



June 16, 2009

SharesPost Kicks Off With Private Exchange Of Tesla Motors Stock

By Tomio Geron

SharesPost Inc., the latest company seeking to help facilitate the trading of private company stock, has kicked off its service with a \$25,000 transaction that values electric-car maker Tesla Motors Inc. at \$914 million.

SharesPost has launched a bulletin board-style trading system akin to old-fashioned New York Stock Exchange trading, where buyers and sellers post their bids and asks on the site. The system is open to companies with market capitalization of \$100 million or more.

Having an outlet for trading is good for individuals and for companies, said Greg Brogger, chief executive and founder of SharesPost.

“Some early-stage guys have held for a long time and want to sell,” Brogger said. “And for start-ups, it’s not good to have people who really want to sell.”

In the site's first transaction, one party agreed to acquire 2,500 shares of Tesla Motors for \$10 a share. That deal, which is in escrow, values Tesla at about \$914 million, based on the company's “assumed capitalization,” according to SharesPost.

Unlike some competitors, SharesPost does not charge a transaction fee. In fact, SharesPost does not mind if buyers and sellers take their deals offline and complete them outside of SharesPost.

“If they want to take it off of SharesPost, they can do that,” Brogger said. “That’s fine.”

Other companies that have been posted for offers for buying or selling on the site so far include Facebook Inc., Twitter Inc. and SolarCity Inc.

Because private company stock often has a number of rules attached regarding how it can be sold, SharesPost has created a library of different agreements for sales of such stock. These agreements can include the right of first refusal to purchase the stock, co-sale agreements, and the like. The buyer and seller in a transaction can download the agreement and make changes as necessary.

SharesPost, which is focusing on common stock now but hopes to move into preferred stock, requires founders to hold the stock for one year before selling, and buyers must be qualified institutional buyers or accredited investors.

SharesPost is also providing detailed information on the companies trading on the platform through two analyst companies, Next Up! Research and VC Experts. Through Next Up, SharesPost provides detailed analysis reports that look “like an investment bank report” on a public company, Brogger said.

In one Next Up report listed on SharePost, for virtual world company Linden Research Inc., the report gives an estimated valuation of \$450 million to \$590 million based on multiples of revenue, net margins and merger and acquisition analysis of similar past companies.

SharesPost provides this research information for free, and eventually plans to charge for it. While reliable information on private companies has been hard to find, Brogger hopes to greatly increase the information available on these companies.

“We want to put the best available information out and layer on top of it with expert analysis,” Brogger said.

Membership to SharesPost is free, which allows members to see prices. But to buy or sell, people need to sign up for a \$34-a-month premium membership.

A financial institution will handle the actual transfer of shares and charges \$2,500 each to the buyer and seller. This is much cheaper than the typical financial and legal costs of such transactions, which can cost \$15,000 to \$20,000 at minimum, Brogger said.

Buyers and sellers can also post their bids and asks anonymously, and the identities will not be revealed until the transaction enters escrow. U.S. Bank is handling the escrow services.

SharesPost has received unspecified angel funding from Brighthouse, a firm founded by Brogger and Scott Painter. The pair worked on two previous companies together: Zag Inc., which runs an online car-buying platform and has raised \$67 million in venture equity and debt financing; and CarsDirect.com, which raised more than \$350 million in private equity financing. Painter is CEO of Zag.

Michael Moe, the former CEO of investment bank ThinkEquity Partners LLC, has joined SharesPosts' board.

Others in this space include Draper Fisher Jurvetson-backed Xchange, venture-backed InsideVenture Inc., and SecondMarket Inc., which is backed by FirstMark Capital.