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June 4, 2004

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

**Re: Use of Form S-8 and Form 8-K by Shell Companies**
**File No. S7-19-04**

Dear Mr. Katz:

First let me indicate that it has been recognized for a period of time in the small cap community that the Commission was considering proposals to improve disclosure relative to shell companies and reverse acquisitions which would require more extensive and timely reporting than required under the current Form 8-K filing regime. I believe the introduction of these improvements is consistent with the fundamental concept of providing current information to investors.

Having said that, the following thoughts and suggestions are provided relevant to the proposals for consideration by the Commission:

- What level of information should be required? I am concerned that providing for the comprehension level of disclosure as would be encompassed in a complete Form 10 or Form 10-SB disclosure format will provide extraordinary leverage to the shell promoter in dealing with the private operating entity. It can be anticipated that shell promoters and operators will be in a position to drive onerous bargains and compel last minute restructuring of existing contracts for the potential reverse acquisition by threatening to abandon the transaction after the incurrence of the substantial professional fees and other costs associated with providing the full disclosure format contemplated under a Form 10 or a Form 10-SB. In reality, the critical information is the audited annual and unaudited interim financial statements, pro forma financial information and the MD&A disclosures

as referenced in bullet point 3 of the Commission's suggested line of inquiries. In addition, more limited disclosures relative to non-financial information, consistent with what might be provided in a proxy statement or information statement under items 11 and 13 of Schedule 14A of the Proxy Rules (where action submitted for approval of shareholders or majority in interest shareholders for matters such as amendments to charter documents to permit acquisitions) should represent a sufficient level of information, while not over-burdening the private entity and affording an enormous advantage to the shell operator or promoter. This would appear to be a reasonable compromise given the nature of these transactions, while at the same time dissuading frivolous filings with limited information afforded to investors as currently occurs in Form 8-K Current Reports for reverse acquisitions.

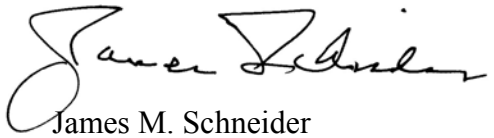
- Avoidance of Loophole. The Commission has seemingly left one significant loophole relevant to reverse acquisitions and changes of control. There are a number of instances whereby companies with limited actual operations acquire larger private operations, which represent the true focus of the ongoing activities of the reporting company. In certain instances, the small operating entity may have plans to separate the original limited activities from the ongoing acquired operations within a period of time; or in good faith, principal management of the previous public entity expresses dissatisfaction within the short term of the arrangement and obtains a disposition of the original operations within a brief period of the completion of the reverse acquisition or change of control. This is a variation of the scenario provided in the commentary to release no. 33-8407, but represents a potential significant void not addressed by the Commission.

  The Commission will need to address this point either at the present time or at some future time since it is likely that the reverse acquisition promoters will gravitate to this format as a means of avoiding the initial more costly and work intensive requirements associated with implementation of the proposals contemplated by Release No. 33-8407.

  While it may be difficult to establish quantifiable criteria for when an effective reverse shell acquisition occurs, it seemingly would be possible to delineate time periods as to which the disposition of existing operations would be deemed to involve a reverse acquisition by a shell, and/or establish comparison formats of assets, stock consideration or earnings/losses comparisons akin to the significant subsidiary tests presently employed for determining the periods of inclusion for financial information. Clearly, if this approach is not addressed, a new circumvention or trend in reverse acquisitions and changes in control will evolve without adequate reporting.

I hope that the Staff will find this information useful and salutary in its consideration and implementation of release no. 33-8407.

Sincerely yours,



James M. Schneider

JMS:sjm