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Making the Most of Your Money

By [Susan Carr-Templeton](#) / 03/03/11 [RSS feed](#) [Like](#)

Facebook: How to Buy Stock in a Private Company

You too can now buy shares of Groupon and Facebook and other high growth companies that are not yet publicly traded. Here is how.

There are two new firms that connect buyers and sellers who are interested in trading private company stock such as Facebook, Twitter, LinkedIn, and Tesla Motors to name a few. SharesPost and SecondMarket are the two main players in this business.



These organizations act as intermediaries, facilitating transactions between buyers and sellers for a fee. Since the companies whose stock investors are buying and selling are not public, therefore not traded on any of the stock exchanges, these services also help buyers and sellers determine a value for those shares. Sellers often work for these high-profile private companies and have been awarded stock as part of their compensation. Since there's no liquid market for their holdings, they can now sell their shares through one of these secondary market makers.

For example, you can buy shares of Facebook on SharesPost for between \$25 and \$35, which suggests the market participants value Facebook as a company between \$56 billion and \$79 billion, much higher than the \$50 billion value that Goldman Sachs customers paid, so if you are going to buy, understand you will probably be buying shares at a premium.

You need to realize that the shares you buy in these companies are fairly illiquid. You may have to wait to find a buyer and it may be at a price that is less than you paid. Remember that you are buying at a share price where there is little public information on the company's financial position so you probably will not know the true value of your holding. In addition, you need to be an accredited investor to play in this game. Accredited means (according to the SEC) a net worth of at least \$1 million, or an annual income of \$200,000 or more (\$300,000 for couples).

So, if you think these high growth companies are worth owning now, then here is your opportunity to get in early.

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Susan Carr-Templeton is a personal wealth advisor with more than 20 years of investing experience. In addition to managing Stafford Wells Advisors, Susan volunteers on the investment committee for the Advocate Foundation.

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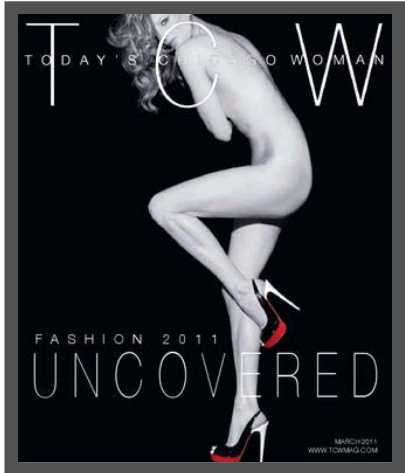


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