Nasdaq Private Market: Helping Fast-Growing VC-Backed Firms Access Liquidity & Stay Private – With Tom Callahan, CEO

Simon Brewer

In February, 1971, NASDAQ was launched after the US Securities and Exchange Commission wanted to automate the market for securities not listed on an exchange. The result was the first electronic trading system, an alternative to the inefficient specialist system, which had prevailed for almost a century. Today, it's the most active stock trading venue in the US by volume and the rapid evolution of technology has made NASDAQ's electronic trading model the standard for markets worldwide. Leap forward to 2013 and NASDAQ Private Market was founded to help solve private company liquidity in direct reaction to the JOBS Act. So to explore and understand this and its ambitions, we're delighted to have its CEO, Tom Callahan, a 30-year finance industry veteran. Tom, welcome to the Money Maze Podcast.

Tom Callahan

Thank you, Simon. It's a thrill to be here. Really looking forward to this conversation, so thank you.

Simon Brewer

Well, a week ago, we had a call just to prepare the ground and you were in the Jordanian Desert in a Jeep and I was about to interview the CEO of Amgen, Bob Bradway, and you were able to send me a related news flash about what was coming up within seconds of our call ending, proving that technology is universal, ubiquitous and omnipotent. And we're going to come back to that because it's so important to your mission, but just tell me, you were in Jordan. Was it business or pleasure and how was it?

Tom Callahan

It was mostly pleasure. Yeah. And as I recall, I was doing my best Indiana Jones impersonation. I had my aviator sunglasses and my hat. I was in Petra, Jordan, and it was remarkable. We had nearly perfect wifi even though I was in a Land Cruiser going through the desert at the time. But our head of product, [inaudible 00:02:27] got married to Tel Aviv last Thursday. I had never been, and I figured, well, as long as I'm in that part of the world, I might as well see a bit. So detoured a little bit to Amman, Jordan, and Wadi Ram and Petra, which if you have never been, I suggest, it was a trip of a lifetime and then finished with the wedding in Tel Aviv and just had a spectacular, spectacular adventure. So that's where I was on our pre-call.

Simon Brewer

Fantastic. And very glamorous. It was, and you looked. So let's go back to '87, you go to Harvard and were you already thinking it's Harvard and then finance?

Tom Callahan

Quite the opposite. My collegiate major was American football. Simon, we've not met in person, I'm 6'6" and my senior year in college I was 330 pounds and I was a left tackle on the Harvard football team. So a fairly logical career path at 6'6", 330 was the NFL. That was my ambition. I did not have visions of entering the securities industry at 18 years old, and so really had put all my time and energy and focus into that until circumstance conspired against me. And I had a back injury in my senior year, which ended my career and then off to Wall Street I went. Although it's interesting, I began my career as a bond trader. You talked a little bit in the intro about the evolution of market structure and I've been lucky enough in the last 30 years to live that firsthand. And so when I began, I was standing on a trading floor and screaming and yelling, and it's not accidental, I think, Simon, that I ended up as a bond trader because these are the days before co-location and algorithmic trading, the strategic advantage was being bigger and more intimidating than the other guys on the trading floor. So I began in that sort of primitive stage of the bond markets, which was yelling, screaming, and handing each other paper tickets. So now to see the evolution of bond markets and where I worked at BlackRock for nine years before MPM, largest asset manager in the world, you walk onto BlackRock's trading floor with $10 trillion in assets and it's nearly silent because the computers do everything. So I've seen the sort of full spectrum of market structure evolution.

Simon Brewer

Well, I'm going to give a quick hat tip to an episode we did with Michael Lewis, if you haven't heard it. Of course, he wrote Liar's Poker, but he joined Salomon Brothers trading program. Well, it was the... He got the job that I didn't get, and we had an interview with him and he's fantastic, but those were the mortgage guys and that... You know what they were doing and it was all shouting and screaming and a lot of abuse that wouldn't be, of course, acceptable today.

Tom Callahan

One of the Great Wall Street finance books of all time Liar's Poker about Lewis Ranieri and John Goodfriend and Salomon, I think all of us of that generation read that book. And I'm still a massive Michael Lewis fan, so I have not listened to that podcast. I recently read the Undoing Project, which is one of his great books, so I'm a big fan.

Simon Brewer

Fantastic. So you've had three big jobs, Merrill's, New York Stock Exchange and BlackRock. Tell me a little bit about how each of those prepared you for this role.

Tom Callahan

I did a bunch of things in my 15 years at Merrill. I started as a bond trader, as I mentioned, quickly evolved from that to, I guess, I would informally say I became the fixer of broken businesses. I got shipped around for the last six or seven years. I was there, London and New York, and that was my job when a business was broken, they put me in to fix it. And interestingly, startups and business turnarounds have an awful lot of commonality, and so I learned how to go in and assess problems, diagnose issues, focus on the tech, the people, the products, the culture and building businesses and fixing, broken ones have a lot of commonalities. It was an incredible, incredible learning experience for me fairly early in my career. I left in 2008 prior just as the crest of the waves of the global financial crisis were beginning to hit.Having worked at a bank and seeing firsthand the issues that banks were dealing with in 2008, I thought a pretty safe place to ride out the storm would've been in the exchange space because it seemed like fairly logical that liquidity was going to migrate from the OTC market to exchanges. And so I had an opportunity to go be CEO of a division at the New York Stock Exchange that we ended up spinning out and forming a consortium. It was the US Futures Exchange of [inaudible 00:07:03] at the time, and we spun that out into a bank consortium. So I became the CEO of a bank consortium, which is a very interesting role, especially at that time we were trying to crack the CME monopoly, so we were sort of a giant killer. It was really an exercise in politics, which is a big part of consortium CEO roles. And then I left that to go to do another turnaround. That business was sold as part of the ICE acquisition of NYC in '13. And I had an opportunity to go to, again, the world's largest asset manager, to BlackRock, and they asked me to run a division that had sort of fallen on hard times. It was their cash management division, which was one of the original businesses that built BlackRock when it was launched in the late '80s. But in the financial crisis, I think a lot of people know the money market industry really did have difficulty. There was a bunch of high profile money market funds that broke the buck and BlackRock's business had really been challenged and they asked me to come in and turn that business around. So I spent nine years doing that. I was very proud. I got to BlackRock, Simon, in 2013, we had 250 billion in assets. When I left in June of last year, we had 750 billion, so I added half a trillion dollars in assets to that business and really missed the startup world, which is where I'm back again now. So a long diverse career doing a lot of things, but I'd say the commonality for all that is either fixing broken businesses or starting new ones.

Simon Brewer

So as I understand it, since 2013, NASDAQ Private Market, call it NPM for short, has worked with I think more than 500 of the fastest growing venture backed companies, and you've done over $40 billion in secondary liquidity for lots of organizations. But a little history, I read, it was the JOBS Act that ignited NPM. So help us, particularly those listeners outside of the US, understand what that meant.

Tom Callahan

Absolutely. So let me just start by sort of doing a definition of terms. Simon, when we talk about the private markets, what are we talking about? Well, we're talking about the market for shares in private companies, pre-IPO companies, and how we define it with further specificity is what we call unicorns. So private companies worth more than a billion dollars backed by venture capital. So the VC backed unicorn market right now is give or take a $4 trillion market. When I say that, it tends to catch people by surprise, even people that are sophisticated and fairly knowledgeable about the securities industry because it's a market that has grown explosively in the last decade and started, you rightfully say, Simon, by the Obama JOBS Act of 2012. So what did that do? It used to be prior to the JOBS Act that a private company could only have 500 shareholders and the JOBS Act did a lot of things, but one of them is that it expanded that number to 2000. So as a private company, you could add a lot more shareholders. You couple that with the really explosive growth of the venture capital and private equity industry, which accelerated around that same time. What happened to private companies? Used to be that you would hit that 500 shareholder limit as a private company and you'd sort of have to go public because you needed to do that to access capital. With that liberalization to 2000 shareholders, you could bring in more investors and then you had access to this massive reservoir of private equity and venture capital money and private companies were not forced to go public anymore. So 15 years ago, the average company IPO'd at five years. Today, it's close to 14 years, so companies are waiting longer to go public. So this asset class has now grown, as I said, to $4 trillion. To put that in context, that's four times the size of the crypto market. It's about the same size as the US municipal bond market. It's about 15% of US GDP. It's a market that is absolutely essential. There's actually... A lot of people don't know this, there's more capital raised under the private market securities exemption. As you probably know, it's called Reg D. There's more money raised under Reg D every year than there is in the publicly registered market. You can actually make an argument that the private markets are the market. So that explosive growth, that huge fundamental change has happened in the last decade.

Simon Brewer

So before we unpick a little of the dynamics, let's just talk about your backers because you've got some financial institutions who are behind you and you were spun out of NASDAQ in 2021. Who are the owners?

Tom Callahan

We are an independent company, as you rightfully say, we spun out of NASDAQ in July of 2021, and NASDAQ is still our largest shareholder and we still maintain their brand. Goldman Sachs and Morgan Stanley and Citibank and Allen & Company came in as our initial partners as well as the late great Silicon Valley Bank, which I'd be happy to talk about. But they remain one of our initial investors in our company. And I think the rationale, Simon, for them to approach NASDAQ and to execute the spin out was, again, back to this narrative that this is almost like a surprise, $4 trillion asset class that grew so quickly. None of the fundamental infrastructure that supports every other asset class on planet Earth, whether you're talking about currencies or FX or even crypto, all those asset classes have a fairly well-developed infrastructure that allows trades to match, data to be processed, settlement custody, all those things exist. They don't exist in the private markets. So if you, today, Simon, were a holder of a private company share and you wanted to sell it, it would be a process a lot more like buying and selling real estate than buying and selling a share of Apple. You could pick up your phone and pull up your broker app and probably execute a public market transaction in a matter of 30 seconds. Well, I can tell you it's going to be probably months and months in a private company share because without that infrastructure that I talked about, really the dominant players in this $4 trillion asset class have done a lot of very small boutique brokers that deal with really incomplete information. The friction is enormous. Commissions can run 5, 6, 7, 8, 9% sometimes in the private markets. It's a really difficult space to transact. It's hard for private companies to access these markets. It's hard for banks to access these markets. It's hard for investors to access these markets. It's just sort of a forest of inefficiency and friction and they're too big and they're too important a market in order to suffer from this degree of inefficiency. And so it was that collective frustration that led Goldman and the other banks to come together and say, "You know what? We need a platform that we trust with good technology, reliable data with regulation to come in and transact in this critical market." It was that energy, that emotion, frankly, that frustration that led to the spinout and independence of NASDAQ private market.

Simon Brewer

So if we think about the pillars to this business, technology is clearly a big one. I mean, you could say that you are effectively a technology company, but just explain, if we get into the engine room, which is the technology engine room, what are you doing?

Tom Callahan

When people hear about securities exchanges, they think about trade matching. And in the public market, that's a lot of the focus because trades need to be matched and executed in microseconds, it's largely speed game. Private markets are not a speed game. Private markets are a completely different workflow because matching trades in a low volume asset class is kind of the easy part. All of the difficulty comes pre-trade and post-trade. And let me just give you a couple of examples. When you come to sell a private company share, a few things need to happen. You need to probably be onboarded with a banker broker. They need to do AMLKYC. They need to verify that you have the shares you say you have. There's no DTCC in the private markets. There's no central registry. A lot of times when you own a private company share, it's a PDF that may be sitting in your Gmail account. So someone needs to verify that you have the shares that you say you have, and then there's a series of legal documents that need to be exchanged to allow you to sell them. In the private markets, companies need to approve transfers. In the public markets, they don't. You can sell a share or whatever you feel like. Well, in the private markets, company needs to approve that transfer. And then once that happens, the trade matches and then there's a settlement process. In today's market settlement, and you're going to find this hard to believe, it can take up to three months and sometimes even when trades are matched, they fall down in settlement. When you buy or sell a share of Apple, you don't sit around for three months hoping and waiting to see if that trade settles. But in the private markets you do. So the technology we're building is essentially, again, I keep using this phrase, fundamental infrastructure, but really that's what we're building. That whole painful workflow that I just described. We have a piece of end-to-end technology, everything from onboarding to settlement and the company approval, the whole workflow gets automated through technology and infrastructure. So that's what our tech platform does and that's what great technology does, right? It takes really difficult, challenging, obnoxious workflows and it automates them and streamlines them. That's exactly what we're trying to do.

Simon Brewer

But if I'm running a private company and I'm coming to you because this makes sense because I want to have a currency for shareholders and employees and et cetera, et cetera, give me a sense of is there variability with that timeline? What would you say to somebody considering joining you in terms of their expectations?

Tom Callahan

We have all sorts of clients, but our core client base are private companies. And so why do they come to us? Again, if the average private company now IPOs in 14 years, if you're a private company employer, it's sort of hard to say to a 25-year-old engineer, "Well, wait till you're 39 to buy your first house or to pay off your student loans." There is this need for liquidity. It actually is a fundamental employee and talent management and attraction and retention tool. Remember, a lot of private companies are competing against public companies and you work for a public company, they give you shares that best every three years. So there's this automatic liquidity program. Well, it's really hard for private companies to compete with that, so they come to us and we run what we call tender programs where that is employees get to sell some percentage of their shares. I'd say typically, Simon, it's around 10 or 15%, some regular cadence, maybe it's once a year or every two years, they get some opportunity to liquefy, to sell those shares that they get as part of their employment, and then they can go buy their houses and pay their student loans and do all those things that people need to do to live their lives. So that's why private companies come to us and we run programs for companies as small as 10 employees, and we run programs for companies with as much as a thousand employees, and that's what we do. And so it's a valuable, valuable service that we offer to the clients, and in return to their employees.

Simon Brewer

Just staying with that timeline, what sort of mid-size company that's coming to you, what might they expect in terms of how long it takes from the orders being aggregated from sell to buy?

Tom Callahan

About three weeks would be a typical timeframe. They do it with very little friction, with a lot of certainty, a lot of transparency. There's different ways that we can run these programs. But a big question, and this is a really important question, Simon, right now is, who's determining the value and the price of a private company? And historically, that's been a relatively easy question to answer because private companies tend to do funding rounds about every two and a half years. Every two and a half years they go, they do their series A, then B, then C, then D and they raise new capital, and that's done at a price. So historically, to value a private company, you just look at their last funding round and say, "Well, that's where the largest, most sophisticated venture capital firms on Sandhill Road bought in. So that's the price. Well, we're in this amazing and slightly frankly disorienting time where that last funding round price for many, many private companies, for these 1200 unicorns, for a lot of them, that's almost an irrelevant metric because in the last two years, valuations have changed so violently and so abruptly, and there's been some very high profile instances. Klarna, most famously last year, did what we call a down round, that's a funding round that's lower than their previous, down 85%. And you've seen this in the public sphere as well, where a lot of technology companies, SaaS companies, their shares prices are down 60, 70, 80%. So if you sort of untether that last funding round, at the last time a company raised money was in the bull bubble market of 2020 and 2021, again, that may be an irrelevant data point in 2023 because they may be worth a third or a quarter of what they were.So we're in this very strange time, where trying to put a value on a private company is really challenging. And that's another reason companies come to us because maybe they don't want to put a specific value on their company, they want the market to determine that. So we can run auctions and have programs where buyers and sellers come together in a free market and you get a free market price for a private company. And that's, in this environment, extremely, extremely valuable.

Simon Brewer

So unlike a normal IPO process where an investment bank will be charged with establishing a valuation range and then going out and marketing, et cetera, in this case [inaudible 00:23:45] that private markets are not ascertaining the price you are in putting buyers and sellers together and verifying data and providing the analytics and assisting the technology. Is that it?

Tom Callahan

Yeah, we're not an investment bank. We're not a research operation. We're a trading platform. So we don't set price, we create efficient markets and then the markets then set those prices.

Simon Brewer

And other than employees, aren't the great beneficiaries of this, the venture capitalists?

Tom Callahan

It can be, for sure. There's two ways that private market securities trade. The first is the one that I just described where the company is our client and we're running a tender program on behalf of their employees. Now, sometimes early round investors are able to sell, but usually it's focused on employees. There's another part of our business where the shareholder themselves is the client call that the block market. Now who could the shareholder be? It could be a current employee, it could be a former employee, it could be a early round VC, maybe it was someone that came in, friends and family. Your father-in-law lent you a hundred thousand dollars to start the company and that's now worth 9 million, and he wants to sell those shares. So that shareholders can come from all different directions. But often times they want to sell away from a structured company sponsored program. They just want to sell their shares. And so they come to us and that's their block market. But your question is a really interesting one because you think about how the venture capital business model works, venture capitalists invest in private companies, those companies grow and succeed and then they have an exit. What does an exit look like? Well, sometimes it's an IPO, sometimes it's M and A, but something happens to that private company to create liquidity. Well, in this market, Simon, that we are in right now, those exits aren't happening. Everyone knows the IPO market has been closed for the better part of the last year and a half. And frankly, there's not a lot of signs on the horizon that that's changing anytime soon. M and A is at the lowest level in close to a decade. If venture capitalists can't have those exits, then their investors, their limited partner investors, can't get distributions of cash back. And how it works is LPs typically get those distributions and then they reinvest them with their venture capitalists. So it's a virtual cycle, but it's all dependent on exits and those exits aren't happening. So the machine sort of grinds to a halt. So venture capitalists, in order for their business models to function, really need liquidity. And if M and A is not happening and IPOs aren't happening, then second market liquidity is kind the only game in town. And so I think that's pretty much the most active part of our business right now is working with venture capitalists to create liquidity in their portfolios.

Simon Brewer

So I would've expected, given the enormous opportunity set on your doorstep, you'd just be in the US, but you told me in our earlier conversation that you've already brought on board quite a few UK bodies and some others. So tell me about your geographical thinking.

Tom Callahan

The private markets, because they are by and large an unregulated space, have the potential to be, I think, maybe second only to FX as one of the true global asset classes. With public market securities, you've got country specific regulation that prevents stocks from trading from one exchange and one country to another. You can't take a company listed on the DAX and just naturally listed on some other exchange. There's securities laws that prevent that. Well, that doesn't exist in the private markets. And unicorns, I think the number is something like a third of unicorns are outside the US. I mean, the majority of unicorns are in the US but it's becoming a global market and that's changing. And you're seeing huge innovation coming from places like Israel where I was last week in India and China, the largest private company in the world right now is ByteDance, that's the owner of TikTok.So it truly is a global market. And we have a lot of clients and company clients that are in the UK that are in Canada, various places around Europe, and even Latin America is starting to evolve places like Brazil and Mexico, you're starting to see some decent activity. So it is another one of our ambitions, again, without the sort of barrier of the public market securities regulation, that to the degree our technology can connect these pools of global private market capital, you can really create this true global asset class. So we're super excited about that.

Simon Brewer

And when you meet resistance or objections or uncertainty, in what form are they found?

Tom Callahan

That's a great question because I think there has been a mind shift on the whole topic of liquidity in private markets. And let me talk about what that might look like. I think the old school Sandhill Road venture capital view, a secondary market liquidity, is... It's a bad thing. Hey, I'm investing in a private company and you cash out when I cash out, and if that's 14 years, then so be it. But you shouldn't be getting liquidity and taking chips off the table before I do. I think that's the old school way of thinking. And so I think the old school VCs were very much against private market liquidity. I think there's been a real evolution on that. Again, it's not reasonable to expect employees to wait 14 years to get liquidity. So I think that that's changing, but there still is some resistance there. I think from private companies, there still are private companies that are very hostile to the idea of offering liquidity to their employees because again, hey, we give our employees shares and companies as a retention tool. We don't want them selling them because we want them to be tethered to the company. Again, I think that mindset is shifting. If you're going to attract and retain employees, you need to offer these kind of liquidity programs. So I think there's been old school perspective on all of this, and there's sort of a new way of thinking about, and I think this whole idea, the reality that you need to create liquidity in private market securities is something that's becoming much more mainstream. I think for investors... Listen, there is a natural risk and illiquidity that goes along and investing in private companies shares. You don't have the disclosures that you have in public shares. Obviously, public companies need to do quarterly earnings reports and regulatory filings and for any public company, you know an awful lot about that business. And that's how the regulators designed it. Well, we don't have those rules in the private companies. So you have less liquidity, you have less information, and you have more risk. So there are inherent risks to investing in private company shares, which is why the regulations are such that you need to be, what we call, an accredited investor. These are not investments for mom and pop, small, unsophisticated investors. Regulators want you to have a degree of sophistication to buy these shares. But what does it mean for a company to be 14 years before the IPO? Well, when companies are IPOing now because they're waiting so long, Simon, they're largely fully valued. These are largely mature companies by the time they IPO, and every investor wants to invest in a company at that hyper growth phase.You want to buy a company when they're growing 30, 40, 50% a year. And because companies wait so long to go public now, if you want to invest and realize those hypergrowth returns, you're forced into the private markets. So that's why we're so focused on removing this inefficiency, removing this friction to make it easier for people to buy and invest in companies when you want to be investing, which is when they're in that hypergrowth phase because if you wait till the IPO, it's probably too late.

Simon Brewer

So when you think about 10 years, hence, is yours really just going to be understood as an open access tech platform?

Tom Callahan

I hope that by and large it is. Again, there's always going to be guardrails around this. This is always going to be a market for the most sophisticated investors. But yeah, we want to make it a place where the largest, most sophisticated investors can come and transact and execute with trust and competence, and that doesn't exist right now. One of my big VC clients told me something super interesting last week. He said, "Investors in venture capital tend to get fired not for making bad investments. It's when they make a good investment, but they don't take chips off the table." You invest in a company and it goes up 30x. A logical person, if you were in the public markets and you bought a stock and it went up 30x, you'd probably sell some and take chips off the table. Well, again, because in the private markets that's so difficult to do, it doesn't happen. And so you buy a company, it goes up 30x and then it goes down significantly from there. He said, "That's why private market investors get fired, not for making bad investments." And I thought that was a really interesting perspective. So we're trying to create a platform where investors can actually risk manage. That's what investors get paid to do. So when certain companies go up 30x, they can take profits and maybe some other companies like we're seeing right now that are getting revalued down maybe too aggressively, you want to be able to buy into those companies and actually actively manage your portfolios, and that's something that really, really can't be done. Let me just finish by saying, who are the largest investors in private companies who are VC's largest investors? It's pensions and endowments. Who are pensions and endowments? Well, it's cops and it's firemen and it's nurses and it's teachers. So these are ultimately the investors in private markets and they need those levels of protection just like they have in the public securities markets.

Simon Brewer

You've explained it very clearly, but I found myself ahead of this interview scratching my head and just saying, "Wasn't Blockchain supposed to do all this?"

Tom Callahan

Yeah, I think that's a great question and that's a part of our platform. And listen, I think a lot of people don't actually understand that it's core what Blockchain is. It's just a more efficient database than the ones we've used before. They create a permanent record of everything that changes and it just makes data more auditable and more accessible and more transparent. And that's about the simplest way that I think of what Blockchain does and what it does on our platform. And if you think about a private company, again, every time a private company hires someone or fire someone or issues new shares, what we call the cap table, that statement of record of what their shares are, it changes. Every time they do a new funding round and they get new investors, it changes. So that's essentially a massive data problem because that cap table needs to be right. A company needs to know who their shareholders are, who owns what. If they're going to do a funding round, if someone's going to be buying into a company, they better be darn sure exactly how many shares are outstanding and who currently owns what. And that problem in this market is a really hard one. It's like almost the perfect use case, Simon, for Blockchain, because that's what it does really well. It tracks and creates audit trails around really fast, dynamically changing data sets. And so our belief is this is going to be a huge, huge part of creating future efficiency in the private markets. Now there's a next generation of that. If you ask me, like, "Look into your crystal bar, what do these markets look like in a decade or 15 years?" There could be a world... And there are some companies out there that are trying to do this, that are trying to do tokenized shares of private companies where a company would essentially issue their private shares to employees in a tokenized form, and those tokens could trade very easily and almost like a public company stock. I think the market may get there eventually. I think it's a little early now. It would be a really fundamental change for how private companies raise money, and I just think it'll take a while to get there. But I think on a 10 to 15 year view, that's probably where these markets are headed.

Simon Brewer

So Tom, I'm going to fire a few closing questions at you that are not related to NASDAQ private markets and that having started this conversation by finding you in the desert in Jordan, when you want to escape the pressures of that's that private markets, where would be your favorite destination if you can just go and have a week where your phone won't work?

Tom Callahan

I'll answer the question, my favorite destination, but also how to get there. I'm a private pilot and have been for 20 years. It's a huge, huge passion of mine. My happy place is typically 20,000 feet in the air, so anywhere I can fly myself is typically somewhere that I love. I do a lot of flying for fun. I do a lot of charity flying. One of my big hobbies that I talk about too much is I do a lot of dog rescue and animal rescue and fly for a bunch of charities here in the New York area, and that's where we're bringing rescue dogs from down south where there's too many up to the northeast where there's a lot of adopters. It's sort of a supply demand problem that we're trying to close. So do a lot of dog flights. I do a lot of fun flights. My favorite place to fly is to The Bahamas. It's stunningly gorgeous place to fly around in a small plane. There's 700 islands in The Bahamas. A lot of people don't know that. A lot of them have small, quiet little private strips. So you can go to these remote, out of the way places that make you feel like you're in the South Pacific, but for me, getting there is half the fun.

Simon Brewer

Excellent. Now, one of the things that listeners tell us is that they really enjoy and learn from guests when they talk about how they confronted setbacks in their lives. You were hinted at, implicitly not explicitly, that you were going to be a sportsman and you broke your back. Now, I don't know whether that was the setback which you would relate to, but what have you learned and how have you dealt with setbacks when they've come along?

Tom Callahan

I have had a number of setbacks, probably that was the first crash course at age, it actually... My injury happened on my 21st birthday and I didn't really have a plan B, so maybe that's one of the lessons is always have a plan B, but I was dead certain I was going to end up in the NFL. I wouldn't say I was Harvard University's greatest academic achievement. A lot of my time and energy and focus was building towards that NFL career. And then one day in practice, one bad hit and all of a sudden your life changes. And so yeah, always have a plan B. But I don't know, I've been through enough ups and downs and I'm sure you've been the same, Simon. I really do have a core belief. I'm an optimist by nature and it's going to be okay. And sometimes at the moment it's hard to have that perspective, but oftentimes, life throws all sorts of challenges. It's the thing that I love the most about startup life is there are days where I feel like I'm going to be the next Elon Musk and then the next day I feel like I may be unemployed and digging ditches for a living. And sometimes those various emotions happen in the very same day. It's the nature of startups. There's high highs and there's low lows. And listen, I'm just an optimist and whatever happens, I just keep telling myself it's going to be okay, and it always is, and just stay positive and keep working and don't quit. So far that philosophy has served me pretty well.

Simon Brewer

Staying with a sports theme, is we've asked this of a number of our guests, if you could go to any sporting event in the world, what event would it be? And you can take one person from the world of finance and business, who would they be?

Tom Callahan

Wow. Okay. I think there is no greater sporting event on planet Earth than the NCA March Madness Tournament. So I guess it would be the finals for the college basketball NCA tournament, and anyone from the world of business, I guess I'd probably bring Jamie Diamond with me. I think he's probably the most powerful man in the world of finance right now. So Jamie and I sitting courtside at the NCA finals, that'd be a pretty good evening. So I'll go with that.

Simon Brewer

Well, we'll drop a line into Jamie and see if he can fix that for you.

Tom Callahan

Send him a little text, Simon.

Simon Brewer

He's a bit busy buying depleted banks right now.

Tom Callahan

Yes, exactly. He's going to need to get our tickets too. So we've become a unicorn ourselves someday, I'm not sure I can afford those tickets.

Simon Brewer

And my final question, we've got lots of students who listen to the show around the world who are thinking about business, they're thinking about public businesses, they're thinking about private businesses. What's one of those key bits of advice you would offer to a young person starting out?

Tom Callahan

I get a lot of practice at this, Simon. I'm the father of four daughters, and actually one of my daughters just graduated from university last Sunday. So I've been giving a lot of fatherly advice. I'll give you the same answer that I gave her after her graduation on Sunday, which is, "I view managing your career a lot like managing the risks in your portfolio. And as anyone would tell you as an investor, you're supposed to take a lot of risk in your twenties and thirties as an investor. And then as we get older and get closer to retirement, you become more conservative." And that's just standard thinking for how you should manage investing risk. So I think career risk is a lot the same. So my advice to anyone in their twenties and thirties, that's when you should be taking wild risks. Start a company, go work for a startup. And listen, they're not all going to work out. It's risky, but it might. And even if it doesn't, what you are going to learn in that experience is going to be invaluable for the rest of your career. So as you're first starting out, do something crazy, take a risk. And listen, as you get into your thirties and forties and fifties and beyond, you can become more conservative. But the priority coming out of school, I said this to my daughter last Sundays, that's not maximizing your next five years financial return. And I know for a lot of students, that's easier said than done because they've got student loans and they live in expensive places like New York City and they need to make money. And I totally get that. When I first graduated from school, I was $90,000 in debt, which seemed like 9 billion. In 1991, when I graduated, I was working days as a clerk on a trading floor, and I was a bouncer three nights a week at a bar called the Deadline on the Upper East Side. So trust me, I get what it means to be young and broke and starting out and just trying to make ends meet. But it really shouldn't be your priority. Your priority should be learning and where you are going to learn the most is in a dynamic startup place. So that would be my advice.

Simon Brewer

Fantastic. Well, Tom, we're going to finish the conversation there. You have been very clear, and I think a lot of people who are involved in VC, PE, asset allocation, wealth management will be listening going, "Gosh, there's some discovery going on here." And I, for one, didn't know that the average company in the US is waiting 14 years before its IPO versus five 20 years ago. So that was remarkable to me. Number two, that this private market globally is somewhere over $4 trillion. Now it's heterogeneous and spread, but your whole mission is to, if not commoditize it, but to facilitate standards and practices driven by technology that allow for the exchange of shareholdings to take place. And you've given us some very interesting advice for youth, which is if you're going to take career risk, do it early and in fact just do it early. As Nike probably says, just do it. So thank you, Tom, very much indeed.

Tom Callahan

Simon, it's been a huge pleasure, as I hope you can tell, I'm super passionate about this space and this market and this company, and it's just been a great honor and a pleasure to be here talking to you about it. So thanks so much for including me.

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