



September 7, 2016

Honorable Erik Paulsen
U.S. House of Representatives
127 Cannon House Office Building
Washington, DC 20515

Honorable Joseph Crowley
U.S. House of Representatives
1436 Longworth House Office Building
Washington, DC 205105

Dear Representatives Paulsen and Crowley,

On behalf of our nation's venture capital investors and the entrepreneurs they support, I write to express our support for H.R. 5719, the *Empowering Employees through Stock Ownership Act*, and to thank you for your leadership on this important issue. This legislation would allow startup employees to defer tax liability on income arising from exercised but illiquid stock options.

As you know, stock options are a critical tool for attracting talented individuals to work at our nation's startups. Employees are often compensated with stock options as a promise that if the startup succeeds, everybody shares in the gain. And, stock options are particularly important for startups who are often cash strapped and using all resources available to develop and build a novel product. But as the U.S. capital markets have become more hostile to small capitalization companies, increasingly startups are opting to stay private longer rather than pursue an initial public offering (IPO). This has given rise to challenges for employees at our nation's startups when their stock options vest without a liquid market to sell their shares in order to pay the taxes that are due.

Your legislation to allow an additional period of time for employees to defer taxes on exercised stock options is a common sense solution to this challenge that will encourage more talented Americans to help build today's startups into tomorrow's Fortune 500 success stories. We must make new company creation a national priority to compete in the 21st century economy. Your bill will help us avoid a startup brain drain by preserving the value of stock options for employees. NVCA and its member firms look forward to working with you to pass this legislation into law and protect the value of stock options for startup employees. Again, thank you for your leadership on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Bobby Franklin". The signature is written in a cursive, flowing style.

Bobby Franklin
President and CEO