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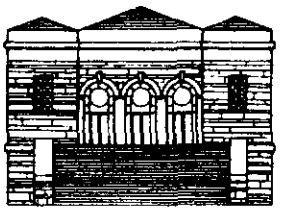

WYNNEFIELD CAPITAL, INC.

450 7TH AVENUE, SUITE 509
NEW YORK, NY 10123

TEL: (212) 760-0814
FAX: (212) 760-0824
www.wynnefieldcapital.com

NELSON OBUS (212) 760-0134
JOSHUA LANDES (212) 760-0814
MAX BATZER (212) 760-0330
PETER BLACK (212) 760-0742
STEPHEN ZELKOWICZ (212) 760-0278

March 21, 2006

Ms. Nancy M. Morris
Federal Advisory Committee Management Officer
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. 265-23

Dear Ms. Morris:

On April 7, 2005, we submitted a letter requesting that the SEC Advisory Committee on Smaller Public Companies (the "Committee") consider the needs of investors in determining ways to provide relief from Sarbanes-Oxley and other federal securities regulations. In that letter, we pointed out that many issuers had elected to deregister their securities under the Securities Exchange Act of 1934 (the "Exchange Act"), claiming they were driven to this decision by the demands of Sarbanes-Oxley. Unfortunately, deregistration and the resulting absence of disclosure requirements leaves management with a very free hand.

Without the requirements of continuous, uniform disclosure, management can take advantage of their superior access to information to utilize corporate assets for any purpose without informing shareholders. This frequently includes creeping privatization by management of companies whose stock prices have been depressed by a lack of good disclosure. Several academic studies have indicated that deregistration is more likely to occur where insiders hold large positions and that the lack of information resulting from deregistration is severely detrimental to stock prices.[1]

We thank the Committee for responding to our request and others by proposing to amend Exchange Act Rule 12g5-1, adopted in 1964, to require issuers to count beneficial owners, rather than only those shareholders who hold stock certificates in their own names, for purposes of determining registration obligations under the Exchange Act. This proposal, if adopted by the Commission, would eliminate an arcane loophole used by many issuers for manipulative purposes to the great detriment of the investing public.

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[1] Leuz, Triantis and Wang, "Why Do Firms Go Dark? Causes and Economic Consequences of Voluntary SEC Deregistrations," November 2004 (not yet published study sponsored by Pennsylvania's Wharton School and Maryland's Robert H. Smith School of Business); Marosi and Massoud, "Why Do Firms Go Dark," July 2004 (not yet published study sponsored by the University of Alberta).

Rule 12g5-1 is forty years old and reflects the manual clearing procedures of that time involving transfers of paper certificates. Wynnefield Capital and its related investment partnerships have been significant investors in the equities of smaller public companies for over twelve years. I have personally been actively involved with small cap investing for over 35 years. I can recall when trades were cleared entirely with paper certificates, when runners with pouches carried certificates between the great brokerage houses of the day. However, the day of manual clearing, paper certificates and street runners is now an artifact of history. Most investors in this day of advanced, computerized clearing systems hold securities in book-entry form (street name), transfer, clear and settle by computer, and are not counted for purposes of registration under the Exchange Act.

We write the Committee on this occasion to request that the Commission make the salutary proposal to revise Rule 12g5-1 a matter of the highest priority in its final draft. This is an urgent matter. Investors in many smaller public companies are today being deprived of the disclosure and other protections mandated by the Exchange Act, leaving them to depend on the good will of management to protect their interests. History tells us management good will cannot be depended upon to protect investors. The absence of good disclosure eases the path to corruption and the abuse of power, leading to a loss of investor confidence.

It is sometimes argued that shareholders are protected under State law provisions that purport to grant them access, upon request, to a corporation's books and records. We can report from the most painful personal experience that State law is not adequate to protect investors in smaller public companies.

We are currently engaged in an expensive and lengthy litigation against Niagara Corporation to obtain certain basic records in Delaware's Chancery Court. One of the investment funds that we manage holds a large position in Niagara's common stock. We observed an immediate decline in the value of this investment when Niagara filed a Form 15 to deregister in April 2004. When Niagara repeatedly rejected our reasonable requests for certain books and records, we had no choice but to bring an action to protect our substantial investment in that company. This litigation has run for over nine months, my time and the time of my staff has been spent in depositions and the preparation of other voluminous discovery requests, numerous briefs have been filed, and there have been several hearings where I have personally testified before the Vice-Chancellor. After all this, as of the date of this letter, we still have not received the books and records promised under Delaware law. By the time this case is resolved, the management conduct we were investigating may well be irreversible, leaving us without an adequate remedy to repair the damage done to our investment. So, while we may eventually win the battle to obtain books and records, we may already have lost the war to defend the value of our investment.

It has become abundantly clear that Niagara would much prefer to litigate with its shareholders than provide them with the information they are entitled to receive. While shareholders must use their own resources, management uses corporate funds to litigate against information requests. It is particularly galling that money shareholders invested

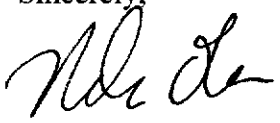
in this company in their last public offering is being wasted to fend off reasonable requests by shareholders for information.

Our experience with Niagara clearly indicates why immediate action is necessary to protect investors. It is very difficult for an institutional investor with a substantial position to obtain information under State law from any company with a management willing to spend the company's resources to avoid disclosure. Small shareholders cannot possibly finance the litigation necessary to obtain information about the companies in which they have made an investment.

Federal securities laws are essential to protect investors from the machinations of avaricious and secretive management teams. We therefore urge the Committee to assign a high priority to the proposal to count beneficial owners as "holders of record" for purposes of Section 12(g)(5) of the Exchange Act.

Please accept my gratitude for the work done by the Committee. I appreciate that this has involved a personal investment of time for the Committee's members to perform a public service. Please call if you have any questions or require any additional information.

Sincerely,



Nelson Obus
Wynnefield Capital, Inc.