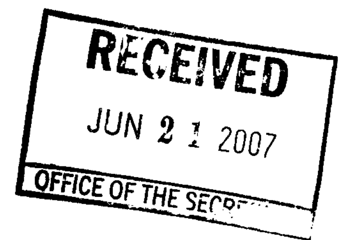


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**VIA FEDERAL EXPRESS**

June 20, 2007

Ms. Nancy M Morris, Secretary
U. S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Securities and Exchange Commission Release No. 34-55816, File No. ST-DTC-2006-16, Notice of Filing of Proposed Rule Change Amending FAST and DRS Limited Participant Requirements for Transfer Agents

Dear Ms. Morris:

First American Stock Transfer Company appreciates the opportunity to comment on the proposed Rule Changes referenced above. We have been a licensed transfer agent since 1998 in the State of Arizona. We provide services for approximately 58,000 open registered shareholder accounts and more than 300 CUSIP numbers. In addition we are an approved FAST agent with DTC and are currently awaiting final word on acceptance as a DRS agent as well. The majority of our issuers are small to mid-cap issuers who trade on the pink sheets or the bulletin boards. A few of our companies are trading on the OTC NASD exchange and some are preparing to trade on the AMEX as well.

While we support the effort involved to update the FAST and DRS agent criteria and responsibilities we believe that the Depository Trust Company has written much of the ruling based on misunderstandings of the small transfer agent business model and an assumption that transfer agents are also custodians, which we are not.

By definition, a financial industries custodian is a financial institution that holds securities or other financial assets on behalf of customers. DTC seems to believe we are their custodian and that we hold their actual securities or other financial assets for them. This, therefore, would allow them to be entitled to expect certain actions from us just as if they were any other client of ours. But they are not our client, nor are we their custodian. We hold no securities or financial assets for them or for their behalf. Our clients are our issuers only. And the Depository

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Trust Company is the depository holder of shares in the issuing company. If they were our client, they would have submitted paperwork to us in the form of an appointment naming us as their transfer agent. We would then negotiate fees for services and everyone would have the chance to agree, or go elsewhere. Instead, transfer agents must apply to DTC to be accepted as a FAST transfer agent. There is no negotiation because there is nowhere else to go to negotiate a commercial relationship. In addition, it is illegal to be "ex-clearing". Just because DTC wants us to be their custodian, does not make it a reality. We are a recordkeeper only and always have been.

In the case of the FAST transfers and the balance certificate...This certificate holds no value of itself. It only reflects the current record of the number of the shares held in DTC's name. It does not hold the value of the actual securities. Again, this does not make us a custodian.

Therefore, all of their proposed "custody" requirements become less appropriate, not more. Why the increased insurance requirements when we are not the custodian? Why the increase in mail bond insurance when there will be less physical certificates being sent through the mail? Why the requirement to have a bigger than before fire-proof safe on the premises when there will be less physical certificates and the Balance Certificates hold no value?

In addition, no one at First American Stock Transfer can find in the laws where the Depository Trust Company was mandated to have regulatory authority over transfer agents. We have only been audited by the Securities and Exchange Commission in the past and we prefer for this relationship to remain. Therefore it appears to be overreaching on the part of DTC to require transfer agents to provide more involved (and onerous to smaller transfer agents) annual auditor reports than are currently required by the SEC under Rule 17Ad-13. These additional types of reports are extremely expensive and inappropriate for a firm of only 10-20 employees, or less.

When DTC wrote their proposed Rule, it appears clear that they performed very little research and had no understanding of the business model of small or mid-size transfer agents. We are the agents who service small and mid-cap issuers who trade on the smaller exchanges. These issuers use us because our business model helps to defray costs away from the issuer. They pay a minimal monthly fee to us so they are not overcome with an onerous outlay of cash as they build

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their businesses into a stable entity supporting the American economy. All other fees are paid by presenters when their requests are submitted. These presenters include brokerage firms, individual holders and the Depository Trust Company requests for transfer. Sometimes it involves a paper certificate and sometimes it involves an electronic transfer. But in each case there is an employee who must perform some due diligence and oversee the supporting documentation to ensure the transfer is completed appropriately and conforms to the law. In each case, there is a service being provided by a transfer agent employee for which a payment should be made. Normal business in America...unless this Rule is approved.

For the large transfer agents, (how many are there, 3 or 4?) they charge a per shareholder monthly fee in the range of $2.50 to $4.50 and all other presenter charges are swept in underneath this umbrella amount. Monthly fees can reach $10,000 a month for some of these issuers. This type of business model, among the larger transfer agents, can be more easily weathered by large issuers but that kind of orientation buries a small issuer.

Why is this mentioned? The Depository Trust Company wants their presenter fees to be paid by the issuers only and that will save money for all of their owner participants. To expand upon this, a typical transaction for a small transfer agency runs between $30 and $60.00. If the agency completed 20,000 transactions a year, the agency would be earning around $1,000,000. On the other hand, DTC says these transactions are only worth paying us about 17 or 18 cents per transaction and the rest should be borne by the issuer. So now DTC will pay us around $3500 for these 20,000 transactions and the balance of $996,500 must come from the issuers. If that is spread evenly between all issuers they are each paying $4982 which is about 35 times what they are paying now. To go back to the original question...why is this mentioned? It is known that the SEC is not concerned with setting fees. But we did want to give you an idea of what is happening if this Rule goes through. The United States is already losing much of its economy to foreign markets because Sarbanes-Oxley has made it too onerous on the small-cap issuers to stay here. If this Rule goes through without some allowance being made for the business models of small transfer agents and what we are able to offer to the small-cap issuers, the U.S. will also continue to lose small-cap issuers, not only because of Sarbanes-Oxley but also because it is too expensive to trade their companies in this market. The SEC may not be concerned with fees but in this case, it will have far-reaching results.

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We have done a little research and have uncovered a still-valid regulation enacted back in 1980 called the Regulatory Flexibility Act that mandates, through the Small Business Administration, Office of Advocacy, that agencies who produce rulings must adhere to provisions made for small business models. This is very important for all small transfer agents nationwide. We provide a valuable service for all small to mid-cap issuers by allowing some of their costs to be defrayed until such time as their company is at a more stable point. Without this service many of these issuers will either fail or go into foreign markets. They will not be able to afford paying the additional presenter fees that DTC wants them to pay. If they cannot pay and DTC refuses to pay the industry standard agreed upon amount, small transfer agencies could lose their entire business. This is a very real threat to a large and necessary part of the securities industry.

In conclusion, we at First American Stock Transfer feel that this proposal needs to be substantially revised to address all the concerns from the entire securities industry- not just the owner participants and DTC, but all issuers and all transfer agents as well. Before it is allowed to be approved, there should be an impact study done to ensure there is compliance with the Regulatory Flexibility Act since non-compliance with the Rule will have a devastating effect on a large portion of the American economy.

Thank you for the opportunity to comment on this Proposal. We welcome any additional questions you might have regarding the impact to small transfer agents.

Sincerely,

Salli Marinov
President/CEO
First American Stock Transfer