But when the markets are out of balance, the specialist deploys capital and acts as a buyer or seller to bring the markets back into equilibrium. By centralizing order flow and giving public orders priority, investors trade on a level playing field and achieve the best price available. Trading is more orderly so price volatility is reduced, spreads are narrower, and execution costs are lower.

Specialist vs. Market Maker
A single specialist firm, chosen by the listed company at time of listing, has an affirmative obligation to make a fair and orderly market in the company's stock. No Nasdaq market maker has such an affirmative obligation. Being able to select a specialist allows the Amex issuer to develop a relationship that can provide its management with valuable insight into the market — a resource that issuers simply cannot get with the fragmented market structure of the Nasdaq. After all, specialists get to know listed companies' businesses like no Nasdaq market maker does. Amex specialists also maintain relationships with some of the biggest financial institutions on Wall Street, thus ensuring access to substantial capital to support quality markets. Furthermore, unlike the loyalty displayed by Amex specialists, Nasdaq market makers can choose whether to make a market in any particular stock — meaning that stocks can be dropped at the market maker's whim, when markets get challenging.

The Exchange's specialist-based auction market structure creates a quality trading environment that promotes...

Liquidity: allows investors to buy and sell quickly, easily, and with minimal price impact, a key to building investor confidence
Narrower spreads: the interaction of buyers and sellers results in smaller price differentials between trades
Decreased volatility: specialists' capital commitment helps consistently maintain a fair and orderly market to minimize volatility
Protection from short selling: the Exchange's uptick rule prohibits investors from selling short a company's stock when it is declining

Specialist commitment and access
In addition to strict regulatory oversight, the specialist is accountable to the company, its investors, and its board of directors. The specialist...

maintains a fair and orderly market to minimize spread and volatility
commits capital (in response to market need) to promote greater liquidity
monitors institutional activity to anticipate market, industry, and company-specific trends
is a company's direct link to the Amex floor for real-time trading and market intelligence on its stock
helps companies gain coverage and visibility through ongoing relationships with institutional investors

Below are the equities specialists on the Amex:

American Stock Exchange Specialist Firms

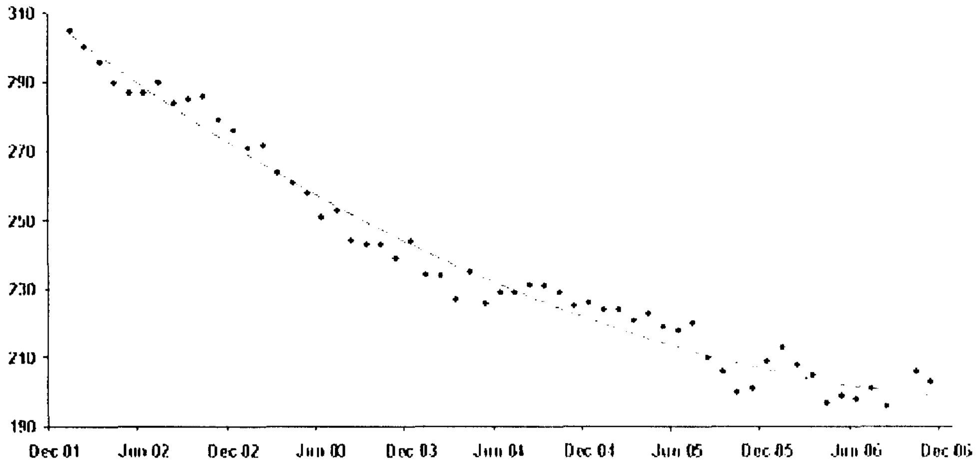
AGS Specialists LLC
AIM Securities Co.
Brendan E. Cryan and Company LLC
Cohen Specialists LLC
HBH Specialists LLC (Bear Wagner)
J. Streicher & Co. LLC
Kellogg Capital Group, LLC
La Branche & Co., Inc.
Weiskopf, Silver & Co./Jefferies & Co.

Source: American Stock Exchange, New York Stock Exchange, Specialist Website.
Data as of 06/30/06.

An Alarming Trend
Due to lower trading volume, fewer short-term profitable trading opportunities, and consolidation in the industry, over the past 54 months the number of market makers in NASDAQ stocks has continued to decline.

This indicates that obtaining (and maintaining) multiple quality market makers is getting more difficult for Nasdaq issuers. At the same time the Amex specialists have maintained a steady presence large due to a longer-term business perspective.

Market Maker Participation in Nasdaq Global Market*
Securities (Dec. 2001 - Dec. 2006)



Source: NasdaqTrader.com. A polynomial (2nd order) trendline was used.
This graph only includes NNM Registered Market Participants with a trade volume greater than 0.
Data as of 12/29/06.
* Formerly referred to as Nasdaq National Market.

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Competitive Advantage

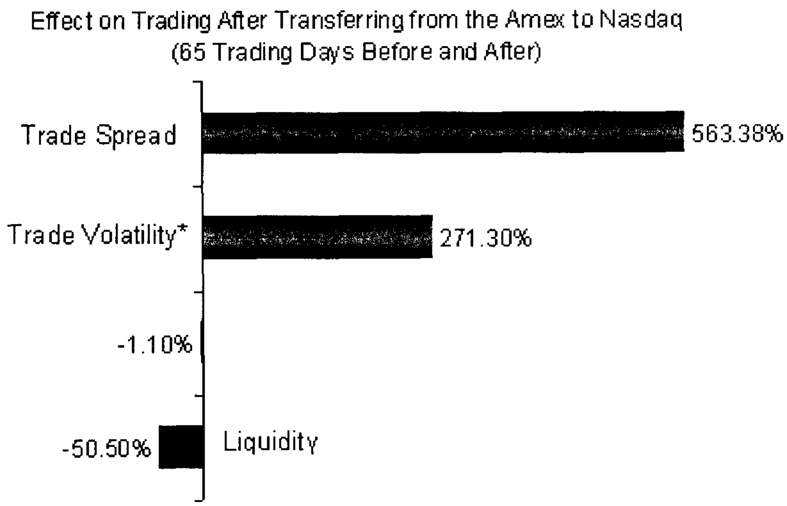
Nasdaq: Perception vs. Reality

During 2005, a number of amex-listed companies transferred to the Nasdaq Global Market (formerly referred to as Nasdaq National Market). As shown by the following five matrices, the market quality for the below securities deteriorated materially after leaving the Amex. Despite the promise and perception of improved "market quality" the reality for these companies has unfortunately been quite the opposite.*

Average Daily Volume - 31% Decline
Average Dollar Volume - 22% Decline
Liquidity - Flat
Volatility - 23% Increase
Price - 6% Decline

To further demonstrate how market quality deteriorated for companies that have transferred to Nasdaq Global Market, below is performance sampling of market transfers in 2005:

1. During February 2005, Centrue Financial Corporation began trading its shares on the Nasdaq Global Market after moving from the American Stock Exchange.
   - Volatility and spread measures for Centrue Financial Corporation increased dramatically.
   - In addition, Centrue Financial Corporation experienced substantial losses in their liquidity and price.



Source: NasdaqTrader.com. A polynomial (2nd order) trendline was used.
This graph only includes NGM Registered Market Participants with a trade volume greater than 0.
*Other factors may impact the performance of above listed matrices.

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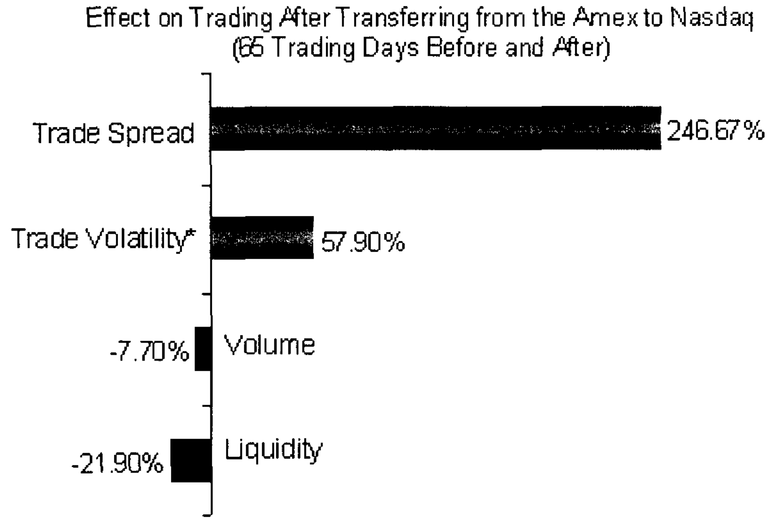
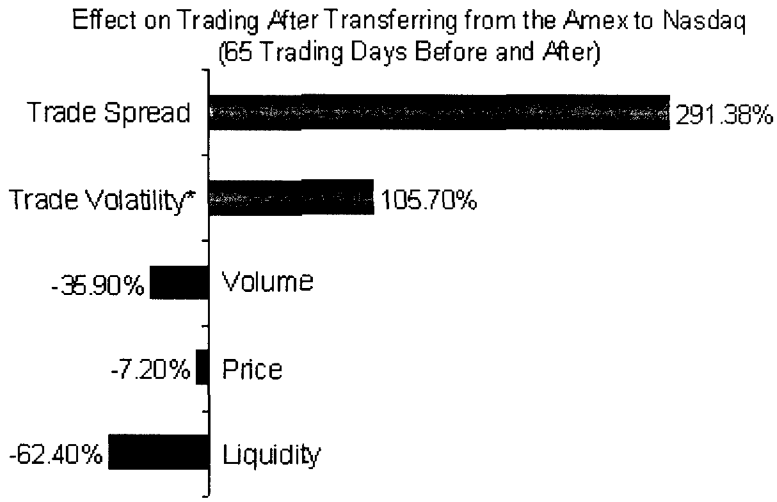
2. During March 2005, Dynamex Inc. began trading its shares on the Nasdaq Global Market after moving from the American Stock Exchange.
   - Volatility and spread measures for Dynamex Inc. increased.
   - In addition, Dynamex Inc. experienced substantial losses in their volume and liquidity.



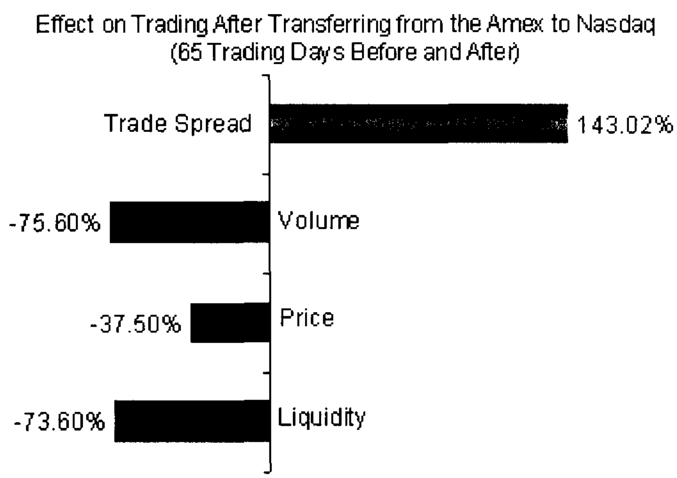
Source: NasdaqTrader.com. A polynomial (2nd order) trendline was used.
This graph only includes NGM Registered Market Participants with a trade volume greater than 0.
*Other factors may impact the performance of above listed matrices.

3. During May 2005, United Financial Mortgage Corp. began trading its shares on the Nasdaq Global Market after moving from the American Stock Exchange.
   - Volatility and spread measures for United Financial Mortgage Corp. increased.
   - In addition, United Financial Mortgage Corp. had experienced substantial losses in their volume, price and liquidity.



Source: NasdaqTrader.com. A polynomial (2nd order) trendline was used.
This graph only includes NGM Registered Market Participants with a trade volume greater than 0.
*Other factors may impact the performance of above listed matrices.

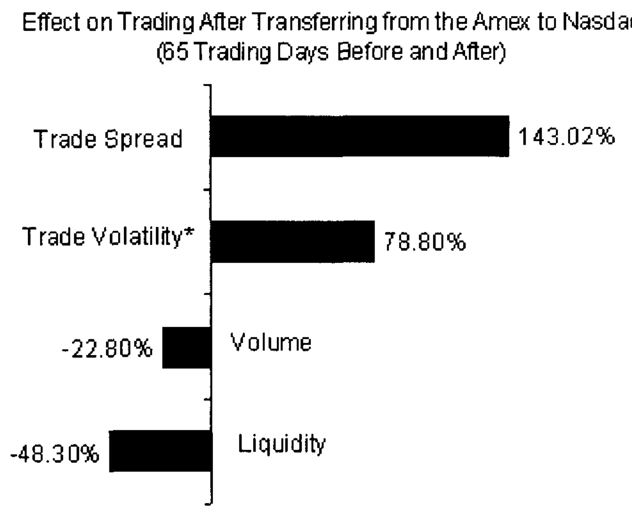
4. During June 2005, Answers Corp. began trading its shares on the Nasdaq Global Market after moving from the American Stock Exchange.
   - Trade spreads for Answers Corp. increased.
   - In addition, Answers Corp. experienced substantial losses in their volume, price, and liquidity.



Source: NasdaqTrader.com. A polynomial (2nd order) trendline was used.
This graph only includes NGM Registered Market Participants with a trade volume greater than

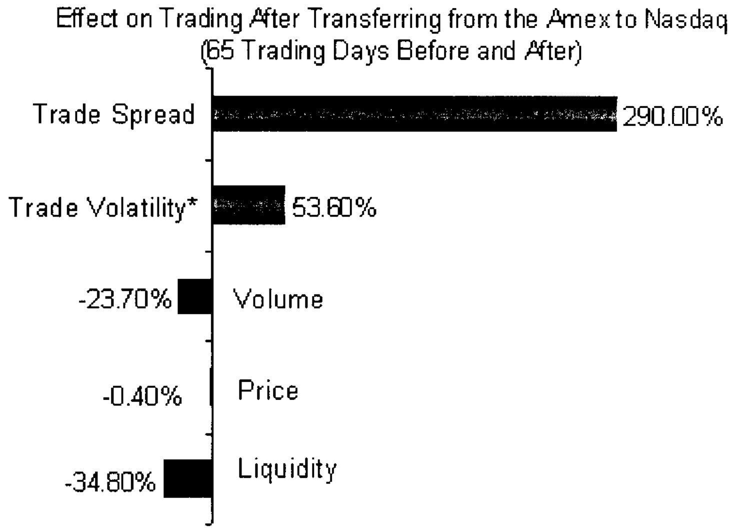
0.
*Other factors may impact the performance of above listed matrices.

5. During September 2005, Measurement Specialties Inc. began trading its shares on the Nasdaq Global Market after moving from the American Stock Exchange.
   - Volatility and spread measures for Measurement Specialties Inc. increased.
   - In addition, Measurement Specialties Inc. experienced substantial losses in their volume and liquidity.



Source: NasdaqTrader.com. A polynomial (2nd order) trendline was used.
This graph only includes NGM Registered Market Participants with a trade volume greater than 0.
*Other factors may impact the performance of above listed matrices.

6. During October 2005, Berkshire Hills Bancorp Inc. began trading its shares on the Nasdaq Global Market after moving from the American Stock Exchange.
   - Volatility and spread measures for Berkshire Hills Bancorp Inc. increased during the specified period.
   - In addition, Berkshire Hills Bancorp Inc. experienced substantial losses in their volume, price. and liquidity.



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