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Addressing the Challenges of Fund Liquidity in an Innovative Way

NEW YORK and SAN FRANCISCO, March 08, 2017 (GLOBE NEWSWIRE) -- Nasdaq Private Market ("NPM") today announced the launch of Alternatives, a new business line designed to address the challenge of liquidity in alternative investment funds, with a vision to broaden access to these investments in an innovative way.

Through NPM Alternatives, fund managers can now provide liquidity to their investors, creating opportunities for new product vehicles and expanding access points to new sources of capital, while maintaining control over the investors permitted in its funds. This innovative solution brings together an ecosystem of participants—including fund managers, financial advisors, investors and secondary liquidity providers—to facilitate regular, auction-based liquidity events for alternative investment funds. Through NPM's automated web-based platform, participants can manage each aspect of the transaction process, including reviewing fund materials, submitting buy and sell interest, executing agreements and facilitating transfer and payment.

"With the increasing demand for alternative investment products from high net worth investors, and fund managers' desire to expand access to new investors, a solution for liquidity becomes a critical enabler for new capital formation," said Adena Friedman, CEO, Nasdaq. "The question of liquidity continues to challenge the alternatives industry, and Nasdaq is excited to leverage its core strengths to bring this essential evolution to market."

NPM will initially support secondary liquidity for private equity feeder funds as well as funds registered under the Investment Company Act of 1940 ("1940 Act"), including those also registered under the Securities Act of 1933. However, with the platform's flexible design, NPM plans to accommodate a variety of fund vehicles in the future. The product also leverages the blockchain technology enabled by the Nasdaq Private Market platform to help streamline the payment process, resulting in faster and more certain time to settlement.

Private Equity Feeder Funds

NPM has partnered with a leading financial institution to enable its private wealth financial advisors to facilitate the purchase and sale of their clients' private equity feeder fund investments. High net worth investors can leverage the NPM platform and their financial advisors to sell their existing feeder fund investments or purchase new ones—removing the barriers to liquidity and opening up new possibilities for portfolio construction and value creation. In order to ensure fund managers don't impact the fund's status as it relates to Publicly Traded Partnership (PTP) regulations, NPM obtained a private letter ruling from the Internal Revenue Service (IRS) confirming the platform is a qualified matching service.

Registered 1940 Act Funds

On February 16, 2017, the SEC's Division of Trading & Markets issued an exemptive order to NPM through delegated authority allowing certain funds to conduct auctions on the platform without triggering issues under Regulation M of the Securities Exchange Act of 1934, thus paving a path for further innovation in the private capital markets. Specifically, registered 1940 Act funds that invest in alternative investment strategies can now offer secondary liquidity through a market driven price-discovery mechanism operated by NPM, creating a new opportunity for product innovation in permanent capital structures.

"We formed Nasdaq Private Market in 2013 as a direct response to changes in market dynamics and regulation. As the lifecycle of private companies extended, a growing need developed to address shareholder liquidity, and we have since facilitated over \$4 billion in private company secondaries," said Eric Folkemer, Head of Nasdaq Private Market. "After collaborating with a broad range of fund managers and financial advisors, we identified a similar product innovation gap in private equity and other areas of alternatives investments, and developed a creative mechanism that not only provides much needed efficiencies to the private equity market but also removes regulatory uncertainty as laid out in the SEC's exemptive order and IRS private letter ruling we were recently granted."

Key features of NPM's platform for Alternatives include:

- | Fund managers maintain control over which funds participate in the liquidity events and the investors permitted in those funds
- | Eligible Participants obtain controlled access to fund documents and other information
- | Secondary liquidity providers place indicative bids across each fund, ensuring deep liquidity and market-driven, competitive pricing
- | Bids to buy or sell a fund interest are entered directly into the platform, and are automatically matched according to predetermined auction rules
- | Standardized agreements are managed and executed via the platform
- | Final settlement amounts are calculated and payment is facilitated through NPM's registered broker-dealer
- | Reporting is provided to the fund manager or its fund administrator to complete the transfer process

Over the coming months, NPM will continue expanding the Alternatives platform to facilitate additional types of secondary transactions, including direct private equity fund limited partnership interests. In addition, NPM will continue to facilitate periodic transactions in private asset management firm interests, as well as private equity general partnership interests. NPM's ability to offer solutions using either an organized auction mechanism or a fixed price tender program has proven to be essential to solving the liquidity challenges of a diverse array of private businesses.

Learn more about Nasdaq Private Market's new Alternatives business by visiting www.nasdaqprivatemarket.com/alternatives

About Nasdaq Private Market:

The Nasdaq Private Market, LLC is the leading provider of liquidity solutions for private securities. Our mission is to make liquidity more accessible and efficient for today's private securities through innovative technology solutions. NPM's flexible, end-to-end platform helps employees, investors, companies, funds and institutions build seamless transactions, whether for private companies, private investment funds, or other private asset classes. Whether a company seeks to optimize an eventual IPO or remain private permanently, Nasdaq Private Market provides capital market support to meet its needs. In addition, Nasdaq Private Market now offers a platform to address the challenges of liquidity in alternative investments funds, including private equity feeder funds and funds registered under the Investment Company Act of 1940.

The Nasdaq Private Market, LLC is not: (a) a registered exchange under the Securities Exchange Act of 1934; (b) a registered investment adviser under the Investment Advisers Act of 1940; or (c) a financial or tax planner, and does not offer legal, financial, investment, or tax advice to any user of the Nasdaq Private Market website. Securities-related services are offered through NPM Securities, LLC, a registered broker-dealer and alternative trading system, and SMTX, LLC, a registered broker-dealer, each of which is a member FINRA/SIPC and a wholly-owned subsidiary of the Nasdaq Private Market, LLC. Securities offered 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. To learn more, visit www.nasdaqprivatemarket.com

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