

October 4, 2005

File Number 265-23

There will only be erosion in the confidence in the US market system if the SEC continues on the present course, of doing very little enforcement of already existing laws and few of the points in your agenda will have a positive outcome over the long run

It is now well known that there are on average 150 million shares that fail to deliver every single day on the NYSE and NASDAQ alone. Pink sheets, AMEX and OTCCB not even included.

This is from a freedom of information act release by the SEC itself earlier this year.

In addition, there are massive proxy over votes during many share holder votes, that ADP and other tabulators need to "fix" to make the vote look legitimate.

So while all the IOUs, like failure to receive notices issued by the NSCC to brokers, and other IOUs held by brokers when they lend out their shares, are treated as real shares by brokers, and misrepresent to their clients how many real shares they have at the DTC, market dilution of all stripes occurs.

On your agenda you like to discuss, among other things :

1. The investor protection mandate
2. Encouragement of capital formation
3. Keeping it simple

All 3 above are extremely negatively impacted by the current status quo.

It's so complex, so that no one person has clarity as to how 100% of the shares held at the DTC wind up in customer accounts and sometimes exceeds the shares held at the DTC. In cases 300-400% more than the DTC has.

This dilution makes it more difficult for companies to attract capital, investors to retain their capital and votes to be diluted. Who really owns 20% of the voting rights when there are more shares in investors accounts than there are authorized shares outstanding?

More than anything else, it would benefit smaller companies, if the could operate in an environment where there is market confidence, transparency and clarity. All we have today is knowledge that the sharks remain in the shadows and are pretty free to keep doing as always, because the SEC isn't going to ensure fair markets, like ensuring that no more shares with voting rights are in investor accounts than the company has authorized.

It is simple, but the SEC has allowed this to grow out of control where it's just a jungle and guesswork to connect what's at the DTC and what's in the market. Until this is corrected, everything else will just be whacking at the leaves and doing some window dressing.

