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Facebook insider dumps most of his shares

Early investor and current Facebook director Peter Thiel has unloaded a majority of his stake in the social network. Michael Pachter, Wedbush Securities, explains what this means to investors.

By Roland Jones, NBC News

Peter Thiel, one of Facebook's earliest investors and a member of the social network's board, has sold the majority of his shares in the company, according to a regulatory filing.

Thiel sold about \$400 million worth of shares last week as the first part of a so-called "lockup" period for key investors in the company came to an end. The period, which lasted for 90 days after the social network's public offering on May 18, prevented some early investors and insiders from selling millions of shares they own in the company.

Thiel's stock sale is not necessarily a response to Facebook's swooning stock price, since he set it up as part of a 10b5-1 trading plan put in place ahead of Facebook's first public stock offering in May.

However, the sale comes at a difficult time for the company. Facebook's share price has lost over 50 percent of its value since its IPO, and it fell to a new all-time low of \$18.75 Monday morning before recovering in afternoon trading. It was lower again in early trading Tuesday.

CNBC's Jim Cramer said Tuesday he believes that Thiel could have cancelled the stock sale if he wished. It would have behooved Facebook's management to ask Thiel to reconsider the sale, Cramer added.

Thiel first invested \$500,000 in Facebook in 2004. He sold about 22 million shares in last week's stock sale and has now unloaded most of his investment in the company.

A co-founder of Internet payment company PayPal, Thiel serves on Facebook's board of directors, alongside other technology sector leaders, such as the venture capitalist Marc Andreessen and Reid Hoffman, who is a co-founder of LinkedIn.

Michael Pachter, an analyst at Wedbush Securities and a proponent of Facebook, told CNBC that he thinks Thiel should now resign from Facebook's board "given his lack of commitment to the company."

A regular investor looking at Facebook now "would think the rats are jumping off the ship," he said. "And it's time for me to jump too."

Facebook's hotly-anticipated IPO went sour in May, marred by technical problems on the Nasdaq stock market. Facebook has traded below its \$38 offering price ever since.

The market has turned against social media stocks since Facebook's botched IPO.

A report in The Wall Street Journal this week said some of the early investors in daily deals website Groupon are selling their stakes in the company, adding to a general lack of faith in companies that have led an expected new Internet boom.

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Was Thiel right to sell his Facebook shares?

Source: <http://marketday.nbcnews.com/news/2012/08/21/13393611-facebook-insider-sells-majority-of-his-shares-in-company?lite>

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