January 30, 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:

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. As a venture capitalist, I appreciate the attention your committee brings to this important topic.

As you know, venture capitalists invest on behalf of our Limited Partners in high-growth companies with the goal of having those companies be acquired by larger companies or go public themselves through an IPO. The venture phase of an investment allows start-ups to conquer technical risk, as well as learn how to produce a product and sell that product in the marketplace. Once it has met those goals, it is ready to access public capital in order to invest in global expansion and become a market leading company. An IPO, like that for Intel, Apple, Genentech and Google, allows a company to reach a scale where the company can generate significant economic and job growth. For this reason, a strong, vibrant public market is vital to our nation's overall economic health and global competitiveness. In 2012, I became the Chairman of the IPO Taskforce, which led to many of the recommendations in Section 100 of the JOBS Act. While the IPO Taskforce concentrated on creating a pathway for emerging growth companies to go public, the Equity Capital Taskforce is focused on the challenges faced by small-cap companies post-IPO. In speaking to CEOs who are already accessing the public markets or are contemplating an IPO, this is a serious concern. I firmly believe addressing the post-IPO end of this spectrum is also critical to maintaining robust, healthy capital markets for all investors.

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.

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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, this segment is a critical component of the US economy. The small-cap market has withered as the capital markets have evolved to focus on large-cap trading.. This pilot will examine how to bring that back into balance.

As the Equity Capital Taskforce's report discusses in detail, a pilot program offers a fair process to test a market structure that we believe will have a positive impact on the U.S. 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 U.S. 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. *Alternative* Recommendation #1 is also consistent with the recommendation made on February 1, 2013 to the SEC by the Advisory Committee on Small and Emerging Companies.

As your committee finalizes its work, I urge you to adopt *Alternative* Recommendation #1. I believe that doing so will be an important first step toward ensuring that the U.S. capital markets remain a viable and essential source of public capital for the innovative, emerging growth companies we need to drive American job creation, economic growth and prosperity now and in the future.

Respectfully submitted,

Kate D Mitchell
Managing Director
Scale Venture Partners
Former NVCA Chairman 2010-2011

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