

OTC Markets Advisor Insights Podcast

VStock Transfer Season 1 | Episode 2

OTC Markets Group: From OTC Markets global headquarters in New York City, you are listening to Advisor Insights where we feature professionals that will address the issues that affect companies that trade on the OTC Markets.

Joining us today is Seth Farbman, Chairman and Co-founder of VStock Transfer, which is a member of our Premium Provider Directory. Welcome, Seth.

Seth Farbman: Thank you very much for having me, appreciate it.

OTC Markets Group: Absolutely, Seth. So to get started, let's fill everyone in on what we'll be talking about today, which is once a company begins trading on the OTC Markets, how do they pick a service provider? And we will be focusing a bit on transfer agents today, but how do they pick a service provider that will best help them grow as a public company?

Seth Farbman: That's a loaded question, but I think it's an important one.

OTC Markets Group: And before we get down to it, can you give our audience, our listeners, a little bit about yourself and VStock?

Seth Farbman: Absolutely. So I used to be a securities attorney. Hopefully none of your listeners will hold that against me. And then, after practicing law for a couple of years, I started an SCC Edgar filing company and did that for about a decade, servicing about 4,000 publicly traded companies. And then about 10 years ago started VStock transfer. So basically I've been working in the public markets for about 20 years. And at VStock Transfer we have an opportunity to work with private companies, pre-IPO companies, and then, obviously, those that are currently on the public market.

So, to answer your question though, that's still a loaded question in terms of the timing that a lot of these companies need to start to think about these questions about the providers that they want to surround themselves with. And I guess it really depends on the type of provider, right? So the law firms and the auditors are going to come in at one stage, the underwriters are at another stage. But I can speak to the transfer agent component.

It really comes up, depending on two situations, Matt. The first is to going to be when a company starts to raise capital. And if they want to approach the institutional investors they really want to think about, from a cosmetic standpoint, how is that going to look? And so, if they're going to go out and raise money, they really want to be able to give the perception that they're fully compliant. They don't want to approach capital resources and say that we're printing stock certificates out of our basement. And so that's the point where they'll say, okay, well, let's look at what transfer agent providers are out there.

And then the second time that they might consider this question is if a company has maybe 40, 50, 100 shareholders, it just becomes an administrative nightmare. As you can imagine, that Excel sheet gets pretty burdensome. We've got some clients with 15,000 or 20,000 individual shareholders. And so at that point, maybe around the 50 to 100 mark they'll say, listen, for the couple of dollars, it's worth it to have a transfer agent just take this administrative portion off my plate. And that's when they'll start to explore what options are out there to consider.

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OTC Markets Group: Okay. Going along with that, what kind of red flags should they watch out for when they're talking to transfer agents or other service providers? Or what kind of advice may you have for issuers that perhaps may be a little late in joining the game, and finally they're saying, okay, now let's spend a couple dollars on a transformation? What should they watch out for?

Seth Farbman: Sure. And that's a great question. I would tweak it a little bit and I would say not so much red flags, but more so like what kind of bells and whistles can they look out for? What kind of extra benefits should they look out for? Because the transfer agent is sort of narrow lane of the administration of the stock ledger and the issuances and the customer service. Those are things that they probably know to look out for.

But a couple of things that I would suggest that they want to be aware of, for example, might be online access. As many of the listeners you're aware of, there are a lot of deadlines when you're operating a publicly traded company. I remember back in the day when I was involved in the 10Q and the 10K filing deadlines, it was always at 5:29 when everybody ran to figure out the, plug in the last minute information, and you need to know how many shares are outstanding.

Well, if you have online access through your transfer agent, that's definitely something that's going to benefit you. You'll have that data at your fingertips. As you're going through the public process you're going to want to surround yourself with people that can assist you with things like DTC eligibility, [DWAC] eligible, helping deposits. These are things that you have no idea what they mean until you go down that path.

You don't know what a medallion stamp is until somebody tells you need a medallion stamp. And so if you try to make a checklist of these items before you make your decision and before you select all your providers and the team, the all-star team that you want around you, these are things that you're going to want to check the box for before you go down that decision.

OTC Markets Group: So, Seth, quick question, these medallion stamps that you were just talking about, is that something that every transfer agent can help with? Or is VStock pretty, do you guys do a lot of that for your clients?

Seth Farbman: It's actually something that most often, or should be most often, that a bank offers. For those of you don't know, it's sort of like a notary on steroids. It should be that, if you just need to prove who you are and that you have the right to transfer the stock, it used to be you could just go to the bank and show them your driver's license and get this green funky security stamp.

But a lot of banks have stopped offering that. So now there's a solution online, e-signature guarantee.com, and so that's an online solution. And there's just a lot of different sort of requirements as a publicly traded company that people will need to be educated about. And I think that's something that the OTC does a great job of doing. I don't know it by heart, the layout, but I know you have a fantastic resources page that really helps with different providers, different educational tools. And so that's definitely something that I encourage the [2B] CEOs of publicly traded companies to go check out and really try to educate themselves about these requirements.

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OTC Markets Group: Yeah, that's great, you're right. The OTC does have a plethora of information on our website. So Seth, I kind of wanted to flip it a little. We've been talking about issuers talking to service providers. Now, let's just look at briefly, do you have any suggestions for advisors or service providers that are looking to work with public companies on the OTC Markets? What can you tell them, based on your experiences or VStocks experiences, that you can suggest to them on how to best work or find clients, work with clients, on the OTC?

Seth Farbman: I think that, when I think of the OTC I sort of have this word of community that comes to mind. In other words, I believe that I've had some success, again, through that website. There's a lot of data there that's really helpful, both for whether it's issuers, advisors, investment bankers, family offices, chief investment officers, or even the average Joe shareholder who might be interested in a particular field. Whether, I have an affinity for investing in biotech or eSports, there's really a lot of opportunity to roll up your sleeves and do some digging. Because you can see who the trade agent is, who the company management team is, obviously, the news release is, and some of the financials.

But I think that because there's a lot of information there, whether it's podcasts or a lot of video interviews, I would just spend a lot of time digging through a lot of that information, and then you'll be able to reach out and see what you can offer. As long as you've got the valuable services to offer I think you'll do a great job.

OTC Markets Group: Okay. And VStock, your client list. I know you have a couple of hundred clients that trade on the OTC market. Specifically, our top tier is OTCQB and OTCQX. Can you give any insights into your clients' experiences that have been trading on the OTCQB, or the OTCQX, and how they have grown trading on those markets?

Seth Farbman: Yeah, I mean, I think that those companies, especially over the last couple months, have tried to really focus on three things. And I think, over the last couple months that's been on everybody's mind, whether it's the investors or the companies. They're worried about how do I sustain liquidity? How do I tell my story? And how do I gain access to capital? I think that's sort of like every day every CEO wakes up and worries about those three things. And every day they go to sleep and they worry about those three things.

And so the OTC market does a really good job of trying to accommodate as best they can. There are resources, everybody's really accessible whenever there's an issue. There are plenty of people in different departments to help with that. And I think that if, as long as there are ways to be able to tell your story and really get out there, again, whether it's through video or podcast like this one. Every time I'm on the site I see there's another CEO interview or another CEO Zoom. And I think that's for really helpful. It shows, on behalf of the OTC, that they really want to help the issuers get their story out there. And that's half the battle sometimes.

OTC Markets Group: Absolutely. We do have our virtual investor conference series, which a lot of our issuers have taken advantage of. And it's worked out well for them, especially in this time of COVID and this pandemic, and getting investor access like you were saying. So going along with that, Seth, just last thing I want to chat about real quick. Do you have any advice for companies that are... Obviously every company is dealing with this COVID pandemic. But do you have any advice or suggestions for companies that are working through this right now?

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Seth Farbman: Advice? Okay. So I've never run a publicly traded company, but I'll give you the same advice, to any CEO, from one CEO to the other. I would say I'd break it down into two pieces, nuggets of data.

Number one is spend a lot of time on LinkedIn. Because I think it's a great way to utilize this, I don't want to say downtime, but the time when you can't be going to conferences and you can't have investor luncheons, and you can't have those face to face meetings with bankers or analysts. But it's still an amazing tool to be able to reach and connect to those people. I'm stating the obvious, but you'd be surprised at how many people don't take advantage of it. So that's number one.

And number two is I think the takeaway is just to be transparent. As a transfer agent, we've got our staff here, and we answer these phone calls every day from hundreds of shareholders. And they don't view us as an extension of the company, they sort of view us as the company, sometimes. They don't realize that we're just an outsourced solution to answer their questions.

And so if we're responsive and if we're transparent and if we hold their hands, and if we tell them, hey, how can we assist you, and this is what's going on, of course, within reason of what we're able to say, they're appreciative. And they think that, wow, this is a great company. And so I think that's really important in this COVID time, this new reality, is for the management team to just try to be as communicative as they can to the shareholders, to the employees also, but also to the shareholders. And really just do a good job of telling the story as often, and as clear as they can.

OTC Markets Group: Seth, are you pretty active on LinkedIn?

Seth Farbman: No comment.

OTC Markets Group: So, Seth, thanks for joining us today. It's been a great chat. You gave a lot of comments, insight, and suggestions for issuers and service providers, so thank you.

Seth Farbman: I appreciate the time. And I have one request, Matt, that when this is all over, I hope I'll get invited to the world headquarters and we can do a follow-up in person.

OTC Markets Group: Sounds good, Seth. Absolutely. So for those listening, if you have any questions or would like to speak with Seth further, you can find VStock Transfer listed in the transfer agent category on our Premium Provider Direct Group.

**This is an autogenerated transcript and may contain typos.*