THE LEAD
https://theleadpc.com/lead-left-interview/

Lead Left Interview – Bill Siegel

THE LEAD | October 29, 2014

This week we speak with Bill Siegel, interim CEO, Second Market. His firm provides transaction process services for private companies and funds.

The Lead Left: *Bill, for those of our readers who aren't familiar with you and your firm, tell us the story.*

Bill Siegel: Randy. I spent the first half of my career on the buy-side – four years at MD Sass, and two years at SAC Capital. Then the credit crisis hit. That turned me into an entrepreneur!

TLL: *I know the feeling.*

BS: My first business was Receivables Exchange. That's a company that offers SME sellers of trade receivables direct access to a broad network of institutional buyers. It's still going strong, by the way. Then in 2011 I joined Second Market. Our core competency is effecting complex private securities transactions on behalf of large private companies that conduct secondaries, and private funds that do broad based capital raises.

TLL: *What exactly is the value proposition?*

BS: In the primary issuance of these private securities, we facilitate on-boarding of investors for any issuer or distribution agent. Once the securities are outstanding – so-called secondary transactions – we manage the execution of tenders and buybacks. It's a SAS product.

TLL: *So all on-line for the customer?*

BS: They never have to touch a piece of paper! That is a major differentiator for us. We have productized a complex, laborious process. The company saves time and money AND gets to offer a seamless user experience for the participants. No more Fedex envelopes shaped like cinder blocks!

TLL: *Where does the technology stand in that industry?*

BS: Frankly, that's the play for us. It's behind the times and paper-based. What we do is all private transactions. For example, let's say there's a private tender of shares among 1000 shareholders. Instead of using paper and Fedex and a room of paralegals, we have software to manage the process.

TLL: *How do law firms handle it?*

BS: Typically via mail – which leads to incorrect or incomplete documents as these are complex offerings. Our software allows ease of access through a simple on-line tool. It's great for the issuing company because it's a terrific user experience and saves a ton of money. Law firms love it as well, as it increases utilization rates and expedites closings. We also delivery everything electronically with high data integrity.

TLL: *What's the selling argument?*

BS: It's all the experience we've gotten conducing billions of dollars of transactions over a number of years (over $1 billion YTD 2014). We know how to structure the deals to ensure proper execution of the documents. Private company stock, hedge fund interest, REITs – anything that's not electronically registered and doesn't trade on-line. Filing all the forms for private equity interest to 13d for stock tenders – we know them cold.

TLL: *Who are your customers?*

BS: Second Market's products are geared to distribution. Any private placement going out through a distribution network, for example Merrill Lynch or LPL or Schwab or individual firms. Private issues are now targeting these investors. On-boarding – bringing in the investors' paperwork – can be so difficult. Subordinated documents are onerous to get through.

TLL: *Does your technology play a role here as well?*

BS: It does. Technology just hasn't kept up. It's very tough to complete for the investor. We provide this "skin." Our software can go on any desk. It's all offered up in a simple data room. Much better than "I'm emailing you a brick of paper!"

TLL: *So you're kind of like TurboTax for documents.*

BS: All our forms are automated. We convert everything to structured data that can be transferred to the trustee, the custodian, and the administrator. There are huge efficiencies with the closing process. Plus it's easier to get metrics like how many have viewed the docs, how many have signed them, how many have sent in their money. It also accelerates the timetable, removes inefficiencies.

TLL: *Why hasn't anyone tackled this before?*

BS: The incumbents are used to registering public securities – the data is discrete. But for privates there's no standard template. You need to create structured data at inception. Then everything flows from there.

TLL: *How big is the market?*

BS: There's about $900 billion in primary issuance annually. The secondary market is smaller – several billion.

TLL: *Do you have a sense for your market share?*

BS: We probably have 75-80% of private company secondaries. On the primary side, the market is too nascent.

TLL: *How about competition?*

BS: There are a few. DTCC is one. But they don't do on-boarding. We just have broader experience with different types of vehicles, such as feeder funds, regulated funds, and liquid alternative products.

TLL: *How about growth areas in the private securities space?*

BS: Private equity firms are staffing up to figure out how to get dollars from individual investors. But they're doing it the old-fashioned way. Our software will play a major role here.

Contact: Bill Siegel

BSiegel@secondmarket.com