

September 19, 2016

The Honorable Mark Warner
475 Russell Senate Office Building
Washington, DC 20510

The Honorable Dean Heller
324 Hart Senate Office Building
Washington, DC 20510

Dear Senator Warner and Senator Heller,

We write you to express our support for S. 3152, the Empowering Employees through Stock Ownership Act (EESO). This bipartisan initiative, led by your efforts, will make it possible for more employees to obtain an ownership stake in the companies they help build and make it easier for startups and private companies to attract the talent necessary to grow the economy.

Part of the lure of startups and many private companies is the ability for virtually all employees to own a piece of their company. Unfortunately, it is difficult for many private company employees to realize the value of their equity (either through exercise or vesting) because of the unique way tax rules apply to employee grants at private companies. Under current law, employees are often required to pay taxes on the value of their shares *long before* they are able to sell and realize the economic value of those shares. This is due to the fact that, unlike public company employees who are able to sell shares in the public markets to offset the tax consequences of exercised or vested equity grants, private company employees do not have the ability to sell their shares since no public market (or liquid secondary market) exists. This means that many private company employees cannot cover the cost of taxes at the time of exercise/vesting through the sale of shares, but, instead, must pay those costs out of pocket.

This situation is exacerbated for employees who have seen their options or shares grow significantly in value since their date of grant. In this case, taxes due on the difference between grant price and fair market value on the exercise or vesting date will be significant, meaning that many employees will never be able to afford to exercise their options and hold shares. As a result, many private company employees allow their equity grants to expire and lose a significant component of their compensation and potential future growth through the ownership stake.

Your legislation would help solve this problem for many employees by providing them with the ability to choose to defer the payment of the income tax due upon exercise (or vesting in the case of restricted stock units) until the underlying stock is sold. This legislation is structured to minimize the revenue impact to all stakeholders by simply changing the timing of when income taxes are payable.

Again, we thank you for your leadership on this issue. We look forward to working with you to help enact this common sense modification to our country's tax laws so that employees of innovative American companies are able to acquire and retain more of their ownership interests in the businesses they help build.

Sincerely,

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www.palantir.com

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www.avalara.com

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www.appnexus.com

Bloom Energy
www.bloomenergy.com

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www.spacex.com

Return Path
www.returnpath.com

Stripe
www.stripe.com

NASDAQ Private Market
www.nasdaqprivatemarket.com

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www.acquia.com

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www.addepar.com

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www.sailpoint.com

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www.meetup.com

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Bromium
www.bromium.com

Engine
www.engine.is

TechNet: The Voice of the Innovation Economy
www.technet.org

Kleiner Perkins Caulfield Byers
www.kpcb.com

Angel Capital Association
www.angelcapitalassociation.org

Techstars
www.techstars.com

Hackers/Founders
<https://hf.cx/>

Kansas City Startup Foundation
www.kcstartupfoundation.org

KC Tech Council
www.kctechcouncil.com

Y Combinator
www.ycombinator.com

GitHub Inc.
www.github.com

23andMe, Inc.
www.23andme.com

Gusto
www.gusto.com

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www.technexus.com

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www.ablelending.com

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www.wealthfront.com

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www.hyperloop-one.com

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www.automattic.com

Decibly
www.f6s.com/decibly

Medium
www.medium.com

ClipMine, Inc
www.clip.mn

whiteLabelLabs
www.whitelabel.nyc

Red & Blue Ventures
www.redandblue.vc

Global Accelerator Network
<http://gan.co>

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www.airmika.com

Innovation State
www.innovationstate.org

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Village Capital
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Alpha Prime Ventures
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eShares, Inc.
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CrowdCheck Inc.
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Lean Team Tuning LLC
(no website)