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A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

STREET WOOS VCs TO NEW PLATFORMS

Goldman Sachs and other Street firms are marketing their private trading platforms to venture capital firms as a place to sell stakes in portfolio companies. The platforms for unregistered securities could boost sagging returns for VCs by offering another avenue to exit their investments and bypass regulatory hurdles in other markets.

Charles Harris, founder of the publicly traded venture fund Harris & Harris, said the development of the new platforms could be the best news for the venture capital industry in years. Harris will consider listings for some of the 30 companies in his nanotechnology-focused portfolio as the exchanges mature. "We are keenly interested," he said. "We're going to look at it on a case-by-case basis."

Goldman and other investment banks are also lining up offerings for the Nasdaq Stock Market's newly launched exchange for unregistered securities called Portal, according to John



John Jacobs

Jacobs, the Nasdaq executive who oversees the platform. A group of venture capital directors from Massachusetts visited Nasdaq on October 3. Listing companies on the Portal was a central topic of discussion.

David Weild, founder of Capital Markets Advisory Partners and a former Nasdaq vice chairman, said he's talking to venture firms about selling their investments in companies as unregistered securities. Now Weild fields more questions about these private markets than about the London Stock Exchange's small-cap AIM, a popular spot for venture firms to take companies public over the past year. Both Weild and Harris noted that a listing on Goldman's GS TRuE would be marketed to the same institutional investors that would participate in a venture-backed IPO.

"In principle, venture-backed companies, when they go public, are marketed exclusively to institutional investors," Harris said. "Why wouldn't the exchanges limited to institutional investors with \$100 million in assets be viable for the venture-backed private companies as well?"

The largest hazard to a listing is that securities on the young exchanges are thinly traded, making it harder for buyers and sellers to agree on prices, Weild and others said.

The demand for venture-backed initial public offerings remains weak: there was only one venture-backed IPO, AthenaHealth, last month. Over the past few years venture firms have dressed up portfolio companies for IPOs as a way to attract strategic buyers. Many see selling to a corporation as the only option and say they won't invest in a company if it doesn't have a logical buyer.

Robert Pace, who works on GS TRuE and Stephen Pierce, Goldman's head of equity capital markets, did not return calls.

—Matthew Craft