

[Perkins Coie LLP Letterhead]

July 1, 2004

VIA EDGAR FILING AND FEDERAL EXPRESS

Mr. John Reynolds
Assistant Director, Office of Emerging Growth Companies
U.S. Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, DC 20549

**Re: HyperSpace Communications, Inc.
Amendment No. 1 to Form SB-2 (the "*Registration Statement*")
File No. 333-115404**

Ladies and Gentlemen:

On behalf of HyperSpace Communications, Inc. (the "*Company*"), we are transmitting the following responses of the Company to the comments of the Commission's staff (the "*Staff*") in regard to the Company's Registration Statement on Form SB-2 as set forth in the comment letter from John Reynolds, Assistant Director, Office of Emerging Growth Companies, dated June 15, 2004 (the "*Comment Letter*"). We have enclosed for your reference two courtesy copies of Amendment No. 1 to the Registration Statement (the "*Amendment*") in a clean version and two copies of the Amendment in a version marked to show changes from the version of the Registration Statement filed with the Commission on May 12, 2004.

The responses set forth herein are based on information provided to this firm by the Company. For your convenience, we have numbered the comments as set forth in your letter, repeated such comments and set forth our response to each comment immediately below. The page number references refer to the page numbers in the Amendment.

General

1. Please furnish supplementally a statement as to whether or not the amount of compensation to be allowed or paid to the underwriters has been cleared with the NASD.

Response: The NASD has not yet cleared the underwriter compensation in the offering. As we have discussed with the Staff, and as the revised disclosure in the registration statement provides, the offering, the lead underwriter and the underwriting terms have changed significantly from the Company's first filing. Accordingly, the Company and the underwriters have re-filed the appropriate

documents with the NASD for further review. We will provide the Staff with the NASD's position as soon as it is available.

2. Please provide the disclosure required by Item 505 of Regulation S-B regarding determination of offering price.

Response: Please see the end of the Underwriting Section on page [67]. Please note that we have revised the Underwriting Section to reflect the new offering and new lead underwriter.

3. Please update all the information to the most recent practical date.

Response: We have complied with the Staff's request. In many instances, March 31, 2004, the end of the Company's most recent fiscal quarter, is the most recent practical date.

4. You should include industry or technical terms only as necessary. Where you must use industry or technical terms, please define these terms or concepts in everyday language easily understandable by the average investor who is not familiar with your industry. For example, we note "internal and external mission-critical applications," "transport layer protocol," "voice-over-IP," "video-over-IP," "fiber optic systems," "LAN," "WAN," "HTML," "XML," "JAVA," "RADIUS," "LDAP," etc. Please revise your prospectus as appropriate.

Response: We have complied with the Staff's request to the extent possible by removing many of the technical terms. However, in some places we felt that certain terms needed to remain to accurately describe the Company's technology. In those places we have defined or described the terms that remained.

Prospectus Cover Page

5. The table of contents should immediately follow the cover page. Please remove the HyperTunnel Network graphic. If you wish to retain the graphic, please relocate the presentation to the business section.

Response: We have removed the graphic from the prospectus.

Table of Contents

6. Please provide the page numbers for the table of contents in your next amendment.

Response: We have complied with the Staff's request.

Prospectus Summary, page 1

7. The narratives under the subheadings, "Our Technology" and "Our Opportunity" are not key aspects of the offering. Please remove them from this section. See Instruction to Item 503(a) of Regulation S-B.

Response: We respectfully disagree with the Staff and believe that the discussions under "Our Technology" and "Our Opportunity" are important aspects of the Prospectus Summary. We believe that, as Item 503(a) states, it is important that the Prospectus Summary section include an concise summary of the information in the prospectus, not just the key aspects of the offering. A summary of the Company's business is a key aspect of the Prospectus Summary because it allows an investor to quickly identify what the Company does. The "Our Technology" and "Our Opportunity" sections briefly tell an investor what the Company has to offer and why the investor should consider making an investment in the Company. We have modified the language slightly, but have not removed the sections because we believe they provide important disclosure.

Risk Factors, page 6

8. Please delete the statement that there may be additional risks and uncertainties you have not yet identified. You should identify and discuss all material risks in this section.

Response: We have modified the language to address the Staff's comment. We believe that we have identified all of the known material risks in the prospectus, however we believe that it is appropriate to include prefatory language indicating that unforeseen risks may arise. In essence, we believe that since the Company and the industry are in their infancy, cautionary language of this sort is meaningful. We believe that the revised language addresses our concern and the Staff's comment.

9. Many of your risk factor subheadings currently merely state a fact or uncertainty about your business, such as "our brief operating history and limited history of product sales makes it difficult to evaluate. . ." and "our future depends on the success of our new product, HyperTunnel." Please revise your subheadings to ensure they reflect the material risks and adverse consequences to the company and/or investors.

Response: We have complied with the Staff's request.

10. Please avoid the generic conclusion you reach in several of your risk factor subheadings and narratives that your business could suffer or be adversely affected. Instead, replace this language with specific disclosure of how your business and operations would suffer. For examples, see risk factors seven, nine, fifteen, and sixteen.

Response: We have complied with the Staff's request where appropriate. However, as the Staff is aware, under the "bespeaks caution" doctrine, such terms are important as "a matter of law" to use in defense of a frivolous civil action.

11. The eighteenth risk factor discusses two risks. First, the risk of you infringe upon third parties' IP right. The last paragraph also addresses the risk of any third party infringe upon your rights. Please either incorporate the second risk into your subheading or discuss the two risks separately under different subheadings.

Response: We have complied with the Staff's request by creating a separate risk factor to address the risk referenced in the last paragraph of the eighteenth risk factor.

12. It appears to us that the risks discussed in the 24th, 25th, and the 28th risk factors are similar. Consider integrating the discussions.

Response: We have evaluated the Staff's comment and believe that the intent of the three separate risk factors was to point out three separate and distinct risks. We have modified the three risk factors to emphasize: 1) the market for our products, 2) the technological changes in the products and 3) the timing of our introducing new products or enhancements.

13. The 27th risk factor is generic and applicable to all companies. Please remove.

Response: While we agree in part with the Staff's concern, the Company believes that its product may be more susceptible to such occurrences. We have, however, repositioned the risk factor so that it is the last risk factor in the section.

14. We refer you to the 33rd risk factor. Please provide a legal analysis on a supplemental basis why and whether it is probable that purchasers in your previous private transactions could ask for rescission.

Response: Our legal analysis indicates that it is not probable that purchasers in the Company's previous private transactions could ask for rescission. The basis for the Company's claim set forth in the 33rd risk factor – that it may have technically violated federal and/or state securities laws – arises from the Company's (i) failure to file a Form D with the Commission in connection with its previous exempt private transactions and (2) failure of the Company to file similar notices in connection with such transactions in states where applicable Blue Sky laws require a similar notice filing. However, as indicated in the instructions to Form D, and in Rule 507 of Regulation D, failure to file a Form D does not, of itself, result in a loss of the federal or state exemption upon which the issuer relies.

In this case, all of the Company's previous private transactions for which it should have filed a Form D were sales made only to accredited investors, and such sales were exempt pursuant to federal exemptions available under Sections 4(2) and 4(6), of the Securities Act of 1933, as amended (the "Act"), and Rule 506 of Regulation D promulgated under the Act.

With regard to applicable Blue Sky laws, approximately 90% of these sales to accredited investors were made by the Company whose principal place of business is in Colorado, to Colorado residents. Colorado has attempted to coordinate the exemptions available under Colorado Blue Sky law with the federal exemptions (see C.R.S. § 11-51-311 (a copy of which is attached hereto as Schedule 14(a)), and which provides, in pertinent part, "the exemptions under sections 11-51-307 to 11-51-309 shall be coordinated with exemptions for securities and transactions under the federal "Securities Act of 1933" . . . so that an offering exempt from registration under the federal "Securities Act of 1933" . . . shall also be exempt from registration under this

article."). In connection with this coordination of exemptions, applicable Colorado law requires an issuer relying on exemptions available under Sections 4(2), or Regulation D promulgated under the Act, and the concomitant Colorado exemptions, to file a Form D with the Colorado securities commissioner (see, C.R.S. § 11-51-308(1)(p), a copy of which is attached hereto as Schedule 14(b)). While no Blue Sky "notice of exemption" filings were made in Colorado, under Colorado law (see C.R.S. § 11-51-604(1), attached as Schedule 14(c)), no person is civilly liable for violation of the registration provisions due solely to a failure to file the prescribed notification of exemption or to pay the required exemption fee. Therefore, the failure of the Company to file its Form D with the Colorado securities commissioner should not give rise to any rescission rights among the Colorado purchasers.

In connection with the previous private transactions, the Company did make a limited number of sales outside the state of Colorado. Specifically, the Company made sales to: 1 purchaser in California, 1 purchaser in Florida, 1 purchaser in Georgia, 1 purchaser in Iowa, 1 purchaser in Kansas, 2 purchasers in Maryland, 1 purchaser in Michigan, 1 purchaser in Missouri, 3 purchasers in Nebraska, 1 purchaser in New Jersey, 1 purchaser in Virginia, and 1 purchaser in Texas. However, as indicated on the Blue Sky analysis chart attached hereto as Schedule 14(d) (the "Chart"), of those 12 states, only Michigan and Virginia require notice filings similar to the Form D required under federal and Colorado law. Each of the exemptions available in the other states are self executing, and require no filings.

With regard to Michigan, as noted in the Chart, the right of rescission that the single Michigan purchaser (40,000 shares, pre-reverse split at \$10,000) may have had, has expired due to a running of the 1 year statute of limitations.

Analysis of the right of rescission that the single Virginia purchaser (160,000 shares, pre-reverse split at \$50,000) may have had is more complex. Under Virginia law, the Virginia securities commission, by judgment entered after a hearing upon 30 days notice, if it finds the Company violated the Virginia Securities Law, may impose a civil penalty, not to exceed \$5,000, and request that the Company rescind the sale. The Virginia securities commission has not filed any such action, and we believe that the possibility of such action is remote. Nevertheless, the Company has requested, and the Virginia purchaser has agreed, to waive any right of rescission he may otherwise have had. Thus any action that may be pursued in connection with the Virginia sale, must be pursued by the Virginia securities commission on or before January of 2005, when the statute of limitations runs.

Therefore, even with regard to the two sales at issue outside the state of Colorado, the technical failure of the Company to file a Form D or similar notice of exemption has not made it probable that purchasers in the Company's previous private transactions could obtain rescission.

15. Please elaborate the discussion in risk factor 35 to properly address the risk stated in the subheading.

Response: We have complied with the Staff's request.

Forward-Looking Statements, page 14

16. Please remove the word "will" from the first paragraph.

Response: We have complied with the Staff's request.

Use of Proceeds, page 15

17. Revise this section to provide more specific disclosure regarding the use of proceeds. We note a significant portion of the proceeds will be used for working capital. Discuss in greater detail the use of funds for this category.

Response: We have complied with the Staff's request. Please note that we have revised the Use of Proceeds section in its entirety to reflect the revised offering terms.

18. Please clarify or reconcile the amounts you have indicated, e.g. you state you expect net proceeds of \$6.2 million. You also state you will use \$2.5 million for sales and marketing, \$1.5 million for R&D, \$675,000 to repay debt, and the balance of approximately \$2.2 million for working capital. This aggregates to approximately \$6.9 million.

Response: Please note that we have revised the Use of Proceeds section in its entirety to reflect the revised offering terms.

19. We note that some of the proceeds will be used to pay debt. State the interest rate, maturity, and, for the debt incurred within the past year, describe the use of proceeds of that debt. See Instruction 1 to Item 504 of Regulation S-B.

Response: We have complied with the Staff's request in the revised Use of Proceeds section.

20. We note the statement, "[a]ctual expenditure may vary substantially from these estimates." Please revise this section to clearly discuss the circumstances that would require management to alter the use of proceeds from this offering and discuss alternatives to the currently stated uses. Please refer to Instruction 7 to Item 504 of Regulation S-K for guidance.

Response: We have complied with the Staff's request in the revised Use of Proceeds section.

21. If any of the proceeds will be used to pay the salaries of officers, name the person(s) and the amount allocated for each individual.

Response: We have complied with the Staff's request in the revised Use of Proceeds section.

Dividend Policy

22. Please clarify the statement, "our credit facility restricts our ability to pay dividends."

Response: Since the credit facility will be repaid with the proceeds of the offering and will no longer be outstanding, we have deleted the reference to the credit facility from the "Dividend Policy" section.

Management's Discussion and Analysis of Financial Condition and Results of Operations, page 25

23. Please discuss in greater detail the acquisition of the assets of Remote Communications, Inc., including the assets acquired and the note payable to RCI. Also, clarify whether it was an acquisition of business or assets. Please also address the impact of certain RCI officers terminating their employment with you.

Response: We have complied with the Staff's request. Please see page [25].

24. Please disclose software purchased from third parties, including the entity of the third parties, the principal terms of the agreement, the cost of the software or any form of compensation or revenue sharing arrangements. Please file the agreements as exhibits.

Response: The Company has only purchased software from one entity, Thraex Software, for shipment with its products. The Thraex software is used by our customers to install our software and it is not built into our software products. Once the installer is finished it is not used again. The Company purchased one license for the software for a total of \$79.00 which allows the Company to create install routines for any of its products and distribute them freely. Since the license is immaterial to the Company, the Company has not filed the agreement as an exhibit.

25. Please disclose the keyword search engine providers and the principal key terms of any agreements with them. Please file the agreements as exhibits.

Response: We have complied with the Staff's request. Please see page [29].

26. We note the disclosure, "we have paid fees directly to a company controlled by one of our former directors with respect to stock and debt offerings." Please disclose the information required by Item 404 of Regulation S-B.

Response: We have complied with the Staff's request. Please see page [35].

27. Please explain the statements on page 36, "[i]f we do not complete the anticipated public offering by the end of July 2004, we will need to raise additional bridge financing" and "[i]f we are successful in raising the \$6.2 million. . ." We do not understand why you would not complete the public offering considering this offering is made on a firm-commitment basis.

Response: We agree with the Staff and have removed the statement from the registration statement.

28. Please disclose in greater detail the unsecured line of credit, including the lender. Please file the lending documents as exhibits.

Response: We have complied with the Staff's request. Please see page [36].

29. We direct your attention to the contractual and lease obligation on page 37. You state that the office lease is based on a fixed annual fee of \$14 per square foot. Please explain why the office lease obligation would fluctuate from year to year.

Response: We have complied with the Staff's request. Please see page [37].

30. Please explain footnote (2). What items include automatic conversion to equity and what are the amounts to be converted. Please include a table including amounts that are automatically converted to equity.

Response: We have complied with the Staff's request. Please see page [37].

Description of Business, page 31

31. Please discuss your dependence on your major customers. See Item 101(b)(5) of Regulation S-B.

Response: We have complied with the Staff's request. Please see page [50].

32. Please discuss the effect of existing or probable government regulations on your business. See Item 101(b) of Regulation S-B.

Response: Item 101(b)(9) of Regulation S-B requires an issuer to "Briefly describe the business and include, to the extent material to an understanding of the issuer: . . . (9) Effect of existing or probable governmental regulations on the business." We do not believe there to be any existing or probable governmental regulations applicable to the Company the effects of which are material to an understanding of the Company.

33. Where you include in your disclosure information taken from articles or reports prepared by third parties, please name each party, which prepared the article or report, and name the publication, article or report. Supplementally, please provide us copies of this information.

Response: We have complied with the Staff's request. Please find attached as Schedule 33, copies of the third party articles or reports from which the Company has obtained information included in the Company's disclosures.

34. We note the statement that you own two issued patents and two pending patent applications. Please include the date granted and briefly discuss the patents. Provide

similar disclosure for patent applications, including application numbers and application dates.

Response: We have complied with the Staff's request. Please see page [49].

35. We learned from your website that you also offer QuickLink-NET through your partnership with TeleManagement Systems, Inc. Please describe this product.

Response: We have complied with the Staff's request. Please see the additional disclosure on page [43].

36. Your website also discusses your resellers and partners. Please briefly describe the principal terms of the agreements with these partners, including Siebel, and any revenue sharing arrangements or any form of compensation.

Response: Aside from TeleManagement Systems, Inc., which is discussed on page [43] of the prospectus, nearly all of the reseller and partner information on the Company's website was outdated and the Company has deleted the entire "Partner" section of its website as part of the website updating project mentioned in the response to comment 42 below. For the Staff's benefit and convenience, the following is a list of the resellers/partners previously listed on the Company's website and the status of the relationship:

Globicom, Inc. This was a non-exclusive reseller contract that was signed with Globicom in August of 2001. The contract automatically renews for 12 months on the anniversary date of the agreement unless either party gives written notice of termination (for any reason) 60 days prior to that. Globicom's contract is for an obsolete version of the Company's product and their last transaction was 5/6/2002. The contract generated a total of \$13,000 in revenue for the Company and is no longer active. Accordingly, the Company has removed the reference from its website as part of its website updating project as mentioned in response to comment 42 below.

Siebel Systems, Inc. The Company signed a one year standard Siebel Alliance Program Agreement in January 2002. This program allows the Company to use the Siebel logo and marks in its marketing materials. Siebel charges an annual fee for this program that included certification that the Company's product works with their products. The Company paid the fee in 6/2002 and does have one of its products certified. Its has not paid other annual fees or certified other products. Since this partnership is no longer active, the Company has removed the reference from its website as part of its website updating project as mentioned in response to comment 42 below.

J.D. Edwards & Company. On April 2002 the Company signed the standard JD Edwards Product Alliances Agreement. This reference agreement allowed both parties to share logos, marks and URL links. The annual fee was waived. This agreement was not renewed by the Company, so the Company has removed the

reference from its website as part of its website updating project as mentioned in response to comment 42 below.

MSS Technologies, Inc. The Company signed a non-exclusive reseller contract with MSS Technologies on 2/23/03. The contract automatically renews for 12 months on the anniversary date of the agreement unless either party gives written notice of termination (for any reason) 30 days prior to that. MSS's contract is for the HyperWeb product line. There were no sales generated as a result of this agreement. The contract will be terminated and the Company has removed MSS Technologies from its website as part of its website updating project as mentioned in response to comment 42 below.

Hewlett Packard Company The Company is a member of HP's Developer and Solution Partner program. This program is designed to help independent software vendors create solutions across HP's platforms and operating systems. The agreement between the two companies may be terminated at any time without cause with 30 days written notice. The agreement gives the Company the ability to purchase products from HP at discounts ranging from 25% to 50%. Through this program, the Company also has access to HP's program centers, partner portals, technical support and marketing programs. There is no annual fee and the Company's information is posted on HP's partner program site. The Company has removed Hewlett Packard from its website as part of its website updating project as mentioned in response to comment 42 below.

Brij. The Company signed a non-exclusive referral agreement with Brij on 4/2/2003. The contract automatically renews for 12 months on the anniversary date of the agreement unless either party gives written notice of termination (for any reason) 30 days prior to the effective date. Brij's contract is for the HyperWeb product line. There were no sales generated as a result of this agreement. The contract will be terminated and the Company has removed Brij from its website as part of its website updating project as mentioned in response to comment 42 below.

Simentra Limited. The Company entered into a non-exclusive sales agent agreement on May 15, 2003 with Simentra. Simentra will be engaging customers in the U.S., Europe, Asia and South Africa. The contract is a non-exclusive agreement with an initial term that expires on August 31, 2004. Unless cancelled, the agreement will automatically renew every 30 days. There have been no sales to date on this contract. We have added disclosure to the prospectus at page [44].

37. Please discuss how your products are distributed. You should discuss your distributor Cornerstone Group and the principal terms of the distribution agreement. File the agreement as an exhibit.

Response: As the prospectus notes, the Company does not distribute any packaged software, customers simply download the software via a secure link over the Internet. In March 2002 the Company signed a standard HyperSpace Sales Agent agreement with Cornerstone Group. The term of the contract was 1 year with an option to review

the contract by either party 90 days after the start date. After the 90 days either party could terminate the agreement. No sales were made on this contract and contract minimums for subscriber counts were not met. On August 1, 2003 the Company sent a notice of contract cancellation to Cornerstone Group. The Company has removed the reference to Cornerstone Group from its web site as part of its website updating project mentioned in the response to comment 42 below.

Management, page 43

38. For the companies mentioned, please disclose the business of the company. For instance, what is the business of Medix Resources? Please also list Medix antecedent companies Mr. Yeros worked for in the previous five years.

Response: We have complied with the Staff's request. Please see page [51].

39. Please make sure that the background discussions of Bauch and Delmonico cover the past five years.

Response: We have added dates to specify that the information set forth in the Bauch and Delmonico bios covers the past five years.

40. Please provide the date each advisory member started working with you. In addition, please disclose the business of the entity they work for and the beginning (and ending) date of each position by month and year. The discussion should cover the last five years as required by Item 401 of Regulation S-B.

Response: The Company has deleted the entire Advisory Board section from the registration statement. The Company advises the Staff that the advisory board is a group of individuals with whom the Company's board and management may consult on technical matters from time to time. The advisory board has never met as a group and has no obligation to provide any services to the Company. Advisory board members often serve in such capacity for a short period of time. Based upon this, the Company believes that the Advisory Board section of the registration statement is immaterial. Furthermore, since the advisory board members generally have strong background credentials and reputations, inclusion of the section could be misleading and cause potential investors to assume that the advisory board members are more involved in the Company's affairs than they actually are.

41. From your website, we notice that Helen Tueffel also serves on your advisory board. Please discuss Mr. Tueffel's business experience.

Response: Ms. Tueffel is a new addition to the advisory board. Please see our response to comment 40 above.

42. Please reconcile any disparities between your website contents and the registration statement before effectiveness.

Response: The Company is in the process of updating its website and will reconcile any disparities between the website and the registration statement prior to effectiveness.

43. Please discuss the principal terms of the consulting agreement, including any form of compensation, with Dr. Adler and file the consulting agreement as an exhibit.

Response: The consulting agreement with Dr. Adler has expired and the Company does not have an active relationship with Dr. Adler at this time. The Company has removed the references to Dr. Adler as part of its website updating project as mentioned in the response to comment 42 above.

Executive Compensation, page 57

44. Please provide any missing information and complete the table for the equity compensation plan in your next amendment.

Response: We advise the Staff that, pursuant to Instruction 9 to Item 201(d) of Regulation SB, the table is not required to be included in the registration statement. Accordingly, we have deleted the table from the registration statement.

Underwriting, page 65

45. Please provide a legal analysis on a supplemental basis how any penalty bids will be conducted in accordance with Regulation M under the Securities Exchange Act of 1934.

Response: The underwriters have notified us that they will not impose any penalty bids in connection with this offering. Please note that the terms of the offering and the lead underwriter have changed and the entire Underwriting section has been revised accordingly.

46. Please describe in greater detail the representative's right to designate an observer to your board of directors. Will this observer also serve as a director? What will be his/her duty, rights, power, and how will any disagreements be resolved? Is this agreement documented? We are unable to locate this provision in the underwriting agreement. Please advise.

Response: Pursuant to the underwriting agreement, the Company has agreed, for a period of no less than three (3) years, to engage a designee of the representative of the underwriter as an advisor to its board of directors where such advisor shall attend meetings of the board, receive all notices and other correspondence and communications sent by us to members of our board of directors and receive compensation equal to the highest compensation of other non-officer directors, excluding the chairperson of our audit committee. In addition, such advisor shall be entitled to receive reimbursement for all costs incurred in attending such meetings including, food, lodging, and transportation. The Company has further agreed, during the three (3) year advisory period, that the board shall schedule no less than four (4)

meetings in each year, and that the advisor shall be permitted to attend such meetings, that such meetings shall be held at least quarterly, and that the advisor shall be given no less than ten (10) days advance notice of such meetings. Additionally, the Company has agreed to give the representative of the underwriter notice with respect to any proposed acquisitions, mergers, reorganizations or other similar transactions, during the three (3) year advisory period. In lieu of the right to designate an advisor, the Company has granted the representative of the underwriter, at its option and in its sole discretion, the right, during the three (3) year advisory period, to designate one person for election as a director, and to use its best efforts to obtain the election of such person to the board as a director. Please see the revised "Management" Section of the prospectus.

47. State briefly the discounts and commissions to be allowed or paid to dealers. See Item 508(f) of Regulation S-B.

Response: Please note that the terms of the offering and the lead underwriter have changed and the entire Underwriting section has been revised accordingly. The discounts and commission to be allowed or paid to dealers has not been finalized by our new lead underwriter, but will be included in our next filing.

48. Please disclose the offering expenses as specified in Item 511, as required by Item 508(a) of Regulation S-B.

Response: We have complied with the Staff's request. Please note that the terms of the offering and the lead underwriter have changed and the entire Underwriting section has been revised accordingly.

49. Please advise whether the underwriter will engage in any electronic offer, sale or distribution of the shares. We may have further comment.

Response: The underwriter will not engage in any electronic offer, sale or distribution of the shares.

50. If applicable, provide the disclosure called for by Item 508(g) and 508(h) of Regulation S-B.

Response: We have complied with the Staff's request. Please note that the terms of the offering and the lead underwriter have changed and the entire Underwriting section has been revised accordingly.

51. Please advise if you intend to do a "directed share offering." If so, please provide us with any material you intend to send to potential purchasers such as a "friends and family" letter. Tell us when you intend to send them to these potential purchasers. Tell us whether the sale will be handled by you directly or by the underwriting syndicate. Tell us the procedures you or the underwriter will employ in making the offering and how you will assure that this offer will meet the requirements of Section 5 of the Securities Act and Rule 134. We may have further comments.

Response: The Company does not intend to do a "directed share offering." All shares sold in the offering will be offered to the general public through the underwriting syndicate pursuant to the prospectus.

52. Please indicate if your underwriters have arrangements with a third party to host or access your preliminary prospectus on the Internet. If so, identify the party and provide the address of the website. Please also describe the material terms of the agreement and provide us with a copy of any written agreement. You should also provide us with copies of all information concerning your company or the offering that appears on the third party website. We may have further comments.

Response: The underwriters do not have arrangements with a third party to host or access our preliminary prospectus on the Internet.

53. Please tell us whether any of the lead underwriters or other members of the syndicate may deliver a prospectus electronically or otherwise offer and/or sell securities electronically. If so, tell us the procedures they will use and how they intend to comply with the requirements of Section 5 of the Securities Act, particularly with regard to how offers and final confirmations will be made and how and when purchasers will fund their purchases. Provide us with copies of all electronic communications regarding the proposed web pages.

Response: Neither the lead underwriters nor other members of the syndicate will deliver a prospectus electronically or otherwise offer and/or sell securities electronically.

54. Also, please tell us and briefly disclose in the prospectus whether you intend to use any forms of prospectus other than print, such as CD-ROM's, videos, etc. and provide all such prospectuses for our examination. We may have further comments.

Response: We do not intend to use any forms of prospectus other than print.

Description of Securities, page 68

55. Clearly state the total amount of common equity that is subject to outstanding options or warrants to purchase common stock, as required by Item 201(a)(2)(i) of Regulation S-B.

Response: We have complied with the Staff's request. Please see page [71].

56. Please include a description of the rights of preferred stockholders. Specifically, you state in the beginning of the prospectus that the presentation assumes the conversion of preferred stock at closing of the offering, however, notes to the financial statements indicate the preferred stock is convertible at the holders' option. Please disclose whether the terms of the preferred stock require conversion upon closing.

Response: We refer the Staff to the second sentence of the third paragraph under the "Preferred Stock" heading in Note 6 to the Financial Statements. While the Series A

preferred stock is convertible at the option of the holder at any time, it automatically converts upon consummation of a public offering of the Company's common stock for total proceeds of at least \$3 million. The proposed offering is in excess of \$3 million, so the Series A preferred stock will automatically convert to common stock upon the closing of the public offering. There will be no Series A preferred stock outstanding after the close of the public offering and the Company's articles of incorporation will be amended immediately prior to the close of the public offering to eliminate the Series A preferred stock as an authorized security. Therefore, we do not believe that a description of the rights of the Series A preferred stockholders is necessary.

Shares Eligible for Future Sale, page 72

57. Discuss the risk, if any, that the underwriters will waive the lock-up restrictions prior to the end of the stated time periods and briefly describe the conditions that may lead to a waiver of the lock-up provisions.

Response: We have complied with the Staff's request. Please see page [73].

Part II

Recent Sales of Unregistered Securities

58. In each transaction where you rely upon Section 4(2), discuss the investors' access to information about the company.

Response: We have complied with the Staff's request.

59. Identify the persons to whom you sold the securities. For instance, we note you issued 143,901 shares in December 2003 and March 2004 but it is not clear to whom you issued the securities. Additionally, you should disclose the names of the founder or the consultants. See Item 701(b) of Regulation S-B.

Response: We have complied with the Staff's request.

Exhibits

60. Please file all the note agreements as exhibits.

Response: We have complied with the Staff's request.

61. Please file all the exhibits, including your legality opinion, with your next amendment. We will need sufficient time to review exhibits once filed.

Response: We have complied with the Staff's request to the extent possible. However, since the Company has a new lead underwriter it has not yet negotiated the terms of the underwriting documents. We will file those documents with our next amendment.

62. Please file a list of all subsidiaries, the state or other jurisdiction of incorporation or organization of each, and the names under which such subsidiaries do business. In this regard, a preliminary research shows that Hypership is one of your subsidiaries. See Item 601 of Regulation S-B.

Response: The Company does not have any subsidiaries. There is another unrelated entity by the name of Hyperspace Communications, Inc., a Maryland corporation, that develops and markets information and data exchange software solutions mainly used in business-to-business, business-to-customer, government-to-government and business-to-government settings. Hypership is a registered trademark of the Maryland corporation.

Accounting Comments

Management's Discussion and Analysis

63. The third paragraph under OVERVIEW states the company is in the development stage. The financial statements or the auditors' report do not indicate the company is in the development stage, which appears proper. Please revise the MD&A disclosure appropriately.

Response: "Development stage" here has been changed to "transitional stage".

64. Disclose in more detail the nature and amount of the significant components of operating expenses for the annual and interim periods. The MD&A should be a discussion and analysis as seen through the eyes of management not a recitation of the financial statements in a narrative form. Please revise as necessary to be in compliance with Item 303 of Regulation S-B.

Response: We have complied with the Staff's request.

65. Revise to discuss any critical accounting estimates or assumptions that materially affected the financial statements. Management must distinguish critical accounting estimates from significant accounting policies. Refer to the Commission's guidance on this matter at www.sec.gov/rules/interp33-8350.htm.

Response: We have complied with the Staff's request. Please see page [35].

66. We noted your contractual and lease obligation table disclosure within the MD&A section. Based on your disclosure, it appears that the agreement with Neidiger, Tucker, Bruner, Inc. for financial consulting services is not included in the table. Please provide disclosure to state that the table does not include such agreement.

Response: There are no recurring fees for financial consulting services as the entire amount to be paid to the underwriters for such financial consulting services is to be paid up-front, upon the closing of the offering, in a single lump sum payment. Please note that the terms of the offering and the lead underwriter have changed and the entire Underwriting section has been revised.

Financial Statements

Balance Sheet

67. We noted that you have classified the convertible preferred stock in the long-term liabilities section. Please supplementally tell us how you determined such classification and provide us with the professional literature to justify your classification. Please include in your explanation how you considered EITF Topic D-98 and SFAS 150.

Response: The Company has mandatory convertible preferred stock including mandatory cumulative dividend that are convertible automatically upon several occurrences, but is mandatorily convertible into common shares after 5 years at the then market price. This requires the classification as a liability under SFAS 150 paragraph 12 (a) as the required conversion of a variable amount of shares is for a fixed monetary amount known at inception payable settleable with a variable number of the issuer's equity shares. SFAS 150 paragraph A.24 gives an example that represents a scenario similar to that of the Company's mandatorily redeemable preferred stock. The classification as long term is due to the preferred stock agreement stating a mandatory conversion date of 5 years. Due to the fact that required redemption is outside of one year, the liability is disclosed as long term in accordance with SFAS 6 paragraph 2.

Statement of Operations

68. We noticed your disclosure that the company filed a lawsuit against former employees in January 2004, which was settled in March of 2004 for approximately \$42,500. We also noted your disclosure that you recorded a gain of approximately \$311,000 in the statement of operations in the year ended December 31, 2003. Please supplementally tell us why the gain is to be recognized during the year ended December 31, 2003 when the lawsuit was filed and settled in 2004. Please refer to SFAS 5 paragraph 17.

Response: We have changed the financial statements and recorded the gain in Fiscal 2004 as opposed to 2003.

69. We noted in the MD&A section that you recorded the accretion of preferred dividends to other expense in the related statement of operations. Please provide us with the professional literature that you are relying on to justify your classification. Please refer to ARB 43 chapter 7, paragraph 10 and revise as necessary.

Response: In accordance with SFAS 150, the Company has accounted for its mandatorily redeemable preferred stock as a liability. Following the example set for in SFAS 150 paragraph A24, preferred dividends due are appropriately recorded as interest expense on such liabilities.

70. Please include the preferred dividend as a reconciling item from net loss to net loss available to common shareholders as required by SFAS 128. In accordance with SFAS 128, loss available to common stockholders shall be computed by adding both dividends declared in a period on preferred stock (whether or not paid) and the dividends accumulated for the period on cumulative preferred stock (whether or not earned) from net loss. Please revise as necessary.

Response: Since the preferred stock is classified as a liability, SFAS 128 does not apply as stated in SFAS 150, paragraph 25 due to recording of interest in accordance with SFAS 50 paragraph 22.

71. We noted your disclosure that you retroactively restated the share data for a proposed 14 for 1 reverse stock-split which has yet to be approved by the board of directors. Please provide us with the literature that you are relying on for this reclassification. Please revise as necessary with a pro forma presentation.

Response: In accordance with SEC Staff Accounting Bulletin; Codification of Staff Accounting Bulletins; Topic Equity Accounts; Item C Change in Capital Structure the reverse stock split has will effected by the Board of Directors.

Statements of Cash Flows

72. We noted several amounts disclosed in the statement of cash flows do not agree to other statements and/or to the accompanying notes to financial statements. For example, "warrants issued and conversion preference with debt" in the amount of \$57,282 does not tie to the statement of stockholders equity amount of \$9,164. In addition, the "option issued to employees" amount of \$24,334 plus "stock for services" amount of \$22,500 does not agree to the statement of stockholders equity amount of \$71,833. Also, the "Stock for Services" amount of \$55,500 for the year ended December 31, 2003 does not tie to Note 6 in the notes to financial statements. Please reconcile and revise the statement and notes as necessary.

Response: We have updated the Statement of Cash Flows so that all amounts now agree to the Statement of Stockholders Equity in the footnotes. We have updated the Statement of Cash Flow and removed offering costs as a specification with the operating section.

73. We noted your line item "Stock Issuance Costs" in the operating section of the statement of cash flow. Please tell us what these costs relate to and justify the classification within the operating section of the statements of cash flows. Typically, stock issuing costs are offset against the proceeds received from the sale of the related equity in the financing section. Please revise as necessary. Please refer to SAB Topic 5 and SFAS 95.

Response: See updated cash flow and stock issuance cost disclosures.

Notes to Financial Statements

Revenue Recognition

74. We noted your disclosure for license fee revenue and services revenue. Please supplementally tell us how the company analyzed all of the elements of the multiple arrangements and determined that the company has sufficient vendor specific objective evidence ("VSOE") of fair value to allocate revenue to license, maintenance and training. The VSOE should be based on the separate sale of a license, maintenance renewals and/or training to customers. Please refer to SOP 98-9.

Response: Please see the added disclosure on page [35]. Additionally, the Company's service and maintenance agreements are typically for one year and allow immediate recognition of revenue in the year of sale under SOP 97-2, "Software Revenue Recognition," as amended by SOP 98-9. The Company does, however, defer revenue recognition over the months of the related agreement.

75. Please supplementally tell us how the receipt of a customer purchase order is persuasive evidence of an arrangement. Also, please supplementally tell us the Company's policy for determining what is or is not significant post-delivery obligations for revenue recognition issues.

Response: We have corrected the disclosure from purchase order to the shipment of software.

76. If shipping and handling fees and/or costs are material, please quantify these revenues and costs and explain how they are classified in the income statement. Refer to EITF 00-10 in your response.

Response: This item is not applicable as software is downloaded from a secure portion of our website, therefore no significant shipping and handling costs are incurred.

Stock-Based Compensation

77. Please provide all disclosures required by SFAS 148 with respect to the 2001 Stock Option plan.

Response: We have updated the disclosure to include all required disclosures of FASB 148.

Expense Reimbursements

78. Please disclose the impact that the adoption of EITF Topic 01-14 had on the Company.

Response: EITF Topic 01-14 does not have an impact on the Company and has been removed as a disclosure.

Other Significant Accounting Policies

Long-Lived Assets

79. Please provide disclosure regarding the company's policy for accounting for the impairment or disposal of long-lived assets. Refer to SFAS 144.

Response: We have included an accounting policy note on Long Lived Assets.

Recent Accounting Pronouncements

80. Please provide the required disclosure for those standards that have been issued but not yet adopted by you. Discuss the potential financial statement effect of adopting those new standards. Standards that you have already adopted should not be discussed here. Refer to SAB Topic 11.M.

Response: We have added an accounting policy note for Accounting Standards Not Yet Adopted and have added it to the financial statements and to management's discussion and analysis.

Note 2 – Management Plans

81. Revise the first sentence of the first paragraph of Note 2 to clearly state that there is "substantial doubt" about the company's ability to continue as a going concern. Going concern disclosures must use the words "substantial doubt." Also, please disclose whether the financial statements contain any adjustments related to this uncertainty.

Response: "Substantial doubt" has been included in the footnote.

82. Expand the Going Concern note to provide current and specific disclosures concerning the Company's financial difficulties and management's plans to overcome those difficulties. The present disclosures are too general in nature.

Response: An expanded footnote is present to discuss financial difficulties and Management's plan to overcome those difficulties.

Note 5 – Notes and Settlements Payable

83. It appears that the company issued convertible notes payable in 2002 and 2003 with detachable stock purchase warrants and beneficial conversion features (as the convertible notes have a fixed conversion price of at least \$3.50 and the Company has sold common stock or convertible preferred stock at prices ranging from \$3.50 to \$4.38 per share during 2002 and 2003). Please supplementally tell us if the Company did or did not record a beneficial conversion feature in relation to the convertible notes. If the Company did, please tell us how such conversion feature and related datable warrants were valued and how that fair value was allocated to each instrument. Please refer to EITF 98-5 and EITF 00-27. Please disclose the

unamortized balance of the debt discount for the periods presented either on the face of the balance sheet or in the notes to the financial statements.

Response: The Company did not record a beneficial conversion feature related to the 2002 and 2003 debt issuance as the beneficial conversion feature was equal to the fair market value of the stock at the time of issuance. Based on common stock transactions at the time of debt issuance, in 2002 and 2003 the fair value equaled the conversion price at the time of issuance of the debt, which was \$3.50 per share.

84. We noted that you issued in 2004 convertible notes payable with beneficial conversion features and detachable warrants in which the company recorded a debt discount for the estimated value of the detachable warrants and beneficial conversion feature. Please supplementally tell us how the company determined the fair value of the detachable warrants and related beneficial conversion feature and how that fair value was allocated to each instrument. Please refer to ETF 98-5 and EITF 00-27. Please disclose the unamortized balance of the debt discount for the periods presented either on the face of the balance sheet or in the notes to the financial statements.

Response: The beneficial conversion feature for 2004 was calculated in accordance with EITF 00-27, which requires the beneficial conversion feature to be calculated based on the intrinsic value which is the difference between the fair market value of the common stock and the conversion price. The fair value of the common stock was determined based on calculating the value of the warrant related to the public offering and subtracting that from the offering unit price to determine the fair market value of the common stock. The fair value of the warrant was determined using the Black Scholes Option pricing model with the following assumptions. Approximate risk free rate of 3.2%, average expected life of 5 years, dividend yield of 0% and volatility of 25%. The warrant value was \$.45 which subtracted from the unit offering price of \$5.00 gives 4.55 for the value of the common stock.

Note 6 – Stockholders' Equity

85. We noted your disclosure in the prospectus under "Employment Contracts" in which you disclose that if Mr. Yeros' employment is terminated for reasons other than for death, disability or cause, he is entitled to (iii) at his option, payment for all shares of common stock owned by him at a fair market value to be determined by a disinterested third party appraiser. At the option of Mr. Yeros, a change of control is deemed a termination without cause. Please tell us supplementally what is the definition of termination of cause and provide us with the employment agreements for our review. Please provide us with your analysis as to why the shares of common stock pursuant to this agreement should or should not be classified as equity. Please refer to SFAS 150 and EITF Topic D-98.

Response: Mr. Yeros' employment contract has been changed, thus requirements under SFAS 150 EITF D-98 are no longer applicable.

86. Please disclose separately the number of common shares issued for cash and the number of common shares issued for services. For example, we noted your disclosure "the company raised an additional \$1,085,114 and \$74,312 from the issuance of common shares in lieu of cash compensation in 2002 and 2003, respectively." For the common shares issued for services, please disclose how the company determined the fair value for such common shares (e.g., based on the fair value of the services provided, etc.). Please refrain from using the term "the Company raised these amounts" when referring to the issuance of stock for services. Also, please disclose, s necessary, all equity transactions during the periods presented, including the granting and exercise of options and warrants.

Response: See updated footnotes.

87. We noted the disclosure within the prospectus under "Certain Transaction" and elsewhere that discloses equity transaction with related parties. Please disclose separately any material equity transactions with related parties. Please refer to SFAS 57.

Response: We have added a related party note that encompasses all items included in certain transactions as well as other related party transactions.

88. Please tell us if the conversions of notes payable and preferred stock into common shares were in accordance to the original terms of the conversion features of such instruments. If not, then why not and what were terms and accounting requirements for such conversions (e.g. were there any inducements to convert, incentives, change of conversion rates, etc.).

Response: All conversions of notes payable and preferred stock were in accordance with the original terms of the conversion features of such instruments except for those that were modified in April 2004. As discussed in the following comment, we have added a subsequent event note to cover those items.

89. We noted your disclosure in the prospectus under "2004 Notes and Warrants" where you induced certain note holders to convert the related notes into common stock or to extend the maturity dates of certain notes. Please revise current debt disclosure, if necessary, for any subsequent event transactions that affect the current reporting of any such balances. Refer to AU Section 560.

Response: We have added a subsequent event note to discuss the inducements that were given for the extension of debt and the conversion into stock. We have disclosed the cost that will be reflected in the financial statements due to these inducements.

90. Please disclose the amount of offering costs incurred and offset to the issuance of common shares for the periods presented.

Response: We have shown on the Statement of Stockholders Equity offering costs netted against the issuance of common shares for the periods presented.

Stock Option

91. If the 2001 Option Plan requires a minimum exercise price on all options granted to employees, officers, directors, beneficial holders and/or third parties, please disclose as necessary.

Response: The minimum exercise price has been added to the disclosure.

92. Based on the company's disclosure, it appears that for the company's APB 25 calculation the company estimated the fair value of the underlying common stock for all options and warrants granted during 2003 and 2004 was estimated to be \$4.55 based on the current offering. Please tell us how the company determined the \$4.55 to be the fair value for the years 2003 based on this current offering. Please revise if necessary. Also, please provide related disclosure on options granted in 2002.

Response: The Company adopted the Commission's long time policy that all options issued within 6 months of signing a letter of intent on an IPO be priced and valued at the IPO price. As it relates for options in 2002 that were granted, these options valued at the price that the Company was selling stock in other transactions.

93. Please revise the disclosure "the anticipated value of \$4.55 per share allocated to the common stock and \$.45 per warrant based on the Black-Scholes option pricing model" when referring to the estimated fair value of the underlying common stock. It is ambiguous and unclear as to what you are referring to be the estimated fair value of the common stock.

Response: We have revised the disclosure to just state fair market value.

94. We noted your disclosure "for third party consultant options granted in 2003, in which the company recorded an expense for the 29,821 options granted, based on the number of options granted multiplied by the difference between the exercise price and the estimated fair value allocated per common share." Options and warrants granted to third party service providers are to be valued based on SFAS 123, not based on the intrinsic value method pursuant to APB 25. Please revise as necessary.

Response: We have corrected the disclosure to state that the options issued to third party consultants were valued in accordance with SFAS 123, not APB 25.

95. Please tell us supplementally how the company determined that for the SFAS 123 "Black-Scholes" option valuation method the risk free rate for all periods presented was 2% and that the volatility for all periods presented was 17.20%.

Response: The Company has updated its disclosures to reflect the risk free interest rate that existed at the time equity transaction occurred. The risk free interest rate is the average annual interest rate on the 5 year treasury. The Company has changed its disclosure for 2002, 2003 and 2004 to reflect differing risk free interest rates. The Company has changed its disclosure to show that volatility was 25% for all periods even though the Company's actual volatility was zero during 2002 and the first three

quarters of 2003. In accordance with Paragraph 277 of FASB 123, the Company has used an imputed volatility equal to 25%. 25% was based upon comparable data that the Company obtained from www.Ivolatility.com using the average imputed volatility for U.S. American Stock Exchange traded companies.

Warrants

96. We noted your disclosure that the company record the estimated fair value of certain warrants granted to financing entities to "Stock Issuance Costs" a contra equity account. It appears that these warrants were issued in connection with the issuance of notes payable. If this is the case we would expect the estimated fair value of the warrants to be allocated to the debt discount and amortized to interest expense. Please provide us with the specific literature to which you are relying on and justify your classification.

Response: The financial statements have been changed to reflect warrants issued to placement agents as costs associated with the debt that will be amortized on the interest method over the life of the debt. This amortization period is 12 months.

Related Party Transaction

97. We noted several related party transactions disclosed in the sections of the prospectus titled "Certain Transactions" and "Executive Compensation." Please provide the required disclosures of all related party transactions as required by SFAS 57.

Response: We have added a related party note to cover all items covered in certain transactions and executive compensation.

Subsequent Events

98. Please provide disclosure regarding the company's proposed transaction to sell 1,500,000 units for \$5.00 per unit. Provide detail disclosure related to the terms of the transaction, e.g., conversion of preferred stock and debt into common stock redemption rights, etc. Please ensure that all material transactions entered into subsequent to the year-end or interim period are disclosed. For example, we noted your disclosure in the prospectus under "Compensation Plans" that the company's Board of Directors adopted the HyperSpace 2004 Equity Incentive Plan. We also noted your disclosure in the section titled "Underwriting" within the prospectus referring to a consulting agreement to be entered into at the close of this prospectus. See AU Section 560 and EITF Topic D-86.

Response: We have added this subsequent event.

99. Please advise the staff of the Company's position, based on FAS 131, regarding disclosure of segments and geographic areas.

Response: We have added disclosures related to geographic sales.

General

100. Please note the updating requirements for the financial statements as set forth in Item 310(g) of Regulation S-B.

Response: The Staff's comment is duly noted.

101. Provide a current consent of the independent accountants in any amendments.

Response: We have complied with the Staff's request.

The Company specifically waives the provisions of Section 8(a) of the Securities Act of 1933, as amended, (the "*Securities Act*") concerning the effective date of the Registration Statement. As a point of reference, however, we wish to advise you on behalf of the Company and each of Maxim Group LLC and Pali Capital, Inc. (the "*Underwriters*") that the Company and the Underwriters will be requesting acceleration of the effectiveness of the Company's Registration Statement on Form SB-2, as amended, as soon as practicable after any comments of the Staff concerning the disclosure set forth in the Registration Statement have been satisfied and the Company has completed a road show in connection with the registration statement. Pursuant to Rule 461 under the Securities Act of 1933, as amended (the "*Securities Act*"), such requests may be made either in writing or orally. If the requests are made orally, we advise you that the Company is aware of its obligations under the Securities Act in connection with requests for acceleration.

The Company would greatly appreciate your prompt response to this letter. If you have any further comments or questions regarding this letter or the Amendment, please contact me at (303) 291-2314, Donald Salcito at (303) 291-2322 or Sean Stewart at (303) 291-2323.

Very truly yours,

/s/ Sonny Allison

Sonny Allison

SWA:swa

cc: HyperSpace Communications, Inc.
Maxim Group LLC
Pali Capital, Inc.
Ellenoff Grossman & Schole LLP
Ehrhardt Keefe Steiner & Hottman PC
American Stock Exchange LLC