In 1995 we started Broadcast.com as AudioNet. In July of 1998 we took the company public. **Within a year, 300 of our 330 employees were worth more than 1mm dollars in Broadcast.com stock.** We became on of almost 300 companies to go public that year. We were one of about 125 to go public with under $50mm in sales and we became one of the 8k public companies listed on the major exchanges.

The amount of destruction in the IPO and public markets since then and its impact on this country are what can only be described as horrific

Lets go back in time and look at the Entrepreneurial thought process. I remember my goals and those of my peers very well. Build a great company. Grow it as big and as profitable as you could, with the ultimate goal of not only generating profits, but also taking the company public.

Why take it public ? Because the stock market was a source of cash that could help you grow. It was a marketing and validation opportunity that told customers and prospects you had arrived. It was a liquidity opportunity that while not guaranteed, if you could continue to grow the company over the long haul, would value your company at a multiple of earnings and allow me, my investors (many who were close friends) and my employees to increase our net-worth and cash holdings.

The capital from the public markets could also allow us to retain our independence. As a public company we not only had our IPO cash, we could go back to the markets for additional offerings. Keep moving forward towards our corporate goals and the possibilities were only dependent on our ability to execute our plans. Being public, unlike the private markets where every cash raise is a battle over valuation, we knew exactly how the market was valuing our company.

As a private company the best I could do was take cash out of the business as a reward. That's not a bad thing. It had worked well in my first company, MicroSolutions. We never had a losing month and I was able to generate a lot of cash. But anything I took out was not there to grow the business. Maybe I took too much out, but we never were quite big enough to go public. Our liquidity event that rewarded me, my partner and our employees came in the form of a sale to CompuServe. Even though it worked out well, had I been able to take MicroSolutions public, I would have.

So would have every other entrepreneur I knew. We all wanted to go public. That was how you had a chance to get obscene amounts of wealth. Back then the goal wasn't to be a billionaire, the term was simply "Fuck You Money" Which was however much money it took to own a private plane and to not have to work again if you chose not to. **For all but a few who built huge private enterprises, that goal was only attainable by going public.**

Was/Is that level of greed good ? In my world, those same peers would reward their investors and employees just as I did. So yes it was. Just as hundreds of my employees attained 7 and 8 figure net-worths, we were not unique. The same happened at many of those hundreds of companies that were going public every year that were able to execute on their business plans.

More importantly, it was a source of drive. It was motivation. Not just for me, but for all of our investors and employees. We all could see what happened when companies we knew went public. We got to talk to their employees and hear the stories of the amazing wealth they had earned. For those of us who wanted to achieve a high level of financial success, it made us work even harder.

Fast forward about 16 or 17 years and it had all changed.

It doesn't matter how or why (**I've written enough about the SEC, no reason to rehash their ineptitude here, again**). What matters is that today's entrepreneurs do not see taking the companies they have built public as a reasonable or even smart goal. Instead they want to stay private as long as they possibly can. They want to raise Series A, B, C, D, E, F, ? until when I'm not sure.

Their reasons are not many.They don't want the reporting requirements which have gotten more onerous and expensive since we went public (even accounting for the new Reg A+ offerings). They don't want to deal with regulators (I can appreciate this one). They hide behind the straw man of not wanting to have to play "the game" of meeting quarterly expectations and hyping the stock to investors. Neither of which is a requirement of going public. **In contrast, ask any entrepreneur these days how much of her time is spent wondering how they are going to raise their next round.**

Personally, I think they are wrong. But it's their company. Their decision.

Unfortunately the momentum of the "Stay Private" movement is devastating our economy.

Here is how:

Hundreds of Billions of dollars from investors , from mom and pops to huge funds, are tied up in private companies and returning nothing. **That capital is dead money**. It doesn't matter what it is marked to on their books. It is dead. It can not be reinvested anywhere. That hurts our economy.

1. We aren't talking about dead money for a few weeks or months, we are talking YEARS. Ok, maybe not just years, maybe a DECADE or more in some cases.
2. The balance sheets of probably 80pct of those investors is massively overstated because those private companies can't or won't go public. That creates its own potential issues. Because of the uncertain liquidity of those hundreds of billions of dollars, the remaining liquid assets of those investors is placed far more conservatively.

2. Not only is that money dead to investors, it is dead to employees of those private companies. Sure, some of the hottest companies that find raising their 4th or 5th round easy may return some to key employees, but those companies total how many, 10, out of how many tens of thousands of private companies that have raised capital ? And even then its only upper management. The rest of the poor people working for those companies are most likely to stay that way. Poor.

T**he dead money tied up in stock owned by anyone not in top management is one key reason that income inequality continues to get worse. Lets do some guessing with math**.

Lets say that like in 1998, 300 operating companies went public. And let's make a guess that each of those 300 companies, had 200 employees that had vested stock options. That is 60k employees with stock in a newly public company. If the average value of that stock at IPO was $25,000, that is $1,500,000,000 increase in liquid net-worth to everyday Americans in a single year . If the majority of those companies continue to grow, then the value accrued to paid by the hour and salaried admins, analysts, security guards, receptionists, etc will enable them to **participate in the same wealth creation that the One Percent does. That is of no small importance**

1. As a point of reference, here is an article that says that more than half of America has a net worth of less than 25k. So **by working for a company that goes public, you immediately increase your chances of having a net-worth greater than half the country**. To me, that is a big deal**.**
2. Replicate the wealth impact each year and **we can do more for the net-worth of hard-working Americans than any government policy or tax change. Nothing else can add thousands of people a year to the roles of the Top 50pct'ers like a revitalized IPO market**.

When private companies can't or won't go public, they become **easy pickings for their competitors** to buy them.

1. In my not so humble opinion, **this is the ultimate productivity and investment killer in the USA today.**
2. One of the reasons today's 3700 public companies hoard cash is because they know that rather than investing in uncertain R&D and productivity enhancements to protect them against the "Innovators Dilemma", upstart companies that could disrupt them and their industries, they can simply buy those companies. They recognize that the current conventional wisdom for those disrupters is to stay private. Which means that with just a minuscule number of exceptions, their investors will be crying for them to be acquired. Why would a company invest in the uncertainty of R&D and other innovative organic options when there are hundred of billions of dollars of dead money tied up in ground breaking companies, all looking for liquidity ? In this age of stay private, it makes no sense to build when you can buy.
    1. **When you buy, you not only have far greater value certainty vs R&D, but you also eliminate a competitor. And you may get the additional benefit of paying for the entire investment through job cuts**
3. It is undeniably destructive to our economy and future when many of our most innovative and exciting companies are bought by their competition. **It is a "Precognitive Anti-Trust Violation**" I know that sounds laughable in so many ways. But at its heart, it's true. It's also incredibly destructive to our standing in the world and our economy.

5. Some may say that this is all wrong because there isn't a market for IPOs. There will never be a world where 300 companies go public.   They will point to january of 2016 , which had no IPOs as proof of just how impossible an IPO market revitalization will be. I will tell you that the lack of IPOs is more a reflection of the intent of today's entrepreneurs. This market is DYING for growth companies. There are so few growth stories that companies with 250 BILLION dollar market caps are looked at as growth companies. **If Entrepreneurs made going public a goal again and had their IPOs while they were in an accelerating growth period rather than 10 years into their business cycle and only when their investors demanded it, I know I would be all over buying their IPOs and so would other investors.**

If you have gotten this far into my long-winded diatribe, thank you. Let me be clear, I'm not religious about any of this. I believe it. I'm investing in trying to fix it. But like everything else, I am putting it out in public in order to "check my hole card" and get feedback from everyone so I can get a little bit smarter about the whole thing.

thanks

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