



Investtrend Research

FINANCIAL INTELLIGENCE / Div., Investtrend Communications, Inc.

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Tuesday, September 13, 2005

Mr. Jonathan G. Katz
Secretary, U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

**Re: Follow-Up Testimony to the SEC Advisory Committee on Smaller Public
Companies
File No. 265-3**

Dear Mr. Katz, Mr. LaPorte, and Messrs. Wander and Thyen, Co-Chairs:

On June 17, 2005, you were kind enough to solicit my views, and the views of those of us in the legitimate independent sponsored research community, regarding the state of research for smaller public companies, the problems in differentiating professional standards-based research from non-standards and even promotional “reports,” the vacuum in universal coverage, and the resulting lack of market liquidity for non-covered and under covered public companies.

May I take a moment to congratulate this advisory committee and the staff of the SEC for not only the outstanding work being performed on behalf of the shareholders of smaller public companies, but more importantly for its sincere sensitivity to this special developing economic community, and the can-do attitude of the staff and volunteer participants in accomplishing recommendations that we believe will be real, practical results and not an exercise in bureaucracy or diplomacy. We do not extend this recognition lightly. It is truly refreshing, and coming from a firm whose informational divisions are well known to praise when praise is due and to criticize when criticism is due, I can truthfully say that to date, based on observation and interaction with your staff and committee, praise and appreciation is fully due.

It is with a great deal of pleasure, then, that I am informing you of what we believe to be a truly new paradigm in sponsored research that we believe for the first time, offers a conflict-free, bias-free environment for the production of truly independent, professional, credible analytics.

On Tuesday, September 20, at 8 a.m., Pacific Time, just prior to your next public session, in the Golden Gate Room of the Hyatt at Fisherman’s Wharf, the locale of your meeting in San Francisco, Investtrend Research will be joining with a half-dozen other standards-based independent research providers, as well as public overseers duly elected by the investment community, to introduce **shareholder-monitored research.**

The Shareholders Research Alliance (<http://www.shareholdersresearch.com>) will be Webcasting its introductory press conference at <http://www.vcall.com/CEPage.asp?ID=94930> , both live and via replay.

The nascent organization already numbers over 100 members. More than 50 public companies have already been enrolled by their providers. After a public call for members, the SRA conducted an on-line election, and the following were elected (Providers and Public Issuers were ineligible to vote) as the initial Overseers Advisory Group:

CHAIR:

Carlos E Boggs
Private Investor
San Antonio, TX

Mr. Boggs is a Premium Audit Manager for a major insurance company for the Western half of the U. S., and has been with his current employer for 19 years. He is responsible for making audit decisions on a 13 million dollar book of business managing a team of 44 auditors and reviewing the various types of businesses for both Worker's Compensation and General Liability forms of insurance for a variety of business owners.

VICE CHAIR:

Dirk Koerber
Retired Director of Investor Relations & Public Affairs, Litton Industries
Woodland Hills, CA

Mr. Koerber is a private investor who retired as Vice President Investor Relations. In his more than 25 years in this capacity he worked for large, mid and small cap corporations in several industries. He helped establish two companies on the New York Stock Exchange and with the financial community and participated in secondary equity and debt offerings. His experience also incorporates IR work in Europe, and he is a member of the National Investor Relations Institute.

OVERSEERS:

Anthony J. Cataldo, Ph.D, CPA, CMA
Assistant Professor of Accounting, Oakland University
Rochester Hills, MI

Mr. Cataldo is author of recent Elsevier Science monograph on "Information Asymmetry" and conducting academic research in this area, including SEC Reg SHO. "We are in a paradigm shift from a 'free' to a 'fee-based' system of stock analyses. I maintain an interest in this and related corporate governance-related research streams."

Jerry Davis
Chairman, Board of Trustees, New Orleans Employees' Retirement System
New Orleans, LA

Mr. Davis is the board chairman of a \$400 million pension fund, with 20 years experience in that capacity, and believes shareholder monitoring of research is a "very worthwhile effort."

*Gary Ferguson
Private Investor
El Prado, NM

Gary Ferguson is a retired engineer with a deep background in technical research and development with a major national laboratory. He now lives near Taos, New Mexico and manages a portfolio of stocks, bonds, funds and other investments. He does not own anywhere

near 5% of any one company. He says the Shareholders Research Alliance is a "way to contribute to the rejuvenation and credibility of shareholder voices in the financial community."

Bob Reisner
Restaurant Operator
Atlanta, GA

Mr. Reisner operates Reisner Restaurants, Inc., Reisner Mexican Restaurants, Inc., Kingsley Restaurants, Inc., and Nassau Business Funding & Services, Inc. "With over 30 years in finance and technology management roles in IBM, RCA and GE, I have an unusually strong understanding of how large companies work. Founding technology and retail businesses means an understanding of smaller businesses that is borne of front line experience. Working on mergers and acquisitions as well as operations financial oversight provides deep knowledge of financial statements and business/regulatory law. Finally years as a private investor actively managing a large portfolio provides a background in the mechanics of equity and financial instrument selection as well as understanding good and bad research. I believe that investors as a community have a duty and need to actively participate in improving our investment experience."

(* Mr. Ferguson is serving as an Alternate due to Mr. Davis' unavailability after Hurricane Katrina. If Mr. Davis remains unavailable to resume his duties by October 31, 2005, the voters have deemed Mr. Ferguson to have been elected as a permanent replacement. The Shareholders Research Alliance extends its deepest concerns for Mr. Davis and the New Orleans employees served by the pension fund he manages.

General Members, including individual shareholders, institutions and professionals, are:

James C. Anderson, Private Investor, Tucson, AZ
John R. Anderson, Private Investor, Santa Maria, CA
George Bell, Private Investor, San Francisco, CA
Richard Birkhimer, Private Investor, Frederick, MD
Carlos E Boggs, Private Investor, San Antonio, TX
Anthony J. Cataldo, Ph.D, CPA, CMA, Private Investor, Rochester Hills, MI
Andrew Carter, Private Investor, Marion, IA
Gary Christy, Private Investor, Gahanna, OH
William Cubberley, Private Investor, Petal, MS
Jerry Davis, Chairman, Board of Trustees, New Orleans Employees' Retirement System, New Orleans, LA
Saul Duga, Private Investor, Ocoee FL
Clyde M Euteneier, Private Investor, Juneau, AK
Gary Ferguson, Private Investor, El Prado, NM
Ron Hagen, Private Investor, Memphis, TN
Edward Hamblin, Private Investor, Livermore, ME
Edward R. Janowitz, Private Investor, Red Hook, NY
Edward Kelley, President, Kelley's Coins, Atlanta, GA
James E. Keith, Private Investor, Bridge City, TX
Beth Kriegel, Sr. Director, Financial Planning & Investor Relations, Prometheus Laboratories Inc. (Not Public), La Jolla, CA
Dirk Koerber, Retired Director of Investor Relations & Public Affairs, Litton Industries, Woodland Hills, CA
Charles Kusnyer, Private Investor, Lexington, NC
George C. Lang, Managing Partner, Overlook Realty Investment Advisors, Shoreview, MN
Marsha Manning, Private Investor, Vancouver, WA
David McCarthy, Private Investor, Indianapolis, IN

Ilan Milch, Private Investor, Brooklyn, NY
Robert Milligan Jr., Private, Bluffton, SC
Patrick J. Mulloy, Private Investor, Westlake, OH
William Murray, Private Investor, Nokomis, FL
Mike Nwogugu, Certified Public Accountant, Brooklyn, NY
Joshua Peri, Private Investor, Israel
Bob Reisner, Restaurant Operator, Atlanta, GA
Elizabeth A. Robertson, Private Investor, Bethesda, MD
Laszlo F. Roznauer, Private Investor, Memphis, TN
Dee Sanders, Private Investor, De Queen, AR
Victor W. Shelton, Private Investor, Oxon Hill, MD
Mike Sloom, Private Investor, Ontario, Canada
Roy Stewart, Principal, Sunpal Custom Windshield Covers, Phoenix, AZ
Raymond Virzi, Private Investor, Arcadia, CA
Garrett Vogel, Certified Fraud Examiner, Dallas, TX
Phil West, Private Investor, Grain Valley, MO
Victor Allgeier, TTC Group, New York, NY
Richard L. Anderson, Sr. Vice President & Partner, Fleishman-Hillard, New York, NY
Mark Bernhard, Vice President, Capital Group Communications, Mill Valley, CA
Hank Boerner, Rowan & Blewitt, Former Head, NYSE Communications, Mineola, NY
Leo de Waal, Senior Portfolio Manager, Fuchs & Associates Finance Luxembourg S.A., Luxembourg
Linda Ferentchak, President, Financial Communications Associates, Inc., Englewood, CO
Mike Giles, Shareholder Analytics, Rockville, MD
Christopher R. Hebbe, Principal, Caltius Mezzanine, Los Angeles, CA
Laura J. Hoff, Stevens Financial Group, Plano, TX
Tom Johansmeyer, President, J-Knowledge, LLC, New York, NY
Carol Merry, Vice President, Fahlgren Mortine Investor Relations, Columbus, OH
Frank Milano, Strategic Investor Relations Corp., Austin, TX
Victor W. Shelton, Capital Markets Sales, Bigdough, Bethesda, MD
Gary D. Strong, Principal, Aspen-Hall, Hayden, ID
Gavin Taylor, Terra Nova Capital Partners, New York, NY
Robert D. Weiss, Sr. Vice President, Black Knight Ventures, Tampa, FL
David S. Kopp, Sr. Vice President, Cornell Capital Partners, Jersey City, NJ
Renee Mullen, Investor Relations Professional, AMNHealthcare, Carlsbad, CA
Sean P. O'Neill, Sr. Vice President, Investor Relations, First Industrial Realty Trust, Chicago, IL
Kevin M. West, The Owners Group, Inc., Universal City, TX

Initial Providers offering their analytics under the Shareholders Research Alliance monitoring program include:

Beacon Equity Research, Richardson, TX
Burritt Research, Lake Park, FL
Fundamental Research Corp., Vancouver
Investrend Research, Forest Hills, NY
SISM Research & Investment Services, Zurich
ValueNotes, Pune, India

As you may know, Investrend Research introduced the corporate-sponsored research model for under covered and non-covered public companies ten years ago. The advent of shareholder monitoring now provides a new paradigm that places oversight in the hands of those for whom research is being produced. This model removes conflict and bias from the equation, providing

the financial community a new and substantive reason to endorse and support standards-based, shareholder-monitored analytics and visibility.

In response to what I believed was a request to devise a methodology that would open the floodgates to more universal coverage of smaller public companies, the Shareholders Research Alliance will also comprise specific company chapters that will serve on the frontlines of advocacy, as well as specific issuer research monitoring. The shareholders of each company may elect an Overseer through the Shareholders Research Alliance to represent the interests of those Member shareholders advocating research for that company and upon enrollment, participating in the monitoring program.

Second, taking into consideration that some of the smallest public companies may not be able to readily afford coverage, but nevertheless their shareholders deserve and demand coverage, there is a component in the program whereby the expenses may be covered with shareholder equity rather than as a capital expense. The program allows stock to be paid to a non-affiliated attorney's escrow account, who shall dispose of the stock prior to the implementation of any research, and who will then enroll the company for coverage by an SRA provider. None of the providers will have any beneficial interest in the escrow account and the SRA will have no ownership of any shares thus proffered to the escrow account.

Hopefully, this simple solution will provide a means to extend coverage to even the smallest, developing public issuers that now have no prospects of professional research for their shareholders, while yet allowing the providers to maintain their positioning as not owning or trading in the shares of any public company under coverage, and banning such ownership and trading by the analysts assigned to the coverages as well.

OTHER DISCUSSION:

Also discussed at the time of my June 17 testimony was some new entries into this business, and I promised that I would respond to the committee on these matters in due course. The following represents my considered judgment, given ten years of practice in the under covered segment of the market.

With respect to two new entries, we in the standards-based segment of the industry have some serious reservations about a model whose underpinning is "choice." In our practice, we have never offered an enrolled company into our sponsored research program to choose its analyst. To offer public companies the option to select from facilitated providers on the basis of "performance metrics" or another similarly suspect qualification is conflictual and it would be difficult to perceive such a program as "independent."

A second new proposed program is a joint venture that includes in its ownership an Exchange. It would be difficult to consider such a program as achieving the Guidelines contained in the NIRCFAI "Issuer/Analyst Guidelines," inasmuch as there are certain promotional elements inherent in a listing agent. It would also seem that an Exchange has a pervasive influence on both its listees as well as those companies that hope to position for a listing via doing business with the Exchange on an analytical level. If an analyst, in the course of his or her diligence, finds severe irregularities or concerns, what is the dual role of the Exchange owner of the research provider in considering that listing, and will this dual role create conflicts for the analyst in the normal course of his or her reporting? These are but a few of the concerns that come to the forefront when considering the duality of an Exchange also facilitating opinions about its listees and/or potential listees.

CONCLUSION:

We continue to be concerned about the proliferation of paid-for research firms as well as the completely promotional entities that disguise themselves as researchers and analysts, and would **respectfully suggest that the Advisory Committee, in its endorsement of sponsored-research as a dire necessity for public companies to serve their shareholders if there is no other credible research, take the position that sponsored research providers so selected should at minimum, have a written, published and immediately accessible statement of its “Standards” and ethics.**

Such an example of minimal “Standards For Independent Research Providers” may be found at <http://www.shareholdersresearch.com/standards.html> . Adoption is free, and there is no impediment to the adoption and adherence by any ethical provider.

We also believe that it would not be imprudent of the Advisory Committee to **propose to smaller public companies enrollment in a shareholder-monitored research program.**

Very sincerely,

Gayle Essary

Managing Director, Investrend Research (<http://www.investrendresearch.com>)

CEO, Investrend Communications, Inc. (<http://www.investrend.com>)

Executive Director, FIRST Research Consortium (<http://www.firstresearchconsortium.com>)

Administrator, Shareholders Research Alliance (<http://www.shareholdersresearch.com>)