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## **How to Unlock the Power of Liquidity**

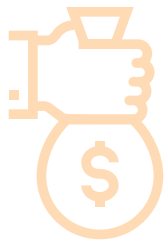
A guide to raising capital and managing equity in your private business

# Give Your Shareholders What They Want



**Liquidity is essential.** Without it, owning shares in a company feels more like a burden than an asset — frustrating existing shareholders and deterring new investors. Important as liquidity is, however, **it's not always easy for private companies to offer it.**

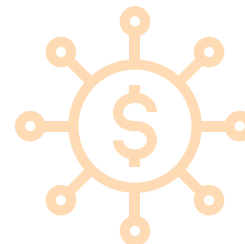
In this e-book, **you'll gain the knowledge you need** to stay private AND tap into the tremendous benefits liquidity offers. **Read on to discover ...**



**Why offering liquidity matters for private companies**



**The challenges of providing liquidity without losing control**



**Options for creating liquidity in a private market, and the associated obstacles**



**A better liquidity solution for business owners**

# The Value of Liquidity

## Inspiring employee loyalty



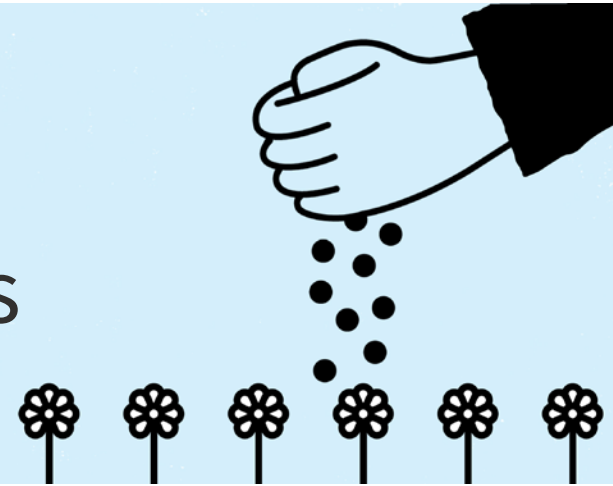
Employee turnover has a **tremendous impact on your bottom line**. Studies show that the cost of turnover is typically 16% to 20% of the employee's salary — though the cost of turnover at the senior and executive level can be more than 200%. Fortunately, **the benefits offered to your team significantly improve retention**. In fact, benefits that are customized to meet employee needs are among the top five drivers of happiness at work.

When it comes to offering equity as an employee benefit, **a lack of liquidity makes your team members feel like their needs haven't been taken into account**. On the other hand, equity that employees easily convert into cash at their own convenience is a perk employees won't want to give up.

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# The Value of Liquidity

## Unlocking growth opportunities



In addition to benefiting your shareholders, liquidity creates new opportunities for your company in a couple of ways.

1

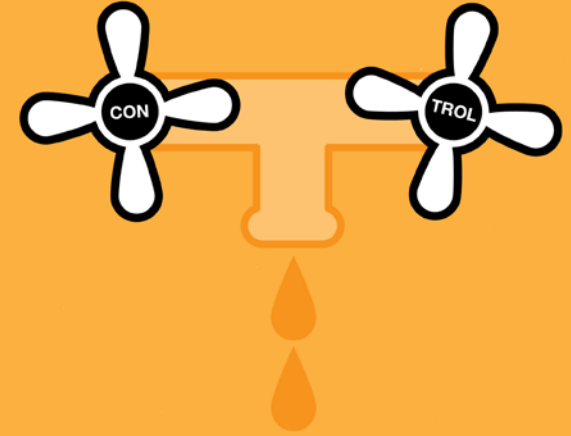
**The values of privately held stocks** are often about 30% to 50% less than their publicly traded counterparts, due to their relative lack of liquidity. This is known as a **discount for lack of marketability (DLOM)**. Increasing liquidity **increases the value of your company's equity**.

2

The more **valuable and liquid** your equity, the more appealing owning shares becomes. In the event that you want to open your company up to new shareholders, **you'll be well positioned for success**. Investors will be drawn to the **opportunity for great returns**, without feeling trapped by the risks of illiquidity.

# Providing Liquidity Without Losing Control

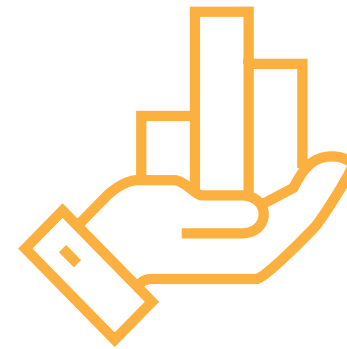
## Defining the challenge



**Achieving liquidity is sometimes easier said than done** — and one of the biggest challenges is finding a way to do it without giving up control of your company. Let's look at **two of the most commonly used ways to generate liquidity** for your investors:



**Mergers and Acquisitions**

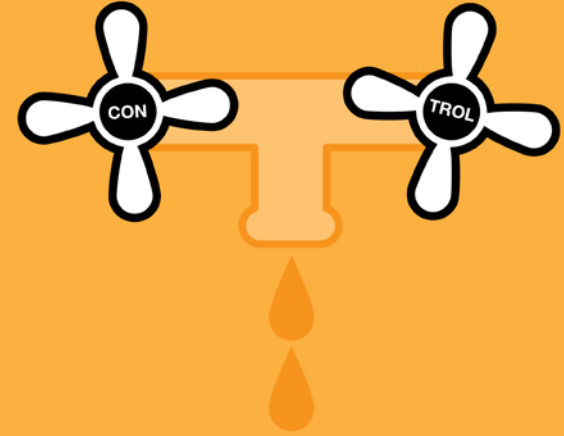


**Initial Public Offerings (IPOs)**

*These options each come with their own set of challenges, and both require you to give up at least some degree of control.*

# Providing Liquidity Without Losing Control

## The problems with initial public offerings



According to Forbes, **more than 99% of U.S. businesses are privately held**, including some of the nation's leading companies. In fact, private firms **accounted for 86.4%** of U.S. firms with 500 or more employees.

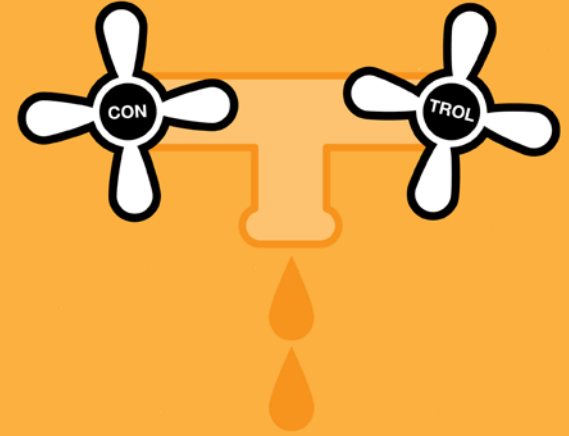
**Why are so many companies hesitant to go public?** A key reason is that going public **forces you to give up the reigns, shift your priorities, and likely lose control**. Each shareholder adds one more opinion to take into account. As a public company CEO, instead of focusing on long term success, soon you will be answering to relentless analysts who thrive on quarterly projections (often their own projections). Every quarter, their focus is on your company earnings, and their reputation. Before long, you may find yourself **taking actions that you can barely tolerate, and certainly never intended**. Company culture begins to dissolve. It's excruciating.

To make matters worse, **going public is also cost prohibitive**. In a PwC survey, 83% of CFOs said their firms **spent more than \$1 million on one-time costs** associated with an initial public offering. The same survey found that, on average, companies incur more than **\$1 million of annually recurring costs** as a result of being public.

“ You may find yourself taking actions that you barely can tolerate, and certainly never intended. ”

# Providing Liquidity Without Losing Control

## The problems with mergers and acquisitions

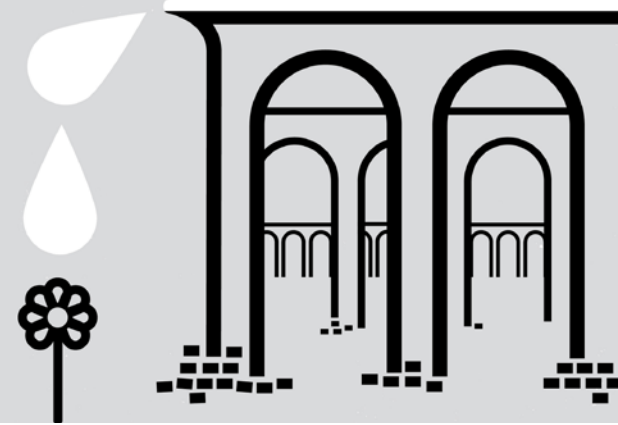


If you don't want to go public, **you may generate liquidity** by selling your company to a **private equity firm or strategic buyer**. In this case your company remains private — but once again, **achieving liquidity** comes at the cost of control.

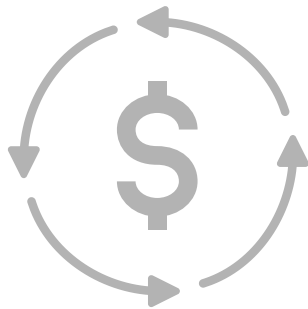
Though this approach generates an excellent payout, the process of selling a company is often **drawn out, expensive, and risky**. And at the end of it all, **you no longer will have complete (or any) ownership** of the company — a hefty price to pay for liquidity.

“ And at the end of it all, you no longer will have complete (or any) ownership of the company. ”

# Liquidity Options in the Private Market



So what should you do if you want to remain private, keep control of your company, and still generate liquidity? Your very limited options are:



**Buyback Programs**



**Secondary Offerings**



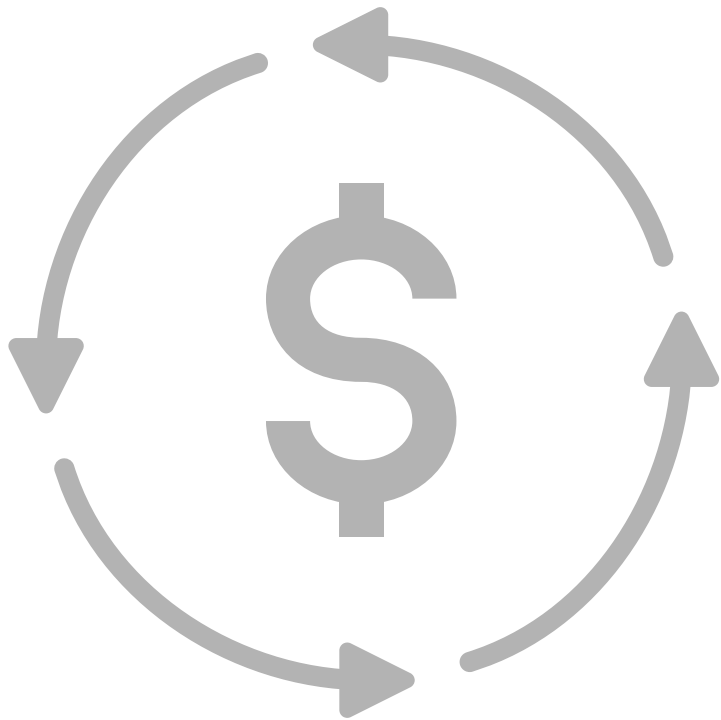
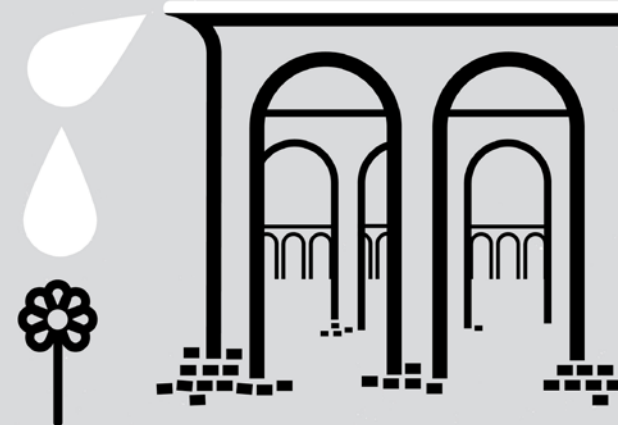
**Individual Shareholder  
Sales**

*As with IPOs and mergers and acquisitions, each of these options comes with its own set of challenges.*



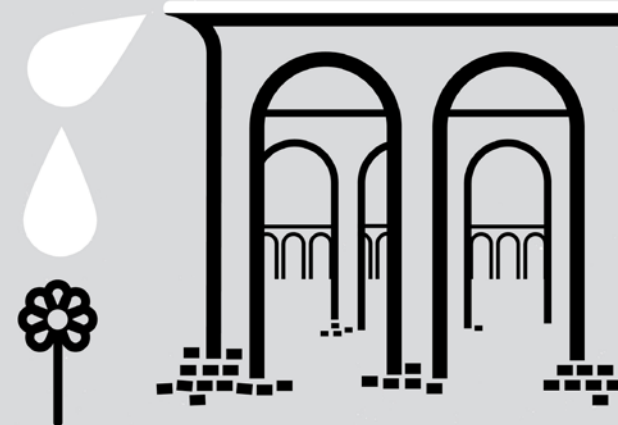
# Liquidity Options

## How buyback programs work



Buyback programs are **a viable liquidity option** for companies with sufficient cash to buy shares back from shareholders. Typically the amount the company will buy back is **capped at a set aggregate amount**. Often, companies offer these programs only on an annual basis, giving shareholders **limited access to liquidity**.

# Challenges of Buyback Programs



1

Most companies do not have enough cash to make this a practical option.

2

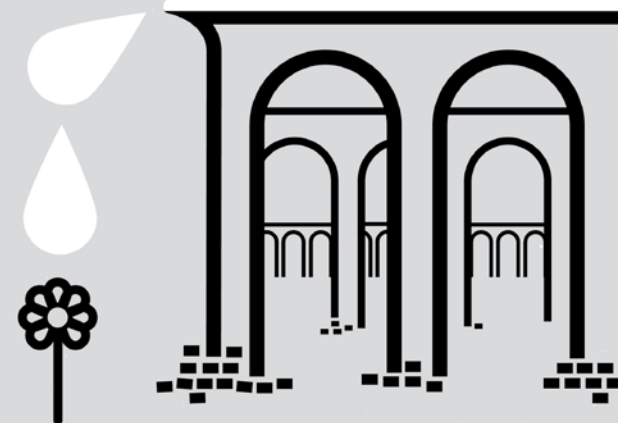
The money used to buy back shares is no longer available for other investments, costing the company valuable opportunities and significantly limiting its growth potential.

3

When the program is offered annually, shareholders may still have to wait longer for liquidity than desired.

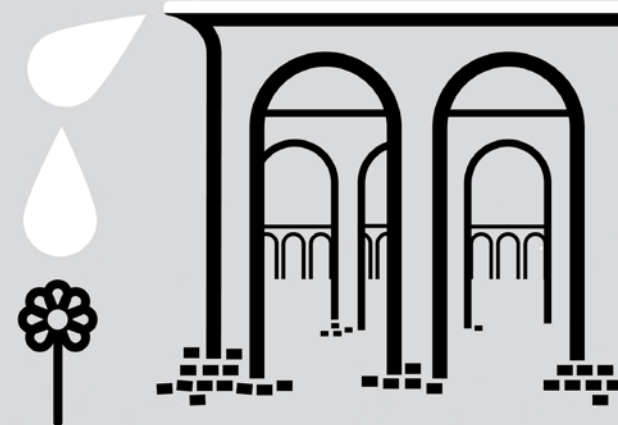
# Liquidity Options

## How secondary offerings work



In a secondary offering, your company **reaches out to potential investors** (often institutional investors such as pension funds, endowments, multi-family offices, etc.) to offer them the **opportunity to purchase shares**. This is done on an annual basis or as a one-off event, and depending on how many existing shareholders want to sell, some of the **proceeds can also be reinvested in the company**.

# Challenges of Secondary Offerings



1

Reaching out to potential investors is time consuming and costly.

2

The process requires tremendous effort from company executives.

3

Shareholders only get a chance to sell during the offering, putting an undesirable limit on liquidity.

# Liquidity Options

## How individual shareholder sales work



There are a **few different ways** companies approach individual shareholder sales. In some cases, the company's executives or hedge fund partners **try to help an anxious investor** find a buyer. Other times an **outside party** — such as a broker-dealer working on commission or a secondary fund looking to purchase the shares for a discount — offers individual shareholders an **opportunity for liquidity**.

# Challenges of Individual Shareholder Sales



1

Regulations and restrictions (ROFR, non-transferability, etc.) often get in the way.

2

When shareholders receive different opportunities from each other, many will feel they're being treated unfairly, creating resentment and frustration — both among the shareholders and toward company leadership.

3

Shareholders may have to sell for a lower price than desired, due to an expedited sale or a lack of marketability.

# Introducing N<sup>th</sup> Round

## A better solution

The reality is, IPOs, mergers and acquisitions, buyback programs, secondary offerings, and individual shareholders sales all have costs that often outweigh the benefits gained from added liquidity. Companies need a better solution.

That's where Nth Round comes in. Leveraging an easy-to-use software platform, Nth Round offers a sacrifice-free way to provide liquidity through your own live, private market.

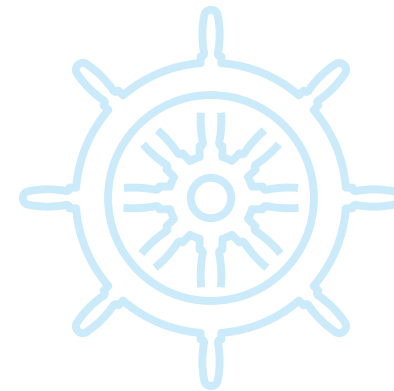


# Why N<sup>th</sup> Round?



## See Results Fast

N<sup>th</sup> Round launches in a week or less — with no changes needed to your existing corporate structure and documents.



## Stay in Control

N<sup>th</sup> Round establishes a voting trust for your private market, meaning that you and/or your board will vote all committed shares, no matter who owns them. You decide who participates: who joins, and to what extent. Even for key parameters such as price floor/ceiling, you have full decision-making authority, and complete control.



# Why N<sup>th</sup> Round?



## Discover New Growth Potential

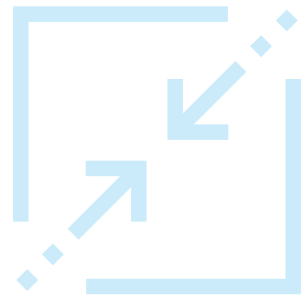
N<sup>th</sup> Round makes it easy to attract and add new investors anytime.



## Increase Employee Satisfaction

N<sup>th</sup> Round works with stock options or restricted stock grants. (We even handle cashless exercises!) No 409A valuations are needed to determine the price. All this allows you to guarantee employees tangible value as a reward for loyalty.

# Why N<sup>th</sup> Round?



## Minimize Hassles

N<sup>th</sup> Round acts as your partner in business growth, handling administrative and regulatory compliance challenges for you.



## Maximize Your ROI

N<sup>th</sup> Round allows you to create an open, ongoing market for a fraction of what a single stock sale typically costs on other platforms.

# Get Ready for Your N<sup>th</sup> Round

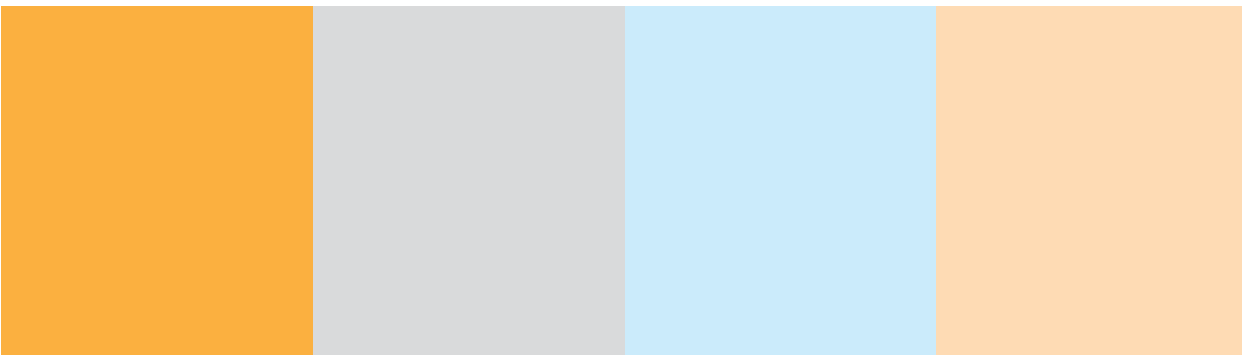
N<sup>th</sup> Round is your solution for:

- **Happier shareholders**
- **Stress-free liquidity management**
- **Unbeatable ROI**

Unlock the power of liquidity and fuel your business — **get started today!**

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