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April 15, 2010

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090
Via Email to rule-comments@sec.gov

Re: File Number S7-02-10

Concept Release on Equity Market Structure

Dear Ms. Murphy:

This is to respond to the invitation for public comments to the SEC Concept Release on Equity Market Structure. Included with this letter are links to several speeches that I have given since early 2009, including annotated slides and statistics, on the topic of how restricted access to the public equity capital markets for emerging growth companies with market capitalizations of less than \$500 million is impacting capital formation in our country in a severely negative manner.

I have 29 years of experience as a finance professional, having worked on Wall Street at the First Boston Corporation in the risk arbitrage business in the 1980's, as a public equity and private equity fund manager at Richard C. Blum & Associates in the 1990's, and as a successful venture capitalist for the past 14 years. In addition to being an experienced public company and private company director, I am a director of the National Venture Capital Association, where I chair the Education Committee, and I am a life member of the Council on Foreign Relations.

To summarize the key points from the attached material:

- Promoting new capital formation for small businesses is the most powerful job creation engine in the United States;
- Venture capital provides the most efficient job creating infrastructure for small business and is responsible for many of the most successful technology and life sciences growth companies active in the U.S. today;
- Going back 40 years, over 90% of the jobs created by venture capital backed companies occur AFTER their initial public offering;
- The U.S. equity capital markets have been in systemic decline since 1997 when compared to other equity markets around the world;
- Liquidity for institutional investors in small capitalization stocks has been severely compromised, creating an asymmetry between how the current economics of trading in an electronic market works for large vs. small companies and their investors. As a result, the normal, healthy evolutionary path for private companies to access public markets has been impaired.
- This decline disproportionately impacts companies with market capitalizations below \$500 million;
- The venture capital industry is constructed on 10-year limited partnerships whose investors expect returns of capital from liquidity events 4 to 6 years from the inception of any given partnership so that they can re-invest in the next cycle of innovation;

- Actual liquidity time frames have more than doubled and new capital for long-term illiquid investing in the U.S. has withered, effectively wiping out at least one cycle of American entrepreneurs;
- Today, innovation is mobile and global, it does not stop due to economic troubles in one region-- it moves to new geographies that nurture capital formation and job creation;
- Consequently, the lack of access to liquid public equity capital markets for emerging growth technology and life sciences companies in the U.S. is harming the U.S., adding to our losses in global competitiveness, and benefiting competitive nation states from China and Singapore to Brazil and India;
- Lack of IPO's in the U.S. also leads to inferior merger and acquisition exit prices for venture-backed companies. You need a healthy IPO market to keep the M&A market honest.

Looking forward, the implications of these capital markets operating conditions for the U.S. are bleak. We need to identify the root causes behind the decline in liquidity and IPO's for emerging growth companies in the U.S. before the Shenzhen, Hong Kong, and even the Taiwan markets take center stage and relegate the U.S. capital markets to a historical footnote. All of these factors also have serious implications for our economic and national security.

I would like to respectfully suggest that, following the precedent established by SEC Chairman Donaldson on March 7, 2005 with the establishment of the SEC Advisory Committee on Smaller Public Companies (<http://www.sec.gov/news/press/2005-30.htm>), the SEC establish a special committee of public and private sector experts, including experienced practitioners, to study this matter. This committee should have the objective of making concrete, actionable recommendations as to the regulatory and other market changes that must be implemented to reverse America's capital markets slide.

If we don't act to empower constructive change in the U.S. public equity markets in order to increase small business access to IPO's (remembering that 47% of all IPO's since 1991 were neither PE or VC backed), our country will continue to suffer the unintended consequences of reactive, short-term thinking from our regulators as opposed to experiencing the benefits of long-term, responsible policy making.

Thank you for your consideration and for taking the initiative to invite the public to weigh in on such an important issue.

Sincerely,



Pascal N. Levensohn
Founder & Managing Partner

“America’s Slipping Global Competitiveness – Implications for the Next Generation of American Emerging Growth Companies”

ICAP Ocean Tomo Conference, San Francisco- March 24, 2010

http://www.levp.com/cat-bin/filexfer/show/032410_ICAP_Ocean_Tomo.pdf?artist_id=365&folder=news_attachments&file=032410_ICAP_Ocean_Tomo.pdf

“Legislating Cyber Security – Challenges, Opportunities, and Capital Markets Implications”

Stevens Institute of Technology Conference, Washington, D.C. - January 19, 2010

http://www.levp.com/cat-bin/filexfer/show/011910StevensInstitute.pdf?artist_id=365&folder=news_attachments&file=011910StevensInstitute.pdf

“Innovation at Risk – the Impact of the Capital Markets Crisis on the Next Generation of American Emerging Growth Companies

Renewable Energy Finance Forum (REFF) West Conference, San Francisco - September 30, 2009

http://www.levp.com/cat-bin/filexfer/show/093009REFFWestSlideswithNotes.pdf?artist_id=365&folder=news_attachment_s&file=093009REFFWestSlideswithNotes.pdf

“Don’t Strangle Venture Capital With Miles of Red Tape”

Wall Street Journal - Letters to the Editor, August 12, 2009

http://www.levp.com/cat-bin/filexfer/show/081209WSJopinionpiece.pdf?artist_id=365&folder=news_attachments&file=081209WSJopinionpiece.pdf

“The Implications of America’s Innovation Crisis for Cybersecurity”

SINET Panel Discussion, National Press Club, Washington DC - June 25, 2009

http://www.levp.com/cat-bin/filexfer/show/Pascal_Levensohn_Cybersecurity_Innovation_SINET_Panel_NPC-2009-06-25.pdf?artist_id=365&folder=news_attachments&file=Pascal_Levensohn_Cybersecurity_Innovation_SINET_Panel_NPC-2009-06-25.pdf

“American Innovation in Crisis”

Cybersecurity Applications and Technologies Conference for Homeland Security (CATCH)

Washington, D.C. - March 4, 2009

Speech transcript:

http://www.levp.com/cat-bin/filexfer/show/030409AmericanInnovationinCrisisSpeech.pdf?artist_id=365&folder=news_attachments&file=030409AmericanInnovationinCrisisSpeech.pdf

Accompanying slides:

http://www.levp.com/cat-bin/filexfer/show/030409DHSSlidesFinal.pdf?artist_id=365&folder=news_attachments&file=030409DHSSlidesFinal.pdf