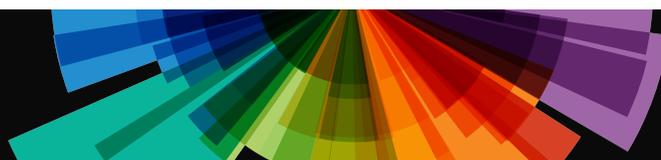


A SHARESPOST PRIMER ON SECONDARY MARKET SECURITIES LAW

THIS DOCUMENT WAS PREPARED BY SHARESPOST, INC.
IN COLLABORATION WITH LEGAL COUNSEL

SHARESPOST

SharesPost Financial Corporation, Member FINRA/SIPC
©2012 SharesPost, Inc.



A SHARESPOST PRIMER ON SECONDARY MARKET SECURITIES LAW

The laws and regulations governing the secondary market for private company stock are continuing to evolve. SharesPost is committed to assisting market participants, including companies and investors, in gaining the knowledge to enable informed participation in this increasingly sophisticated marketplace.

Consistent with its role as a secondary market leader, SharesPost has prepared this introductory primer on secondary market securities law so that its members and issuers can become familiar with the basics of how this market is regulated and how SharesPost complies with pertinent laws and regulations. Our goal is to offer clear responses to frequently asked questions based on current law and practices.

Periodically, we will plan to update this primer. We would like to hear from you about topics to cover. You can email us at legal@sharespost.com with a request to discuss specific issues. Or, if your question requires a timely response, we would be happy to arrange for you to speak with an expert at Wilson, Sonsini, Goodrich and Rosati.

Q: What are the relevant securities laws and regulations governing the secondary market, and is SharesPost compliant with those laws and regulations?

The sale of securities in the primary, as well as secondary private, market is governed by federal and state law and regulation, and is also subject to self-regulation.

Federal securities laws relevant to private market transactions include, among others, the Securities Act of 1933 (the “Securities Act”) (www.sec.gov/about/laws/sa33.pdf), the Securities Exchange Act of 1934 (the “Exchange Act”) (www.sec.gov/about/laws/sea34.pdf) and the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) (www.sec.gov/about/laws/wallstreetreform-cpa.pdf). Congress has delegated authority for enforcing these laws to several federal agencies, most importantly the Securities and Exchange Commission (the “SEC”) (www.sec.gov). The SEC issues regulations interpreting the federal securities laws. These laws include, among others, the safe harbors from the registration requirements of the Securities Act provided by Rule 144, Rule 144A, Regulation D and Rule 701, as well as Rule 10b-5 of the Exchange Act relating to fraud or deceit in connection with the sale of a security. A company must register under the Securities Act if it wishes to sell its securities in the public market. The SEC also brings enforcement actions against persons alleged to have violated the securities laws. Issuers and other market participants who wish to ensure that they are in compliance with the laws may seek to receive a “no-action letter” from the SEC, in which the SEC staff indicates that it will not bring an enforcement action in connection with a particular set of facts and circumstances. These no-action letters, and other interpretive materials, are made public and are a key form of guidance for market participants. As explained in greater detail below, SharesPost complies with applicable federal securities laws, regulations and current guidance provided by the SEC staff.

States are generally limited in their ability to impose additional restrictions on the sale of securities above and beyond those imposed by federal law, but certain state laws are relevant to private market transactions, including Section 25130 of the California Corporations Code (<http://www.corp.ca.gov/loen/25102f.asp>) governing the advertising of securities. The attorneys general of each state generally enforce these laws. As explained in greater detail below, SharesPost is in compliance with such laws and regulations.

Finally, SharesPost complies with the securities industry’s self-regulation requirements. SharesPost Financial Corporation, a broker-dealer wholly-owned by SharesPost, is registered with the SEC, and is a member of the Financial Industry Regulatory Authority (“FINRA”) (www.finra.org). FINRA imposes standards of conduct on registered broker-dealers, such as “know-your-customer” requirements. SharesPost’s broker-dealer is also a member of the Securities Investor Protection Corporation (the “SIPC”) (www.sipc.org), a federally mandated but independent corporation that protects investors from harm in the event of the failure of a broker-dealer.

Please note that the legal and regulatory framework governing the sale of securities is fluid, particularly at the federal level, and that the guidance provided by no-action letters and other interpretations is generally not binding on the SEC and may be reversed without further legislation or rulemaking. Each SharesPost member is encouraged to consult legal counsel in all aspects of a transaction.

Q: How are buyers qualified as “accredited investors” under Regulation D?

The status of “accredited investor” is defined under Regulation D, and eligibility is based upon the individual’s annual income or net worth. A person who has registered to become a member on the SharesPost platform and who is interested in buying securities in a transaction using SharesPost’s trading platform must be qualified by SharesPost’s broker-dealer as an accredited investor under the Regulation D definition. A qualified member may also access an issuer’s Private Investor Portal—a company’s custom-designed control panel—on the SharesPost platform.

The offer and sale of securities to accredited investors enable a seller to rely on certain exemptions from registration under federal securities laws. Only qualified members who have previously expressed an interest in reviewing materials of companies in specific sectors are permitted access to the SharesPost trading platform. In addition, SharesPost only allows its members to review posts that have been generated after they have filled out the requisite questionnaire to become members. These safeguards are designed to facilitate a substantial, preexisting relationship between SharesPost and its members and among the members in order to help prevent sellers from being deemed to have conducted a general solicitation by posting an indication of interest to sell.

Each SharesPost member wishing to access information regarding the potential purchase of securities must first be qualified as an accredited investor according to the following process:

- The member submits pertinent financial information to SharesPost.
- A FINRA-registered broker who is a registered representative of SharesPost Financial Corporation, SharesPost’s broker-dealer, reviews the information.
- The broker then contacts the member to confirm the financial information directly.
- The broker makes a determination as to whether or not the member qualifies as an accredited investor under Regulation D.
- If the broker determines that the member is an accredited investor, only then is the member able to view or use the SharesPost trading platform.

In addition, any members proposing to act as a buyer in a transaction must reconfirm their accredited investor status by updating and certifying the financial information they have submitted to SharesPost, as well as updating their representations to SharesPost regarding their status as an accredited investor. Each member participating in a transaction must also first provide additional financial information sufficient for SharesPost’s broker-dealer to satisfy suitability and other FINRA “know your customer” requirements.

Q: Are sellers conducting a general solicitation when they post their shares for sale?

No. Posts on our trading platform are non-binding indications of interest only and not offers to buy or sell. Furthermore, in a series of no-action letters, the SEC has indicated that a private offering distributed electronically is not a general solicitation so long as the following circumstances apply:

- The postings are made on a password-protected web page that cannot be accessed by the general public.
- The password-protected web page is available to a particular investor only after a determination is made that the investor is accredited.
- The questionnaires or forms by which accredited investors are qualified do not reference any specific transaction posted or to be posted to the site.
- A potential investor can purchase securities only in transactions that are posted after the investor's qualification.

SharesPost's online platform complies with each of these requirements. SharesPost does not advertise its services to the general public. While we do answer press inquiries, this is not considered advertising, and no member posts are discussed on the portion of our website accessible to the general public. A visitor to SharesPost may only become a member and access the trading platform, Private Investor Portals and other services by completing an initial form indicating interest, providing contact information (which is then verified), creating an account and establishing a password. The initial form does not reference any transactions posted or to be posted, and new members may only transact on posts made after they have been contacted and accredited. Each member's password is unique and must be entered for each session the member initiates with our website. Furthermore, each member's ability to access the trading platform and participate in transactions is dependent upon proven ongoing status as an accredited investor by a FINRA-registered broker-dealer.

Q: Is SharesPost compliant with state prohibitions on advertising shares for sale (particularly in California) and all other relevant state securities laws?

SharesPost complies with all applicable state prohibitions on advertising shares for sale. In particular, the prohibition on advertising shares for sale in Section 25130 of the California Corporations Code only applies to offers or sales of securities. Because all posts on the trading platform are clearly communicated as (and, in fact, are) non-binding indications of interest and not offers to buy or sell, they are exempt from state securities law in California. The California Corporations Code also provides numerous other potential exemptions for any contemplated transaction.

Q: What steps does SharesPost take to ensure that transactions on the trading platform are in compliance with securities laws?

SharesPost takes all necessary steps to ensure that transactions on the bulletin boards are in compliance with securities laws. Members wishing to trade securities through SharesPost must certify that they are aware of the need for an exemption from registration under the Securities Act and that such an exemption exists. Transacting members must also agree to indemnify the issuer for any breach of this certification. In addition, the form purchase agreements provided by SharesPost include representations and warranties by the buyer and seller that a valid securities law exemption is available, as well as specific representations and warranties as to the facts and circumstances necessary to support such an exemption. For example, each buyer is required to represent and warrant that it is an accredited investor. Issuers are named third-party beneficiaries with respect to these representations and warranties.

SharesPost encourages members to consult legal counsel in all aspects of a transaction, and, upon request, refers members to legal counsel specializing in securities transactions. Issuers may, and in most cases do, require a legal opinion from the seller that confirms the availability of an exemption based on the facts and circumstances surrounding the proposed transaction. Issuers review these legal opinions and, in any case where they determine that no securities law exemption is available, may choose to refuse the proposed transaction.

Q: What securities laws exemptions are available to cover transactions initiated on the trading platform?

The same securities laws exemptions that are available for transactions initiated offline are available for any transaction initiated online. These include, but are not limited to, the safe harbors from registration provided by Rule 144 and Rule 144A under the Securities Act. Rule 144 allows the resale of an issuer's privately sold securities by non-affiliates and affiliates of the issuer provided that certain conditions to the sale are met. In general, the proposed seller must have held the securities for a minimum length of time, or "holding period," and in certain cases the buyer must have access to current information regarding the issuer. Rule 144A allows resale without a holding period, but only to institutional buyers.

SharesPost takes special care to inform participants in transactions about Rule 144. The form agreements provided by SharesPost to be executed by buyers include a representation statement that speaks to the buyer's qualifications under Rule 144. In addition, all members proposing to act as a seller on SharesPost must certify the length of their holding period with respect to their shares.

Q: What steps does SharesPost take in order to restrict insider trading and ensure compliance with related rules?

Members of SharesPost are clearly advised of insider trading laws and further advised to obtain legal counsel to address any potential insider trading issues. The form of purchase agreement that SharesPost provides to transaction parties includes representations and warranties regarding compliance with applicable laws and possession of material non-public information, and a waiver of each party's rights under Rule 10b-5 of the Exchange Act. All transacting parties are responsible for their own compliance with any applicable laws or obligations resulting from their possession of material non-public information.

SharesPost also enables all private companies that use the Private Investor Portal features of the SharesPost platform to restrict trading of their securities by insiders. These private companies may require each transacting party to acknowledge receipt of the company's written insider trading policy, and may choose to generally prohibit employees from selling except during windows following periodic Rule 701 disclosures posted to the Private Investor Portal. Posted information and offerings can further be restricted to only approved buyers and sellers.

Companies should note that the addition of restrictions on trading that go beyond those explicitly agreed to by shareholders may present legal risk. For example, a decision to place a blanket prohibition on all trading by its stockholders could expose the company to claims for imposing an illegal restraint of trade.

Q: What information is available to transacting parties?

Private companies that utilize a SharesPost Private Investor Portal can use the secure data room within the Private Investor Portal to manage information dissemination, for example, by providing all transacting parties with historical financials and Rule 701 disclosure. Rule 701 disclosure, required when employers grant employees equity under an option or similar plan, must be at least

sufficient to satisfy the basic antifraud and civil liability provisions that underlie all securities laws. This disclosure is generally not disseminated to the public. Only members registered with the company and who have executed a nondisclosure agreement can access this information. To ensure security and enable the issuer to know at all times which individuals have accessed which documents, all document downloads from Private Investor Portals are encrypted, watermarked, password-protected and logged.

If a company does not elect to utilize a Private Investor Portal, then all members of SharesPost have equal access to the information available on the SharesPost website for that company. SharesPost endeavors to gather publicly available information and research reports on each company traded on the site, but makes no representations that the information provided on the website is comprehensive. As a result, transacting members may have differing levels of information regarding a company obtained from sources other than SharesPost.

Q: What guidance has the SEC given regarding the activities of online platforms like SharesPost's?

The SEC has provided guidance regarding online platforms facilitating transactions in restricted securities through a number of no-action letters that it has issued since the late 1990s, including letters to IPONet in 1996, Lamp Technologies, Inc. in 1997 and International Capital Corp. in 1997. SharesPost complies with the guidance provided by these letters. As discussed above, we follow guidance intended to ensure that postings on our trading platform are not found to be general solicitations. Furthermore, we do not provide information regarding the advisability of buying or selling stock to the general public; do not receive, transfer or hold funds or securities; and do not refer any participant to a third party to clear or settle the purchase or sale of common stock other than to a reputable bank that functions as an escrow agent for transactions.

Although the SEC continues to enforce the investor protections present in current securities laws, there has been no statement, to our knowledge, made by the SEC that it is opposed to the evolution of the private capital markets, the use of technology to create greater transparency and efficiency in these markets, the creation of networks to facilitate secondary transactions or the use of such networks to make capital available to companies.

Q: Is SharesPost a broker-dealer?

SharesPost conducts its securities activities through its wholly-owned broker-dealer, SharesPost Financial Corporation. SharesPost Financial Corporation is registered as a broker-dealer with the SEC and is a member of FINRA and the SIPC. All SharesPost Private Client Specialists are FINRA-registered brokers.

Q: Is SharesPost an Alternative Trading System?

The SharesPost platform is registered as an Alternative Trading System under Regulation ATS of the Securities Act. As a registered ATS, SharesPost is able to conduct its transactions in an organized manner, in compliance with securities laws and regulations.

Q: How does SharesPost allow issuers to keep track of their shareholders, in particular with respect to the 500 shareholder rule?

Section 12(g) of the Exchange Act requires a private company, if it has more than 500 shareholders, to report in the same manner as a company publicly trading its securities. Private companies that utilize the Private Investor Portal features of the SharesPost platform may use their investor management tools to keep track of their investor bases. Companies that do not use the Private Investor Portal features of the platform must rely on notice provisions in their investor and

option agreements, internal recordkeeping, and the company's stock register to accurately monitor their investor bases to determine whether a transaction will cause them to have more than 500 shareholders.

Q: Will secondary market transactions on SharesPost be integrated with primary issuances?

Issuers can generally rely on the safe harbor provided by Rule 502(a) of Regulation D for assurance that their primary issuances will not be integrated with secondary transactions initiated on SharesPost. Rule 502(a) generally provides that offerings made either six months before or six months after an issuer's primary offering will not be integrated with that offering.

If an issuer is unable to rely on the Rule 502(a) safe harbor—for example, if it does not rely on Regulation D for its primary issuance, or if it extends that financing round such that the issuance occurs within a six-month window of a transaction involving that same class on SharesPost—the secondary transaction initiated on SharesPost should still not be integrated with the primary issuance. Secondary market trades on SharesPost are not part of the same plan of financing, and issuers do not receive proceeds from transactions initiated on SharesPost's trading platform. Additionally, many of the mechanisms and restrictions provided by the SharesPost system, such as our emphasis on Rule 144-compliant transactions, are intended to ensure that sellers on SharesPost are not underwriters for purposes of the Securities Act.

Q: How does SharesPost handle company and/or investor rights of first refusal or co-sale restrictions?

The form of purchase agreement on the SharesPost platform includes a provision making the contract subject to the prior observance of any applicable right of first refusal or co-sale rights. Our independent third-party escrow agent handles escrows and manages the seller's performance of its obligations with respect to these rights.

Q: How does the buyer know the seller has ownership of the shares?

SharesPost provides a form of escrow agreement that is entered into by the buyer and seller with the third-party escrow agent following execution of the purchase agreement for the transaction. The escrow agreement provides that the seller must demonstrate ownership of the shares before the buyer is required to wire funds into the escrow.

Q: How does the seller know the buyer has sufficient funds?

The escrow agreement provides that the buyer must wire funds into the escrow account before the seller delivers his, her or its stock certificate or other evidence of ownership to the buyer.

If you have further questions please feel free to contact:

SharesPost Legal Department
1150 Bayhill Drive, Suite 300
San Bruno, CA 94066
+1 650 492 6870
+1 800 279 7754
or
Troy Foster
Wilson, Sonsini, Goodrich and Rosati
650 Page Mill Road
Palo Alto, CA 94304-1050