

IPO REPORT

# Donald Trump could sell his ‘DJT’ stock after saying he won’t — but that might spark lawsuits

Trump registered his shares for potential sale in April, but the GOP presidential nominee said last week won’t sell when lockup provision ends as early as Friday

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49.17

Net Change

Stock Price

+24.56

\$74.51

Trump Media & Technology Group's stock traded at \$74.51 a share in March when its merger with a blank-check company closed, but it has since fallen to \$16.77 a share

## Referenced Symbols

•DJT

-6.60%

•HAL

3.13%

Donald Trump would be ill advised to sell his stock in Trump Media & Technology Group Corp. after he said he doesn't plan to do so, a securities lawyer told MarketWatch.

Trump owns 114.75 million shares of Trump Media & Technology Group and is the largest holder of stock in the parent company of the Truth Social platform. Based on Tuesday's share price of \$16.77, his stake is worth about \$2.43 billion, while the company has a total market value of about \$3.5 billion.

Trump is bound by a lockup agreement — an agreement that bans insiders from selling shares right after an initial public offering — but the former president and current GOP nominee for the White House will be able to sell his stock as early as Friday, assuming the stock price remains above \$12 a share until then, according to page 4 of this filing. If the stock dips below \$12 in the coming days, Trump would be able to sell his stock by Sept. 25, when the lockup fully expires. That date will mark six months since the company went public through a merger with Digital World Acquisition Corp.

Trump Media & Technology Group's stock rose on Friday after Trump said he has no plans to sell his shares at this time.

If he changes his mind in the near term and decides to sell the stock anyway, Trump could create some fresh legal problems for himself, said Chris Manderson, chair of the corporate department at Ervin Cohen & Jessup LLP.



Chris Manderson is a securities lawyer at Ervin Cohen & Jessup LLP. PHOTO: ERVIN COHEN & JESSUP LLP

Manderson said he'd recommend against any big shareholder selling stock in a company shortly after they said publicly that they would not do so, based on regulations enforced by the U.S. Securities and Exchange Commission.

"SEC [rules] prohibit anyone from making an untrue statement of material fact, or engaging in an act that would operate as a fraud or deceit, in connection with the purchase or sale of a security," Manderson said. "So if a large a shareholder publicly states they will not sell, and then quickly thereafter does sell, it could trigger trouble both from the SEC and other stockholders, especially if the purpose of the statement was to boost the stock price."

If this happens, private plaintiffs would have legal standing to sue. The SEC could also investigate and will sometimes serve as the plaintiff in securities-fraud lawsuits, he said.

Trump Media & Technology Stock Performance Stock price has trended down since mid- July. Source: FactSet

Lockups are private business arrangements or contracts entered into among key stockholders and companies going public, under the guidance of investment bankers and lawyers.

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They're typically included in initial public offerings to keep insiders from diluting a company's stock price by selling shares right after a company goes public. A typical lockup period is six months.

"The economic reason for lockups is to maintain a company's stock price after going public, so that the stock trades up," Manderson said. "Nobody wants additional shares to flood the market right away and drive the stock price down. If insiders did dump stock right after the IPO, then it's a vote of no confidence in the IPO and a bad signal to the market."

Trump registered his shares for potential sale on April 15, according to a filing, but he hasn't issued a 10b5-1 stock-trading plan, according to filings.

Such plans allow company insiders to sell a predetermined amount of stock on approved dates in order to comply with insider-trading laws.

If elected president, Trump would not be legally required to put his 'DJT' stock into a blind trust, but other presidents and vice presidents have done so in the past.

Former Vice President Richard Cheney put his Halliburton Co. into a blind trust to avoid potential conflicts of interest, because Halliburton does business with the U.S. government. A blind trust is therefore "a legal structure entered into for political reasons, not a legal requirement under corporate or securities law," Manderson said.

Trump is not an officer of Trump Media & Technology Group. He's simply its largest shareholder, according to company filings. His son Donald J. Trump Jr. is on the company's board, however.

In recent days, Trump and members of his family launched a cryptocurrency business as well.

*Tomi Kilgore contributed.*