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## **SharesPost Site Lets Investors Trade Stock in Private Companies**

By Tim Mullaney

SharesPost Inc., a startup backed by Internet advertising veterans, has created a stock exchange for privately held companies, giving employees and equity owners a chance to sell shares without an initial public offering.

SharesPost's Web site, which debuts today, will match buyers and sellers of companies that either went through leveraged buyouts or accepted venture capital, Greg Brogger, chief executive officer of the Santa Monica, California-based company, said in an interview.

Both kinds of companies have struggled with the slump in IPOs, preventing owners from earning a payback on their stakes. SharesPost would let investors trade shares in more than 100 companies. The site follows the debut of other private-company exchanges, including New York-based SecondMarket and XChange Inc. in Redwood City, California.

"We're trying to solve a specific problem: How do founders, angels and employees generate some liquidity?" Brogger said. "Even after the recession ends, you're not going to see companies with less than \$500 million in market value going public any time soon."

Unlike most rivals, SharesPost isn't a brokerage firm and won't take commissions for handling trades, Brogger said. Instead, it aims to make a profit by charging subscription fees. Access to basic information will be free, with a \$34-a-month charge for members who want to trade shares. The exchange will be open to institutions and wealthy individuals, he said.

### **Slow Year?**

One potential competitor, NYPPEX Holdings LLC, says demand for private-company trading has been slow in early 2009. Still, tightened regulations may make companies stay private longer, fueling demand for the exchanges, said Laurence Allen, president of the Greenwich, Connecticut-based company. Like SharesPost, NYPPEX expedites trades in private businesses.

SharesPost was started by former executives at Idealab, an Internet business incubator. That project's biggest success was GoTo.com Inc., the first publicly traded company based on paid search advertising, Brogger said. He worked at Idealab after a stint at the law firm Wilson, Sonsini Goodrich & Rosati.

There are up to \$3 trillion in privately held shares of venture-backed companies and leveraged buyouts, Brogger estimated. Owners of as much as \$130 billion worth of those assets will seek buyers within the next 18 months, he said.

SharesPost's revenue will help pay for research coverage of private businesses, Brogger said. SharesPost is forming partnerships with two companies to handle the research, he said. SharesPost plans to name those partners, one of which is based in India, within weeks.