

January 23, 2014

Chairman Joseph Dear  
Investor Advisory Committee  
United States Securities and Exchange Commission  
100 F Street  
Washington, DC 20549

**Re: Recommendations to the Investor Advisory Committee by its Market Structure Subcommittee regarding Decimalization and Tick Size**

Dear Chairman Dear:

The Market Structure Subcommittee (the “Subcommittee”) of the SEC’s Investor Advisory Committee (the “Committee”) recently submitted draft documents containing recommendations on Decimalization and Tick Size for consideration at the Committee’s meeting on January 31, 2014. I am pleased the Committee is engaged in these important discussions.

The purpose of this letter is to urge the Committee, and ultimately the SEC Commissioners, to adopt the Subcommittee’s *Alternative Recommendation #1*, which calls for a pilot program for small-cap public companies to trade at wider spreads and limited increments. *Alternative Recommendation #1* offers a clear path to testing market structure in support of small company capital formation and aligns with the interests of individual investors, the largest owners of small-cap stocks. On the other hand, the Subcommittee’s Recommendation #1, which essentially is a do nothing approach, doesn’t solve the core problem.

At the center of this small-cap capital formation issue is the lack of trading liquidity in many publicly-traded small-cap companies. Under existing market structure rules, including penny increments, the lack of trading liquidity in this segment of the market has made it challenging for meaningful institutional investor ownership. However, a pilot program, such as outlined in *Alternative Recommendation #1*, is designed to realistically enable institutional investors to return to the small-cap market. While the size of this market segment is small as a part of the overall market, it is the critical component and driver of capital formation and deployment for high growth companies, one of the primary drivers of the future US economy.

Very importantly, illiquidity also adversely impacts individual investors in a very real way since they comprise the vast majority of ownership in small-cap stocks. Improving the liquidity in small-cap companies through revised market structure rules will benefit small-cap companies by giving them a greater ability to raise capital to grow their businesses. Moreover, and very importantly, it will also provide individual investors in those companies a way to benefit from long-term price appreciation that comes with renewed institutional investor participation. In short, *Alternative*

Recommendation #1 rightly suggests that a pilot program will demonstrate that individual investors will benefit from long-term price appreciation as well.

A pilot program offers a fair process to test a market structure that I believe will have a positive impact on the US economy, individual investors, institutional investors and small companies.

*Alternative Recommendation #1* provides several suggested guidelines to ensure clear measurements of success or failure in a pilot implementation. The suggested guidelines are consistent with the views presented to the US Treasury in a November 2013 report, "From the On-Ramp to the Freeway: Refueling Job Creation and Growth by Reconnecting Investors with Small-Cap Companies" by the Equity Capital Formation (ECF) Task Force. The ECF Task Force is a group comprised of professionals from across America's startup and small-cap company ecosystem.

I urge the Committee and the SEC to adopt the Subcommittee's *Alternative Recommendation #1*.

Respectfully submitted,



Joshua Green  
General Partner  
Mohr Davidow Ventures  
Chairman  
National Venture Capital Association

cc: Honorable Mary Jo White, Chair  
Honorable Luis A. Aguilar, Commissioner  
Honorable Daniel M. Gallagher, Commissioner  
Honorable Kara M. Stein, Commissioner  
Honorable Michael S. Piwowar, Commissioner  
Lona Nallengara, Chief of Staff  
John Ramsay, Acting Director of SEC's Division of Trading and Markets