James D. McCarthy & Associates

Memorandum

TO: Mary L. Shapiro, Chairman
Elizabeth M. Murphy, Secretary
Jonathan S. Sokobin, Director of Risk Fin

Via Email > C/O Awilda in Office of the Chairman
U. S. Securities & Exchange Commission
100 F Street, N.E. Washington, DC 20549

DATE: April 19, 2011

FROM: James McCarthy Tel: [redacted]
Co-Founder, The US Venture Exchange

RE: **NASDAQ OMX Proposed BX Venture Market**

Respectfully: As the May 9, 2011 date approaches soon, I can sincerely understand the SEC's concern approving a new listing venue for (as Mr. Greifeld has promoted it in several "name" media interviews) Nasdaq's experiment.

A few observations and comments:

1) Isn't it ironic? As the SEC deliberates on the naïve BX Venture Market rule changes, Richard Brennan (First Jersey Securities) was just released from a 20-year prison sentence for securities fraud in January 2011…

2) The proposed 200,000 share minimum capitalization, low net-worth requirements and endorsed/administered by a public $Multi-Billion dollar exchange business (BRAND)… How long will it be before the next DH Blair or D. Blech type firms resurface? Will Nasdaq indemnify shareholders if their experiment does not work out as promoted/promised in the press?

3) And obviously with limited federal budget funding for the SEC and other regulators it seems like it will create more work for an already over-worked staff?

Despite the overall US employment picture, it's an exciting time to be an entrepreneurial new business in America:

1) The Kaufmann Foundation reports that 12+million new businesses were formed in 2009 and 2010.
2) CB Insights list 65,000 Angel and/or Venture Capital backed companies in their database.
3) New Programs> $2 Billion Startup America and Goldman Sachs' $500 million for 10,000 Businesses Initiative.
4) The dynamic startup activity in NYC, Silicon Valley and across the country. Free enterprise is alive & well.

Interesting to note that Venture Capital Firms (professionally managed?) have generated NEGATIVE ROI's in the recent 10-year period for their (primarily) institutional LPs. In reality the top 10-15% of VCs have performed very well but can only run so much money. Risk-capital formation is down.

It's very clear that a big, UNSERVED market exists within the U S for a venture/junior/nascent securities platform.

This venue/entity needs to advocate and educate both newcos and investors (especially retail). Its primary purpose should be for facilitating risk-capital formation and entrepreneurism. AND it needs to be differentiated from the MAZE of black box, lightning-fast ECNs and dark-pools.

The US Venture Exchange: www.USVex.com

My intention is to partner with the different stakeholders within America's Risk-Capital Ecosystem. The objective is to transform this very fragmented sector of the capital markets to a much more organized-efficient-compliant marketplace for both risk-capital formation and "how to" collaboration.

A Stanford professor and VC icon Steve Blank: "If you've never personally sold your product to customers, you will never be a great entrepreneur."

Having labored in the micro/small cap arena, raised Angel + VC equity and assisted several Academia tech-transfers qualifies me as a key catalyst and expert to transform this sector into a very valuable-ethical-profitable business.

In my humble opinion: Nasdaq sees the LARGE financial opportunity $$$. But when a thinly traded XYZZ pops from $6 to $8 and that institution with 100,000 shares calls for a bid to those 2 or 3 (100X100) market makers, Nasdaq's electronic-box-across-the-Hudson doesn't/won't have a clue on maintaining an orderly market place.

All the stakeholders in what should be "America's Dynamic Risk-Capital Ecosystem" should be involved. NASDAQ OMX's BX Plan needs a whole lot more thought and substance than the one on the table.