



**IRA M. MILLSTEIN CENTER**  
*for Global Markets and Corporate Ownership*

## **Private Ownership at a Public Crossroads: Studying the Rapidly Evolving World of Corporate Ownership**

**October 26, 2018**

**Abstract:** As many commentators have noted (sometimes with alarm), the number of IPOs during the last two decades has fallen far short of the number of public-market exits, leading to a 33% decline in the number of public companies (from 9,000 in 1995 to less than 6,000 today). Some of this reduction in number is due to conventional short-term and/or cyclical effects, such as costs of debt and a consolidation wave within certain industries. But an insufficiently appreciated reason is the waning centrality of public securities markets in the capital raising process. Increasingly, emerging and fast-growing businesses find that they can attract investment capital from angel investors, private family offices and venture capital firms; indeed, they are reliably able to tap this private market through successive financing rounds. Similarly, established closely-held businesses needing additional capital infusions increasingly turn to Private Equity firms for their “growth equity.” In both cases, for family offices, VC firms and PE firms, while an IPO is and can be a viable exit strategy, it is but one among many alternatives: The M&A market provides another exit for early and growth stage investors and a secondary market in equity held in private companies also provides a potential exit.

This mini-conference seeks to assess the financial significance of the burgeoning privately-held sector, seeking to understand why it is spottily analyzed by policy makers and commentators. Several questions that are relevant for policy decisions and investors will command our attention, and are stated below.

### **Agenda**

1. **10:00AM-10:15AM:** Introductory Remarks
  - a. Increasing trends towards privatization
  - b. Mergers / Consolidations
  - c. Going Private / Private Equity
  - d. Startups / Venture Capital / IPO Exits
  - e. Outline of questions to be addressed in this new Millstein Center initiative
  
2. **10:15AM-11:15AM:** Idiosyncratic Governance Issues in Private Firms (led by Jim Millstein)

- a. Founders versus Financiers
  - b. Allocation of votes and authority
  - c. Debt and equity claims
3. **11:15AM-12:15PM: Quantifying and Understanding Ownership Trends** (led by Eric Talley)
- a. Best sources of observational data to study privately held companies empirically
  - b. Non-observational approaches:
    - i. Survey instruments
    - ii. Lab experiments versus field experiments versus regulatory experiments
  - c. What is the best way to measure ownership links and commonality?
  - d. Similarities and differences with public companies

**Break / Lunch: 12:15PM-12:45PM**

4. **12:45PM-2:00PM: Regulatory Challenges** (led by Dick Berner)
- a. With continued “decanting” of public equity into the private sector, should corporate and securities law change for public companies?
    - i. Disclosure, voting, governance, fiduciary duties
    - ii. Whom to target? Institutional versus retail investors
  - b. Should more stakeholders have a say in governance?
    - i. E.g., Elizabeth Warren’s proposal; California gender diversity rule
  - c. Should retail investors be allowed to access private company investment opportunities?
5. **2:00PM: Conclusions and the Way Forward**