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## **Why 'Joe Facebook' wants to cash out**

By Caroline McCarthy

Was there an unexpected rush of Facebook employees looking to cash out their stock? Yes, says BusinessWeek's Sarah Lacy, who said that the \$100 million buyback orchestrated by investor Digital Sky Technologies has been oversubscribed. Which means that a fair number of employees have been looking to cash out some stock even though it may be worth far more down the road when (and if) Facebook goes public. It's the sort of thing that would've left pre-IPO Googlers feeling awfully sheepish.

But what's more surprising, Lacy found, is that the high demand for Facebook cash-outs seems to run contrary to Silicon Valley's characteristic idealism.

"What has happened to the start-up work ethic in Silicon Valley?" she asked. "Time was, the region was teeming with believers--be it believers in a company or believers in the sometimes naive, lottery-ticket hope that options would make them billionaires. People who work at the most highly valued startup in Silicon Valley and rush to sell for a smaller valuation--just as an IPO is starting to look likely--aren't believers. They are mercenaries."

Not at all, I would argue.

Imagine, for a moment or two, that you are a character whom we will call Joe Facebook. You are a software engineer, so it's pretty safe to say that you're a dude (apologies to all the women in computer science out there). You're in your mid-20s, and you've been working for Zuckerberg & co. for a few years now, ever since you graduated from Harvard or Stanford or some other big-name institution with a hefty price tag. You grew up in a small town in the Northeast or Midwest, which is why instead of living in Facebook's hometown of Palo Alto, you've opted to get a taste of the cosmopolitan by living in San Francisco and making the commute in this sweet little Prius you bought last year. Your girlfriend, who's been remarkably tolerant of all those late nights of coding, said something recently about how it's a buyer's market and she's getting sick of her roommates. Maybe you'd like to pay off some of those student loans and stop living like a bike messenger.

This, of course, is a stereotype. But employees cashing out some of their stock after working long hours and living in one of the most expensive cities in the country shouldn't be that shocking.

Facebook's salaries, people in the industry tell me, tend to be a little bit lower than those at many of their Valley counterparts. That's understandable: it's one of the hottest companies to work for, and could have a huge IPO down the line, which would mean that a lower salary now would ideally pay off big-time later. But some of those early employees were probably expecting Facebook to have gone public by now. In this kind of economic climate, there's going to be some hand-wringing.

Facebook's revenues are projected to be about \$500 million this year with its current, advertising-based model. But it's just barely started to alpha-test its new "credits" payment system, a potential cash cow that was once rumored to be debuting a year ago.

The Web 2.0 bubble didn't pop suddenly like its late-'90s counterpart. Rather, it's still deflating. This week, it was made official that MySpace had acquired iLike, a social music start-up that had \$17 million in venture funding pumped into it during the digital media VC heyday. But revenues didn't roll in as promised, and iLike's final sale price was reportedly just \$20 million--news that called into question the profitability of an entire (big) niche of Web start-ups, ad-supported streaming music. Facebook is obviously far beyond that stage, but these reality checks can make a massive, Google-style IPO seem even further away.

Then there are services like Sharespost, an exchange for private stock trades. The fact that these sites are drumming up interest is testament to the current uneasiness of many dot-com employees, especially young ones trying to establish some stability, and more particularly those who might not be privy to the big-picture plans getting painted in the executive boardroom. Given the dreary market for M&As and IPOs right now, their supposed personal wealth might as well be in Monopoly money.

And working at a tech start-up, with its casual dress code, oddball hours (think college-style all-nighters fueled by Red Bull and pizza), and young workforce, can seem like a limbo of adolescence--even if the old dot-com stereotypes of Foosball tables and free beer are kept to a minimum. As short-sighted and greedy as it may seem, swapping in some of that Facebook stock now (not anywhere near all of it, mind you) is an upward move for the quarter-life-crisis crowd. It's a down-payment on that cute Victorian in Noe Valley, the last of those student loans, the extra cash to start building up an investment portfolio while stock prices are low. It's growing up, Silicon Valley-style. Even in the bright and happy Candyland of innovation (literally), cash is still king.