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In 2009, an unknown investor from Russia came out of nowhere to make one of the greatest late stage venture bets in the history of Silicon Valley. Why did FB choose an outsider to lead our Series D round? Here's the inside story:

2 years earlier we famously raised from Microsoft at \$15B valuation. That turned out to be a mistake because it set us up for a painful down round. By 2009 growth had slowed and the financial crisis crushed advertising. "Smart money" bids for our Series D were coming in at \$3-6B.

We had a high bid at \$8B from a respected valley firm, and we had a wildcard bid from Yuri Milner/DST who offered to top any other bid by 20%. We initially chose the reputable firm at a lower price, but they refused to drop a ratchet provision so we decided to give DST a chance.

Yuri understood 2 things that nobody else could see at the time: 1/ He had seen virtual currencies in Eastern Europe and China, believed FB could make money this way. 2/ We were offering secondary shares at 40% discount to preferred, DST was the only firm who valued this.

Yuri not only offered to clear the highest bid by 20%, he also offered to let Zuck vote all of his shares including any secondary shares purchased from early employees. This allowed Zuck to consolidate his voting power.

DST invested \$200M in primary at \$10B. Then Yuri aggressively went down the cap table and scooped up all of the secondary he could find, ultimately investing another ~\$400M at \$6B. So his blended cost average was well below the second highest bidder.

Within 6 months, many of the firms who had lost the deal were buying secondary shares on the open market at \$15-20B. The price gap between primary and secondary for the best companies in Silicon Valley permanently collapsed after this deal.

Despite our consternation about taking money from an unknown outsider, Yuri and his DST team added a lot of value over the following 10 years. They encouraged us to pursue FB Credits (20% of FB's revenue before mobile killed that model) and pushed us to go deeper into commerce.

Sometimes it takes an outsider to change the rules of the game.