



Stanford eCorner

Trading Private Company Stock

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Private company stock is far and away SecondMarket's most high profile class of available assets. Founder and CEO Barry Silbert shares SecondMarket's background in serving as an exchange for private stock trades involving companies such as Facebook, Twitter, and Zynga.



Transcript

So I'll start off with how this came about. In late 2007 or early 2008 it started with, as Tom mentioned, Facebook. So remember at that time we were only just in one asset class. Maybe we're into in auction rates. We had not yet launched this private company market. And we got a phone call from some former... from a former employee of Facebook, saying, "OK, I just left the company. I need to go buy a car, buy a house, I don't know what it was, could you help me find a buyer for my stock." And we said, "Sure." Facebook, cool company and we had this big network of buyers, let us see if we can find a buyer for this. And what was really interesting at that time was that there were institutions that were willing to buy a Facebook stock without any information. They had really nothing beyond just the Microsoft valuation and like maybe the stock option price, yet they were willing to deploy millions and millions of dollars into the stock at that point in time.

Obviously, it was a good investment decision for them. But we said, there's something going on here because as we started trading Facebook we then started getting calls from other shareholders of other private companies who said, "Hey, I want to do this too. I want to sell my stock." So then the light bulb went off I said, "OK, it's now time for us to do this. It's now time for us to get involved officially in this private company market." So the next thing we did is we go on a bit of a kind of a road show that with a bunch of venture capitalists and lawyers and bankers and I said, "OK, we're going to go create this market place for private company stock, what do you think?" And do you want to guess what the response was? OK, so the response was it will never work, there's no need for it, you're going to fail. So of course, what did we do? We launched a private company market. So today, for over the past 18 months, what you can see is the volume has increased significantly. You can see in 2008 we did about \$30 million and just... this is just private company stock. Went about a hundred million in 2009, \$360 million in 2010 and this year had started off very strong.