February 14, 2020

Vanessa Countryman
Secretary U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: Comment letter on Amending the Accredited Investor Definition (SEC Release Numbers 33-10734/34-87784; File Number S7-25-19)

I applaud the SEC for prioritizing efforts to democratize investor access to growth companies, including its effort to update the definition of "Accredited Investor" that is currently based solely on a person's income or net worth. I certainly agree with Chairman Clayton that modernization of the definition is long overdue and I believe this is an admirable step forward. It is also my view as a 30-year veteran of the venture capital business, that as much as this is needed, the most impactful way we can truly and meaningfully democratize investor access is to make the public markets more welcoming to high growth technology companies. We have a dynamic today that causes many venture-backed companies to remain private for too long, and it is imperative that we work together to address this challenge.

Many private companies, especially unicorns, are fueling significant periods of growth by raising substantial amounts of capital from an abundance of large late-stage private tech investors. And unfortunately for some, by the time they do go public, their growth curves have flattened, leaving little reward, if any, for the public market. This exacerbates a "have versus have not" condition between large and small investors. So, though greater access to private markets can be of some help, we also need to focus our efforts on a more optimal set of rules to encourage companies to prepare to go public sooner. In retrospect, if unicorns such as Uber, Lyft and Slack, among others, had been properly built to go public earlier in their history, not only would a much broader base of investors be rewarded, but they would have also been afforded the safety of properly prepared materials and risk disclosures required of public companies.

It is important to understand that this behavior of companies delaying going public is a relatively new phenomenon. The biggest driver of this trend has been the entrepreneurs' unfavorable view towards going public combined with record levels of capital entering the private markets embracing a mantra of growth at all costs. In addition, the adverse impacts of well-intended policies and laws have also been a factor. Among them, the Sarbanes-Oxley Act, passed in 2002 in response to the Enron and WorldCom debacles, had the unintended consequence of making the complexity and cost of initial public offerings quite prohibitive. Laws separating research from investment banking made it uneconomic to support needed research coverage. And in 2012, the Jumpstart our Business Startups (JOBS) Act, an excellent piece of legislation making the process of going public much less painful for small-cap companies, also included a provision that expanded the number of shareholders a private company could have from 500 to 2000. Though it could not have been foreseen at the time, this change enabled private companies to accommodate larger numbers of shareholders, allowing them to stay private longer.

In my humble opinion, just as new legislation or even small policy rule changes can at times have unanticipated adverse consequences, so too can new rules be a catalyst for more positive behavior. As an example, I would encourage the SEC to return to the 500-shareholder rule for a private company before they are required to go public. Although there would be a need for some exceptions, a bold step of this kind would send a clear message to all new startups - build your businesses with discipline and capital efficiency to one day be worthy candidates for the public markets. In this way, once a company achieves the proper scale, they would have the choice to go public rather than staying private longer or opting to be acquired. We need to encourage companies to think of going public as a financing milestone to continue growing their businesses, not just as an exit for some investors.

But the broader solution for making it more welcoming to go public requires addressing the many major issues holding private companies back from this path. We need to re-imagine ways to make it easier to go public and as importantly, make it more economic and palatable to operate a small-capitalization public company. Working with the SEC, it is critical that we accomplish this goal. If together we succeed, it is the best way to democratize access to tech companies during exciting periods of growth. It will also safeguard the IPO markets while allowing venture firms the agility needed in pursuit of future innovative companies. Getting this right is of vital strategic importance to our economy, for in doing so we ensure our global competitiveness and the creation of millions of valuable jobs for years to come.

Thank you for your consideration.

Sincerely,

Joe Horowitz

Managing General Partner, Icon Ventures