



Stanford eCorner

New Model for Capital Markets

Barry Silbert, *SecondMarket, Inc.*

April 13, 2011

Video URL: <http://ecorner.stanford.edu/videos/2703/New-Model-for-Capital-Markets>

Rather than going public or seeking out merger/acquisition partners, companies have a new capital raising option in SecondMarket, according to company founder and CEO Barry Silbert. In this clip, he explains the company's listing profile system and why their company's market model conforms to companies, rather than forcing companies to conform to the market.



Transcript

So we have a vision but before I tell you what the vision is I'm going to tell you what the current system has looked like. So traditionally, you would start a company and you would raise an Angel money, you raise some friends and family money, you do a venture around and then you will go public or you would sell your company. And that was kind of a five-year timeframe and that... that just doesn't happen anymore. This is the new vision. So starting at five years or beyond companies will list on SecondMarket and that listing will essentially serve as either a spring training to basically enable that company to grow to the point where they can go public if they want to or I think over time what you're going to see is more and more companies choosing to stay private and choosing to be a part of the new market structure that we've created which I'll describe in a minute. So how are we doing it? We start it off with enabling investors to set up profiles on SecondMarket. So you saw we have 60,000 participants now in the system so what we're doing is we're enabling investors to essentially tell the world who they are as an investor, what their bio is, what they've invested in the past, what they're looking to invest in. We've enabled them to connect with other investors, to share ideas, and to collaborate on investment opportunities and essentially, what we're trying to do is turn your SecondMarket profile into your investment profile like Facebook is your social and LinkedIn is your professional. And then what we've done is we printed profiles on 13,000 companies and what we're doing is we're encouraging these companies to essentially take ownership of their pages on SecondMarket...

to take over their profile. And the idea is, is this is your... the company's profile to the investing public. And what's really cool about this is we are now crowd-sourcing which are the companies that investors want to invest in. So we're capturing data from those 60,000 participants who say, "Hey, I want to invest in that company" and we're also capturing data from the people who hold stock in those companies who wants to sell. So then what we do is we take all that information and we take it back to the company. Now, we will not create a market for a company stock until they opted... until they list but what we're enabling them to do is to essentially make a data-driven decision about when they want to actually create a market on SecondMarket. Now, our market model as I alluded to is much, much different than what you're used to in the NASDAQ or New York Stock Exchange. What we're doing is we're enabling the markets to conform to the company and not forcing a company to conform to the market.

What I mean by that is when a company decides to start trading on second markets, they decide the rules. They decide when the market is open. So this is not a 24-7 market in most cases, this is a market where maybe the company has an auction once a year, maybe it's one week or quarter where they allow people to trade. The company also gets to decide who the buyers are, companies decides who the sellers are, and the companies decide how much information they want to disclose to potential investors. So why is this a great thing? Well, if we can enable companies to go the distance, to kind of go big, we're empowering them. We're empowering them to be able to not have to sell themselves and have a... I mean, you got also the Cisco flip news? Crazy, crazy, two years later and we're also enabling them to not have to try to go public if they don't want to

or they're going to have some type of failed IPO. It's great for the employees because employees can finally taste some of that value that they've created starting in years 5, 6 and 7 and from a public policy perspective, it's also really good for our country because it is these companies, the smaller companies, that are going to create all the jobs and these are the ones that are going to really innovate. And this is the type of company we want to support as a country.