

Private Company Secondary Pricing Structures

Nasdaq Private Market facilitates secondary buy-side auctions for private companies seeking a competitive price discovery process as well as potential shareholder involvement.

Buy-Side Auction Process

In a buy-side auction, the company forecasts the maximum sellable amount as buyers leverage this information to make an investment decision during a competitive bidding process.

- 1 Company provides maximum number of shares likely for sale (sellable limit).

SHARES FOR SALE

5M

Permitted to Participate



Current Investors
(known to Company)



New Investors
(introduced by NPM
to Company)

- 2 Company provides price bands on a per share basis to potential investors.

SAMPLE PRICE BANDS¹



Communicated to Investors



Current Investors
known to Company



New Investors
introduced by
NPM to Company

- 3 Buyers see both maximum sellable amount and price bands and place bids.

BID 1	1,000,000 @ \$33 / share
BID 2	2,000,000 @ \$32 / share
BID 3	2,500,000 @ \$31 / share
BID 4	2,500,000 @ \$30 / share



Issuer can determine minimum lot sizes and bid increments²

¹ NOTE: All numbers are for illustrative purposes and not actual figures.

² In the unlikely scenario that two buyers input the same price and clear at that price, shares will be split pro rata based on number of shares bid.

Buy-Side Auction Process (continued)

4 Highest bids that would meet maximum sellable amount sets

BID 1	1,000,000 @ \$33 / share
BID 2	2,000,000 @ \$32 / share
BID 3	2,500,000 @ \$31 / share
BID 4	2,500,000 @ \$30 / share



Once max potential sellable limit is met (e.g. 5,000,000), the lowest per share bid sets clearing price for the tender offer

5 Clearing price given to company; company finalizes tender offer participation options

CLEARING PRICE = \$31

Company Sets Participation Options for Sellers

Sell All³

Seller orders filled completely (potential for partial fill for lowest bidder)

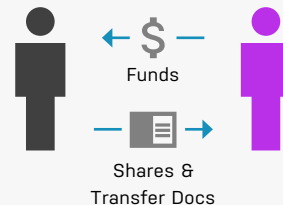
Sell Some

Seller orders filled pro rata

Don't Sell

Seller orders not filled

6 Buyers make tender offer to sellers/shareholders at set clearing.



³ Up to sellable limit.

Customizable Auction Features

BUY-SIDE

- **Select Buyers** – Company-selected buyers can be permissioned into data room to review disclosure materials
- **Current Investors** – Company can permission current investors to participate in the buy-side auction
- **Additional Buyer Interest** – NPM's investor network can potentially provide outside buy-side demand

PARTICIPATION

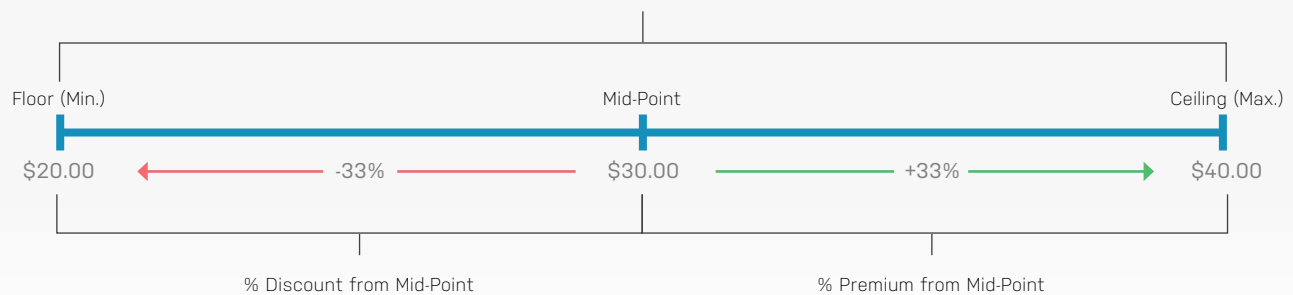
- **Eligible Participants in Tender** – Company can allow employees, ex-employees, investors, etc.
- **Participant Sell Limit** – Percentage-based sell limits for participants; custom by participant type
- **Cutback Rule⁴** – Clearly defined allocation of shares to specific investors based on custom cutback rules

PRICING

- **Calculate Floor & Ceiling Price Bands** – Company sets min & max bid amounts for buyers to bid within
- **Choose Midpoint Price** – Base off of latest auction clearing price, last secondary offer price, 409a, etc.
- **Pricing Increments** – Provide increments or allow for buyer bids at any price increment

PRICE BANDS⁵

How the pricing bands work...



Case Study

In 2018, Nasdaq Private Market conducted a buy-side auction with a private B2B company. The transaction provided eligible sellers with access to liquidity at competitive prices and gave investors the chance to invest in what they believed was an attractive investment opportunity.

- NPM and the client identified existing and new potential investors
- The client provided disclosure materials via NPM's confidential dataroom
- Buyers were given two weeks to review the materials
- During bidding period, NPM received bids from a majority of buyers identified by the Company
- Buyers with winning bids were permissioned into the tender offer process
- The transaction process lasted approximately eight weeks from start to finish

⁴ Pro Rata, Weighted Average, Split between Lead Investor and Other Investors, etc

⁵ Sample.

Want to learn more
about private company
secondary auction
structures? Contact your
NPM sales team today.

Tim Monahan
Sales, West Coast
tim.monahan@nasdaq.com

Julia Brezing
Sales, East Coast
julia.brezing@nasdaq.com

Please read these important legal notices and disclosures

The information contained herein is provided for informational and educational purposes only.

None of the information provided represents an offer to buy or sell, or the solicitation of an offer to buy or sell, any security, nor does it constitute an offer to provide legal, tax, financial or investment advice or service.

Investing in private company stocks is speculative and involves a high degree of risk. You must be prepared to withstand a total loss of your investment. You are strongly encouraged to complete your own independent due diligence before investing in private company stock, including obtaining additional information, opinions, financial projections, and legal or other investment advice.

The NASDAQ Private Market, LLC is not: (a) a registered exchange under the Securities Exchange Act of 1934; (b) a registered investment advisor under the Investment Advisors Act of 1940; or (c) a financial or tax planner, and does not offer legal, financial, investment or tax advice.

Technology services may be offered by the NASDAQ Private Market, LLC's wholly-owned subsidiary, SecondMarket Solutions, Inc. Securities-related services are offered through NPM Securities, LLC, an alternative trading system and SMTX, LLC, each of which is a registered broker-dealer, a member FINRA/SIPC and a wholly-owned subsidiary of the NASDAQ Private Market, LLC. Transactions in securities conducted through NPM Securities, LLC and SMTX, LLC are not listed or traded on the Nasdaq Stock Market LLC, nor are the securities subject to the same listing or qualification standards applicable to securities listed or traded on the Nasdaq Stock Market LLC.

WWW.NASDAQPRIVATEMARKET.COM | JULIA.BREZING@NASDAQ.COM | TIM.MONAHAN@NASDAQ.COM