CHICAGO CAPITAL MANAGEMENT

May 16, 2007

Securities and Exchange Commission

100 F Street, N.E.
Washington, D.C. 20549-0609
Attention: Nancy M. Morris, Secretary

Re: Proposed Rules: Amendments to Financial Responsibility Rules for Broker-Dealers

Release No. 34-55431
File No. S7-08-07

Dear Ms. Morris:

We are submitting this letter in response to Release No. 34-55431 dated March 9, 2007 (the "Proposing Release"), in which the Securities and Exchange Commission (the 'Commission") has requested comments regarding its proposal to amend Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Act").

Chicago Capital Management, L.P. (the "Firm") is an Illinois limited partnership that is registered as a broker-dealer with the Commission and is a member of the Chicago Stock Exchange Inc. (the "Exchange"). As a limited partnership, the Firm raises equity capital by offering and selling limited partnership interest to accredited investors in accordance with Regulation D. Under the terms of the Firm's limited partnership agreement, (the "Agreement"), investors may redeem their interests in the Firm at the end of each calendar quarter by providing the Firm with not less thirty (30) days' prior written notice of such redemption. However, the Agreement also states that investors are subject to CHX Article III, Section 6(b), which generally provides that investors may not withdraw their capital contributions prior to the one year anniversary date thereof without the prior written consent of the Exchange. As a result of the foregoing restrictions, the Exchange has not objected to the Firm's treatment of these capital contributions as equity capital under Rule 15c3-1.

As noted in the Proposing Release, the Commission is proposing to amend Rule 15c3-1 by adding a paragraph (c)(2)(i)(G), which would require a broker-dealer to treat as a liability any capital that is contributed under an agreement which gives the investor the right to withdraw such capital. Unlike the Exchange rule noted above and prior interpretations issued by the Commission staff, this proposal does not distinguish between capital contributions which may be withdrawn prior to one year and those which may not.

If adopted as proposed, we believe that the proposal will have significant adverse consequences for broker-dealers such as the Firm that desire to obtain equity capital from unrelated third parties. As noted above, the Firm obtains capital contributions from investors who agree to certain limitations on their ability to withdraw these contributions. While these investors appear to be willing to accept the Firm's current limitations, we do not believe that this would be the case if these investors were required

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to contribute capital to the Firm under an agreement which provided that they did not have any right to redeem their interests in the Firm, and where the redemption of these interests was solely at the Firm's discretion.

As the Commission has recognized in other contexts, the cost of capital to a firm varies depending on the required time horizon of the investment. For example, the Commission has noted that registered securities are less likely to be subject to a liquidity discount than unregistered securities.[1]. Similarly we believe that it is reasonable to assume that unregistered securities that contain limited redemption rights will be subject to less of a liquidity discount than unregistered securities that do not provide investors with any such rights.

For practical and legal reasons, the Firm's limited partners are not able to liquidate their interests in the Firm by selling their interests to third parties. Thus, the only potential source of liquidity for these limited partners is the Firm itself. While the Firm's limited partners are willing to accept certain restrictions on their redemption rights, the Firm does not believe that they would be willing to incur the uncertainty that would arise from the adoption of the proposed rule. As a result, the Firm believes that the proposal would raise its cost of capital to such an extent that it would be impossible for the Firm to raise capital from unrelated third parties.

Separately, it is not clear to the Firm whether the text of the proposed rule accurately reflects the Commission's intent. As noted above, paragraph (c)(2)(i)(G) does not distinguish between capital contributions that may be withdrawn before one year and those which may not. However, certain statements in the Proposing Release imply that the Commission is primarily concerned about capital contributions that may be withdrawn before one year. For example, the Proposing Release states the Commission is "…concerned that broker-dealers may be receiving capital contributions from individual investors that are subsequently withdrawn after a short period of time (often less than a year)." In addition, the Proposing Release states that the Commission "…request[s] comment on whether the time period with which withdrawn and intended to be withdrawn contributions must be treated as liabilities should be longer than one year." These statements indicate that the language of paragraph (c)(2)(i)(G) does not accurately reflect the Commission's intent. If this is the case, then we believe the Commission should revise the text of this paragraph to clarify that capital contributions made under agreements that provide investors with the option to withdraw such contributions should not be characterized as liabilities to the extent that these contributions may not be withdrawn for one year.

Sincerely,

Steven R. Gerbel

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We appreciate the opportunity to comment on the proposed rule. If you have any questions or would like to discuss this matter further, please call me at (312) 362-3051.

[1] See Securities Exchange Act Release No. 34-52056 (July 19, 2005).