The Liquidity Model™

Why smart Capital Market Investors and the Business's they invest are looking at more than traditional financial statements.

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Forward

The term Liquidity has historically been used in a lot of different ways. Banks use the term to determine if their balance sheets are in line with federal mandates. Large public corporations use the term to determine set asides and investment strategies for retirement plans. Capital market managers use the term to anticipate capital calls and distributions to investors. The question is: should liquidity be used as a strategic tool for business? The answer is: absolutely!

This paper intends to introduce the reader to strategic planning utilizing the River Star Liquidity Model™ as well as demonstrate why liquidity modeling plays an important role in the business community and capital markets arena.

At the end of this paper, the reader will know or understand:

- What is liquidity and Core Liquidity
- Why understanding liquidity is important to every business
- What the River Star Liquidity Model™ is about
- Why the River Star Liquidity Model™ is a valuable tool in resolving the complex decisions that arise prior to, during and subsequent to capital market events.

Several people have given their time and expertise to this paper. We could have written a 400 page book on the subject, but we know that your time is valuable and we wanted to simply provide you with some core information as well as some answers to the questions we commonly receive when we are creating liquidity models for our clients.

We thank you in advance for taking the time to read this paper. We welcome your feedback!

Sincerely,

The River Star Strategic and Financial Professional Team

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Liquidity

It is important to our discussions that we begin with a general understanding of the terms associated with liquidity and liquidity management.

Liquidity is the degree to which an asset or security can be bought or sold in the market *without affecting the asset's price*. Liquidity is generally characterized by the level of buying and selling activity of a particular asset. Assets that can be bought and sold easily are known as ***liquid assets*** (e.g., Publicly Traded Stocks, Registered Private Securities such as Bonds, Specialty Stocks, Commodities etc.). Assets that have limited marketability are referred to as ***illiquid assets*** (e.g., Real Property, Machinery & Equipment as well as special purpose assets also known as limited market assets).

Liquidity Management is the process of decision making in relation to the cash and non-cash effects on current and future company operations as well as current and future investors, shareholders and their respective returns.

The ***Liquidity Model™*** is a tool to assist capital market managers, investors, executives and directors in determining the effect of day-to-day business decisions on liquidity.

Core Liquidity is the cash and other financial assets that can easily be sold and paid out as part of operational cash flows. Examples of core liquidity assets would be cash generated from operations, registered securities, and government bonds as well as money market fund investments and others of similar types.

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Liquidity and Core Liquidity – the Basis of Investment

Most individuals perceive large capital market investment firms and large cap companies as safer places to invest hard earned monies than smaller firms and companies. Here is why:

Well defined, larger capital market investment firms and large cap companies should be continuously projecting how much cash they need in regard to Core Liquidity set asides. These set asides are in anticipation of changes in market conditions that affect operating cash flows -- ensuring that short-term operations will continue when liquidity issues arise. Smaller companies generally have to rely on the capital market institutions to act as their Core Liquidity provider because smaller companies have limited or no set asides in terms of Core Liquidity resources.

Realistically speaking, as we witnessed in all markets worldwide beginning in 2006, liquidity and Core Liquidity issues affect every organization regardless of size or industry. Therefore, it is prudent that liquidity and Core Liquidity must be rationalized constantly.

Business and Capital Market Investors

As the U.S. economy slowly recovers and large private companies increase their Core Liquidity to levels high enough that they can once again borrow money at reasonable terms, the smaller private sector business community continues to look for investment capital to start or expand operations to take advantage of marketplace opportunities. Likewise, many capital market investors, especially those that currently have limited capital to deploy are looking to generate returns on investment that will make up for the shortfalls initially caused by the real estate market re-valuation period through liquidity events.

Over the past several years and because of the lagging economic conditions, many of the capital market institutions that made either direct investments (equity or debt) in business received limited returns on the capital they deployed five or more years ago. As a result, today and possibly for next several years, many capital investors are limited in their ability to invest in other business related activities. In the not-to-distant past, the smaller capital market investors had the

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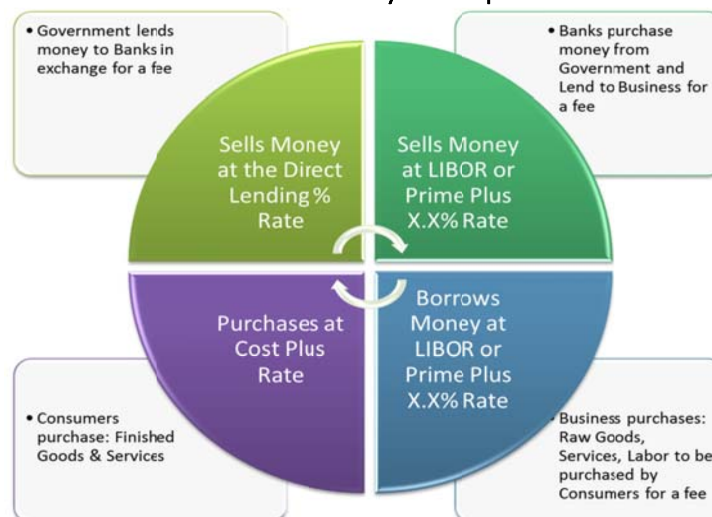
liquidity set asides to invest in multiple business transactions simultaneously because they had the Core Liquidity (reserves) to write off the investments that didn't work out. Today, because so many capital market investors are recovering from both operating liquidity losses and Core Liquidity short-falls, equity investors and debt lenders are choosing their investments much more carefully. At current liquidity levels, it may take some of the medium and smaller capital market investors upwards of ten years to make up for one single year of losses.

For example, the recent re-valuing of real estate assets caused a steep decline in the Core Liquidity of many capital market investors. Large, medium sized and smaller capital market investors, some of whom had 20% or more of their liquidity tied up in real property only survived if they had enough Core Liquidity set asides to cover the asset value shortfall. As asset values decreased, the ability of both lenders and investors to access capital in support of business decreased and the general market liquidity crisis ensued.

In order for free market economies to be effective, liquidity generated throughout the marketplace is critical. As the graph below demonstrates in the simplest of terms, liquidity in the market place comes through the process of the Government Treasury loaning money to banks in exchange for a fee. In turn, banks loan it to business for a fee. Business uses the cash to purchase raw materials and services as well as to hire and pay salaries to individuals in exchange for the production of products and services. These individuals then use their earnings to purchase products and services for a fee -- and the cycle repeats.



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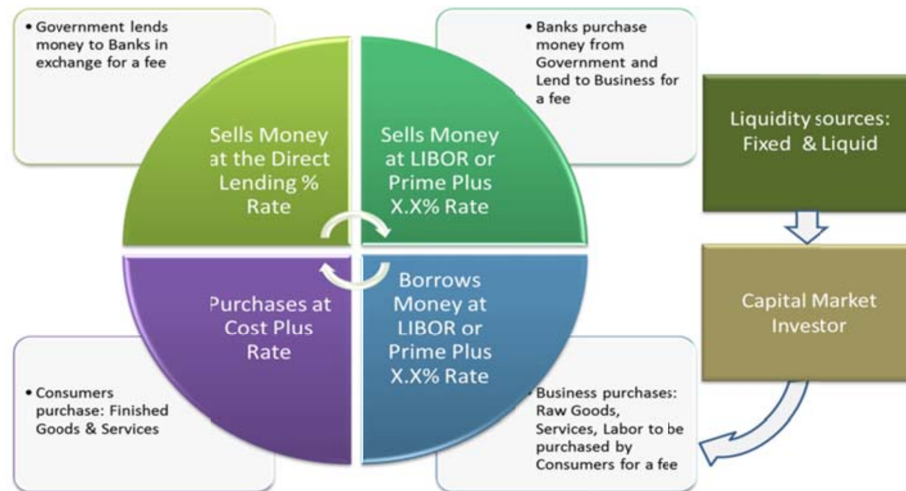
The question is: *What happens when a business can't get a loan?* That is where the capital market investors come in. Capital market investors essentially "borrow the money" on behalf of business. Leveraging fixed and/or liquid assets that they own, capital market investors borrow from banks, other businesses and individuals and use that money to purchase equity and debt instruments from the company. This sector of the capital markets is what allows business to operate when they otherwise could not.



However, when capital market investors either can't borrow money against the assets they own or are otherwise limited by market conditions outside of their direct control, the ability of the capital market investor to make investments decreases. In turn, businesses, which rely on the capital markets for functional liquidity, stop spending money in order to maintain the liquid cash reserves that they have on hand. If business doesn't know ***when*** they will be able to get their next round of investor or lender money, growth opportunity stops. Therefore, Liquidity (or the lack thereof) is the basis of the marketplace cycles known as the "bull" and the "bear" market – regardless of the size, reach and scope of the business itself.

For the foreseeable future, most in the capital markets arena have re-focused their approach to evaluating investments in business by establishing a more granular approach to considering the "how", the "when" and the "why" investments in business should be made. This includes rigorous, intensive due diligence as well as qualitative and quantitative analysis including Liquidity Modeling.

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Valuation and Business Interactions with Capital Markets

In our business, we continuously interact with entrepreneurs, business leaders and capital market people. Regardless of entity size, the conversations inherently turn to fundraising and investment with similar questions usually arising from both business executives as well as capital market investors that circle around the same basic topics:

- How much investment does the company actually need?
- What is the true timing need of the investment monies?
- When will the Company need follow-on financing?
- How should an equity investment in the Company be priced (valued)?
- What can the investor expect in return for their cash investment? and;
- How will this investment affect the overall liquidity of the investor's portfolio?

Unfortunately, many conversations between capital market investors and company executives end in heated debate. Often, the company's points-of-view are generally subjective in nature and based on management's perception of the company's value (which often includes sweat equity). The capital market investor knows that the true answers to the questions will only be revealed at a point in the distant future.

This is where the Liquidity Model™ becomes an invaluable tool to both parties.

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The solution for bringing together business executives and capital market investors and lenders is an understanding of how ***liquidity*** in the investment or loan is to be determined for both the company and the investor. The ***River Star Liquidity Model™*** bridges the communication and understanding gap between the sources of money and company by clearly identifying the opportunities for liquidity.

How much Investment does the Company actually need?

Generally businesses look for investment cash for three primary reasons:

1. To increase the operating capacity of the existing business in order to grow the business (organic growth)
2. To expand the business through the acquisition of assets (vertical or horizontal expansion)
3. To acquire the ownership (equity) interests in another company that is a competitor in the marketplace.

Typically, management of the company has done some form of financial analysis along with basic due diligence, employing some form of discounted cash flow method based on the costs and assumptions related to growing its business and the "cash need" in order to succeed with its plans. However, in most cases the company's internal process is only looking at accomplishing a near term or short term objective for operational purposes and does not put the same emphasis on the long term cash flow needs nor does it consider variables in the economic conditions which the company operates in. In other words, typical company financial models do not consider issues that affect Core Liquidity.

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Traditional Financial Models are "operations" focused

- Income Statement
- Balance Sheet
- Statement of Cash Flow

What about?

Liquidity Model™ Designed for Strategic Planning

Includes all aspects of traditional financial model PLUS:

- Quality of Earnings Analysis
- Dividend Management
- LP Distribution Management
- Vendor Management
- Acquisition Debt & Equity Management
- Cumulative Equity & Debt Requirements
- Common Stock Management
- Derivative Options and Convertible Preferred Stock Management
- Valuation & Investor Returns including Founder/GP/LP/ Shareholder Management

The purpose of a Liquidity Model™ is to allow Executive Management and Directors the ability to *determine the cause and effect of strategic decisions on overall liquidity BEFORE actions are implemented.*

In most cases, this shortsightedness results in the company looking for additional cash to operate the business within three years or less of the original transaction, possibly missing return on investment objectives for the company's stakeholders and potentially putting the capital market investor in a liquidity short position.

In order to have a good understanding of the company's Core Liquidity needs, management needs to have a thorough understanding of the quality of its earnings (either historical or potential) as well as the quality of its cash flows (historical and potential) before entering into a financing or fundraising transaction. For example, analysis should be undertaken to reconcile differences in reporting of Net Operating Income (NOI) from operations prepared under generally accepted accounting principles (GAAP) for financial reporting purposes with cash generating activities from operations. If net cash flows from operations (NOI) are higher than the financial reporting NOI, then the quality of earnings is considered "of high quality" as the Core Liquidity capability of the company is increasing. If the cash flows from operations (NOI) are lower than the financial reporting NOI, then the quality of earnings is considered "not to be of a high quality" as resources attributable Core Liquidity of the company are being used up at a faster rate than the company can create it and additional investment

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funds will be needed. Hence, we have one of the root valuation issues for both companies and investors alike.

Quality of earnings and quality of cash flow analysis are both critical parts of the liquidity management process and should be utilized as part of a company's operational decision making and forecasting of cash needed from investment.

Is more always better?

We have all heard of "More's Law" – that is, more is always better than less when it comes to money. That may be true in terms of volume, but not in terms of Core Liquidity and Return on Investment to investors.

It is important that companies and capital market investors create balance in terms of Core Liquidity. Regardless of entity size, *under-estimating or over-estimating the amount of cash and cash equivalents required for core liquidity is an issue.* The reason is -- the former leaves the company and capital market investor vulnerable while the latter leaves unused cash tied up in Core Liquidity accounts that generally cannot be used by the company to pay-out increased returns to investors. Therefore, it is critical that every company, regardless of size, identify the correct amount of Core Liquidity.

> *For example, assume that XYZ Investor can earn a 15% overall return through Dividends paid and Convertible Preferred shares purchased from a private company. If company management over-estimates the amount of Core Liquidity needed to sustain operations by $100,000, the Investor will then miss out on $15,000 worth of return because the company has $100,000 in cash tied up that can't be used to pay returns.*

While the company is content with the extra cash on hand, this scenario does not make the investor happy as the investor could have used that money for other purposes, including its own Core Liquidity. As such, the balance of needs between investor and company is out of synch.

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What is the true timing need of the investment monies and will the company need follow-on financing?

One of the biggest issues affecting liquidity for both the capital market manager and company executives is timing. Upon determination of the physical cash a business will need to meet its forecasted objectives, the company and capital market investor need to agree on the proper timing of investment funds needed and if follow-on financing will be needed.

Although it would appear to be a simple issue, the timing of investment cash is actually quite complex. There are many factors that affect the timing of capital investments. One example is as follows:

> *Company ABC determines that it needs $20 million to complete an acquisition of a competitive company in order to increase its business. However, after a thorough review of the quality of earnings of the target acquisition, it is determined that the company will actually need an additional $5 million in financing within two years in order to complete the acquired entity integration*.

To the capital market investor, this indicates that a liquidity event is at least three years away and that effects both valuation and the cost of capital associated with the investment. The greater the time the money is away from the source, the greater the risk in the investment because the value of money depreciates over time. What you could buy today for $1.00 will more than likely cost more than $1.00 tomorrow. Since no one has a crystal ball to see into the future, the additional $5 million in financing may cost the capital market investor $5.5 million when it is needed. Smart business executives and good capital market managers will prepare themselves accordingly.

How should an equity investment in the Company be valued and what is the investor’s expected return on investment and effect on liquidity?

One of the most intricate parts of the investment process is where the company fits in the marketplace. Sometimes, really great ideas can’t get off the ground because there is either too much competition or there is literally no competition

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in the marketplace. If there is too much competition (high supply), returns are likely to be small and offer limited liquidity. If there is no competition, the risk of failure is high because gaining market acceptance will be costly and time consuming. Therefore, gaining a thorough understanding of the company, the financial position of the company, the nature of its business, its current and future contracts and the industry it participates in are all critical to determining liquidity and the valuation of the investment. Consider the following typical questions asked by investors:

- What is the "Value" of the company ***prior*** to the funding investment?
  - How does the Company see its (intrinsic) Value? Is it based on historical financial performance in the market place or other competitors in the marketplace? What are the projected financial performance indicators in the short-term and in the long term?
  - How will an outside investor see the Company's Value and will the Investor's perspective be different than the Company's Management (Valuation Gap)?
- What is the "Value" of the Company ***post***-investment?
  - How much benefit will the company receive from ***my*** investment?
- What is the effect of liquidity on the investment to:
  - the Company's overall valuation?
  - the Company's Founders or early stage investors?
  - the Company Management/Executive Team?
- What is the exit strategy for the investors?

It is fair to say that every company has an "intrinsic" value. By intrinsic value we mean the value of the company based on management's underlying ***perception*** of the company's true value taking into consideration all aspects of the company's business, including its tangible and intangible assets.

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The Great Debate

The debate that arises frequently between company executives and investors is trying to convert "intrinsic value" into liquid cash value.

When a company trades its stock on a public exchange, the company valuation generally comes from the faith investors place on the *value of the future free cash flows of the business discounted to a date in time to account for the time value of money*. That is to say, the more mature the company is within the industry it competes in, the easier it is to predict its future outcomes. When investors are feeling confident about the future, they tend to bid the value of the company up due to an increased perception that the future cash flows generated that are available to contribute to liquidity will appreciate. As such, the price of public company stocks change constantly in reaction to news that is perceived to affect the future value of that company's cash flows.

In our free-market economy, every day public company shareholders get to "vote on the value" of a company through the buying or selling the company's shares. Valuation occurs and re-occurs every time there is one person agreeing to sell the stock and another agreeing to buy it. Company stocks that have a lot of trading volume are said to have significant liquidity, which basically means it's really easy to get into (buy) or get out of (sell) the investment.

However, private company investments are the opposite. By definition, investments in private stocks are illiquid – often for long periods of time. Generally, it is very hard to sell the stock of a private company once it is purchased and that is what leads us back to the fundamental questions, and often the heated debate over the company's value.

Companies tend to value their business based on operations or operational expertise. However, capital market investors view business financially. That leads us to a simple truth -- *the earlier in the development process a company is in, the greater the risk that the company won't be successful in executing its plans financially*. This generally results in the business obtaining the funding it needs at a lower "price per share" valuation with the investor owning a higher overall percentage of the business. Later-stage or more mature companies generally are safer risks because they have proven that they can maintain some level of

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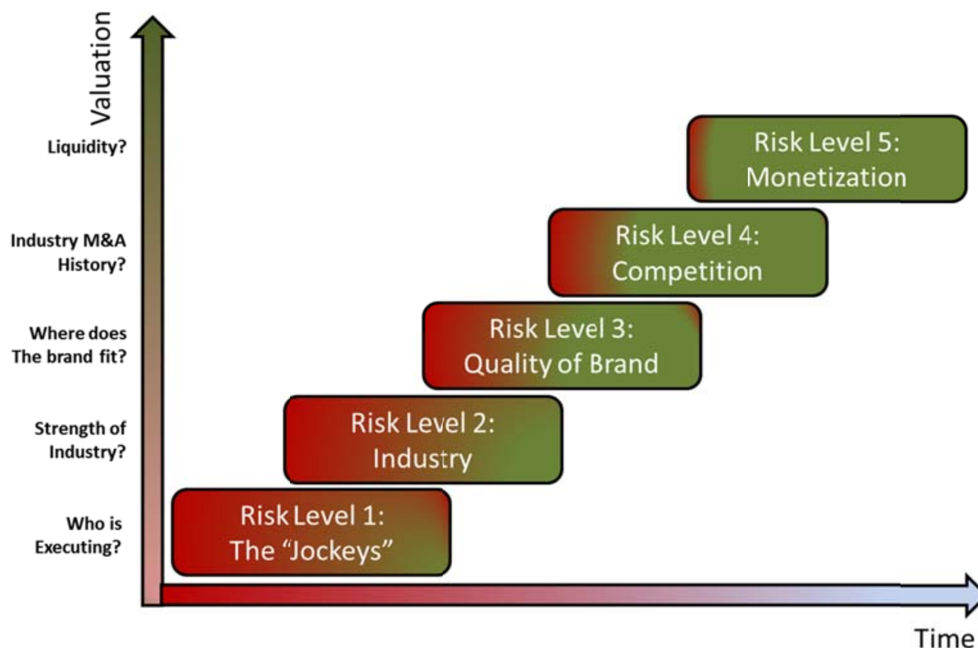
financial stability in the market – that is, they can compete effectively in the marketplace and generate liquidity for themselves.

Simply put, *investors want to pay the appropriate value for the level of risk the investor is going to assume as a shareholder.* As the graph below demonstrates, as risk decreases, the higher the valuation investors are prepared to pay. The earlier the stage of the company, the more "weight" is placed on the risk associated with the investment resulting in more weight being placed on company management (the "jockeys") being able to execute than on company itself.



Timing, Valuation and Exit Strategy

A fact that is often missed by company executives is that *capital market investors are in the money growing business, not in the operating businesses in which they invest money*. Therefore, investors must protect themselves in the event that the investment doesn't turn out to be quite as valuable as they had once hoped. This means that many of the investment agreements will have significant covenants designed to protect the capital market investor in the event that company

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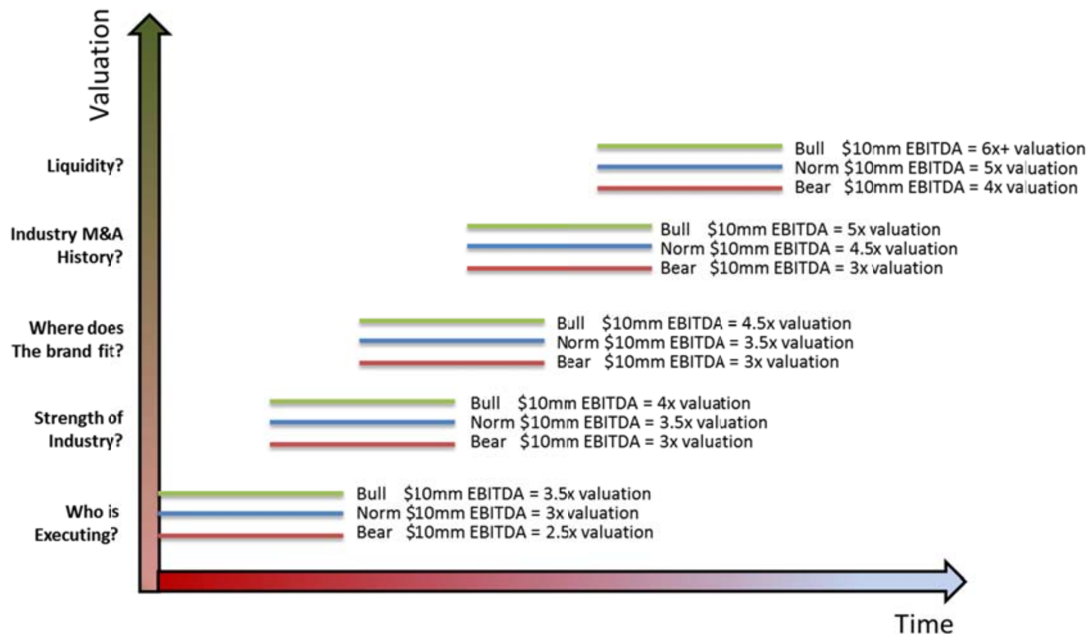
management does not execute on what they said they would do. Again, as risk decreases, so should the restrictive covenants.

> *It is equally important to both the company and the investor that these covenants are included in the Liquidity Model™ analysis so that both parties are aware of the financial effects of the covenants on the company's overall liquidity.*

Another area that affects valuation and exit strategy for the investment is the timing of the initial and any subsequent investments in relation to general market conditions. Private investments are affected by "Bull", "Normal" and "Bear" market conditions just as public investments are because most capital market investors "hedge" their private investments with liquidity from publicly traded investments.

As the example graph below demonstrates, a company with $10 million in EBITDA could see anywhere from 2.5x valuation all the way to 6x+ valuation for its equity depending on where it is in terms of competitive market stability and the current conditions in the general market. "Bear" markets generally benefit buyers of equity and assets while "Bull" markets benefit sellers.



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Betting on the Jockey or the Horse?

As capital market and industry sector participants actively bring products and services to the marketplace, various factors emerge that help investors to define risk and return profiles. The obvious thing that capital market investors think about is return on the investment. Early-stage investors are looking for growth-oriented companies that can achieve an "exit" at some multiple of earnings at a point in time. Exits come through either a sale of the company's equity to a larger, more established company or via an initial public offering (IPO) -- with the first being much more likely than the second. Later stage investors are generally looking for stable, dependable returns that they can count on each and every quarter, semi-annual or annual period.

In order to determine what the investor is actually betting their money on, capital market analysts will take a hard look at what other companies within the industry are currently doing, how many have ultimately been sold in the private marketplace via merger and acquisition (M&A) transactions, and for how much they sold. More specifically, heavy consideration is often placed in the company's industry peers, along with how much capital investment was needed and how long it took to get to the M&A stage when determining valuation of the investment.
If the capital market research process shows that very few or no companies within a given business sector ever achieve the capital market investor's target valuation multiple through the M&A process, then the only exit strategy available to the investor in order to meet their risk/return requirements will be through an IPO. At this point, the investor will examine all similar industry companies in the public space along with those companies transactional history to see if they can back into a public market valuation.

If there is no available history for the product or service and the "jockeys" of the company have limited experience with paying returns to the capital markets, it is unlikely that an investment will be made as most capital market investors would find the risk to reward ratio too great. For example:

> *Let's say that an early stage company requires a working capital investment of $20 million. Then, let's say that for the $20mm*

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investment, the investor purchases between 25% and 50% of the equity of the company.

Working with this investment scenario, if the company were to receive the $20 million investment, the company is then said to have a first round "post-money" valuation between $40 and $80 million "at funding." To make the risk/return palatable to many early stage investors, the investor is seeking a 10 times (10x) return on their investment at the time the investment is made. This means the investor is expecting the company to have a valuation on exit of $400 to $800 million at a future point in time; substantial for any entity that is early stage. While there are some entities that have been able to achieve such ratios, they are few and far between. So it is doubtful that a $20 million dollar "all-in" investment would be made. What is more likely to happen is that Investments will be made in tranches or rounds based upon performance. This allows the capital market investor to better manage its liquidity and the company to value the invested cash more precisely to where the company is and what it has achieved.

Additionally, If management of the company has limited or no experience with managing returns and valuations, investors will often require company management to bring in either a) interim management[i] or directors with experience in managing returns to investors, or b) Executive officers and directors with experience in managing returns to investors prior to the investment being made.

Who cares about the exit?

We have heard business people say, "Investors shouldn't worry about the ultimate exit now because they are getting in really early and at a cheap enough price -- they just have to make sure they back entities that have the potential to become really big companies."

The obvious response to this statement is that no one has a crystal ball. If investors knew in advance that the entity would be big, then this statement would be true. Keeping in mind that investors, especially early stage, are faced with two substantial issues: 1) the earlier the stage of the investment, the riskier and thus investors need to have enough ownership percentage in their winners to make up for their losers, and 2) the earlier the stage of the investment, the more

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likely the company will need additional funding rounds which, if not handled properly, will more than likely have a significant dilutive effect on the initial investment value. These facts generally make the pre-money valuation equally as important to the investor as the post-money value.

Investment Dependents

In the investment community, there is no such thing as a uniform standard of investment. Investments are dependent upon many factors that include such things as:

- the experience of the team in both the industry and the capital markets,
- the industry sector (e.g., a health care services company or a semi-conductor manufacturer investment is likely to be structured differently from an Internet company investment made at the same operating stage),
- geography,
- market timing,
- financial position of the company (historical, current and forecasted),
- product or service manufacturing or selling cycles,
- SG&A and labor pools,
- competitiveness,
- target users of the products or services,
- government regulation, and

a whole host of other potential dependencies, each that play a role in valuing the investment.

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The River Star Liquidity Model™ -- The Vision of Liquidity

While many companies are capable of putting together a business plan and forecasted financials, what few are capable of doing is building a financial picture that is clear for both the company and the investors in terms of liquidity. The River Star Liquidity Model™ identifies and quantifies the subjectivity and removes the heated valuation debate allowing both company executives and the capital market investors to see the same vision, at the same time, throughout the entire investment period.

The River Star Liquidity Model™ is the ultimate Board of Directors and executive management tool -- built to suit each individual company and their specific industry, the flexibility of the Liquidity Model™ allows the company to show all information that the company needs to operate its business while at the same time all information needed by the capital market investor to make sure that executive management is making decisions that benefit the quality of the investment and the investor – ***before the decisions are made***.

Good Investments, Bad Decisions and the 2% factor

Nothing can hurt the quality of an investment faster than bad decisions. Capital market investors rely on managements decisions each and every day. While executives, managers and day-to-day clinicians typically get the majority of day-to-day decisions right at the time they make them, it's the 2% of decisions not related to product or service operations that can hurt the quality an investment and the long-term liquidity of the company. Consider the following short list:

- Executive and director compensation packages
- Founders stock allocations
- Equity raise allocations including warrants, options and preferred stock
- Outside vendor (legal, marketing, consulting, etc.) allocations of warrants, options and preferred stock
- Employee stock option plans
- Taxation issues

While this list is not exhaustive, each of these items brings with them cost structures that in terms of function may add to the quality of the company, but that effectively reduces the liquidity of the company. The River Star Liquidity

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Model™ allows company management and capital market investors to see the cause and effect and make quality decisions that benefit both.

The River Star Liquidity Model™ and Operational Management

The River Star Liquidity Model™ also demonstrates the effects of day-to-day operational decision making on the quality of investment. The model monitors the company's financial performance and compares it against historical operations, budgeted operations, industry financial metrics, forecasted transactions as well as considers legal covenants, taxation, quality of earnings/cash flow analysis, pre and post transactions/investments and many other metrics providing both the company and the capital market investors with a forecast of capital calls and distributions.

Debt lender and equity investors alike find the River Star Liquidity Model™ attractive because it allows better management of their own cash flows; reduces the risk of not being prepared for a capital call (that might hit when investor liquidity is constrained); allows equity investment firms to notify partners of when cash is going to be called and when it will be returning.

The River Star Liquidity Model™ and Market Preparedness

The River Star Liquidity Model™ as a ***tool*** takes on added urgency because of the ever changing pace of both the IPO and the M&A markets respectively. Companies have a duty to their investors to always be prepared to take advantage of opportunities in the broader markets. The River Star Liquidity Model™ helps by identifying where the Company is in terms of preparedness for such opportunities and allows the Company and investors to place a value on the timing of executing on such opportunities.

The River Star Liquidity Model™ and Capital Investment Prudence

Capital market managers face scrutiny from just about every imaginable source when it comes to investment prudence. Government regulators, corporate management, auditors and lenders including banking institutions all want some level of assurance that the capital investment firms' investments are prudent and that the timing of future capital requirements and distributions can be reasonably estimated. As such, capital investment firms have placed a premium on due

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diligence including understanding the business market the company competes in and financial forecasting utilizing liquidity analysis. Liquidity modeling is viewed as a vital part of investor and company risk management.

The River Star team combines analysis, research of private and public market indexes and economic indicators to construct an analytical framework that defines for companies and capital investors the range of liquidity behaviors of the company – the effect of day-to-day decision making on valuation and liquidity.

The River Star Liquidity Model™ is specific to each company and customized to forecast a company's probable range of near- and long-term capital needs and the effect on valuation for each round of equity investment needed. The model takes into account factors specific to each equity and liquidity event, such as the type, start date, commitment amount and the capital calls and distributions to date. The model shows the median, best and worst case scenarios for each type and round of funding. For the near-term forecast, the model evaluates the influence of changes in operations with regard to market performance. In the longer term, the model projects the range of potential calls and distributions, as well as the impact on the company's unrealized market value.

Further, the model provides a range of possibilities which is substantially more useful and accurate than the traditional financial projections. The River Star Liquidity Model™ provides a range of scenarios that can be managed jointly between the company and the capital market investor showing both an optimistic and pessimistic range of calls and distributions. Additionally, companies and investors can create custom scenarios, such as faster or slower operations, changes in market behaviors, as well as other operational events that effect call, distributions and valuation. This allows the capital market investor to review the effects of transactions on company valuations and to forecast potential changes in allocation within their portfolio.

Managing Liquidity with the River Star Liquidity Model™

Modeling company cash flows and their effect on valuation and distributions helps companies and investors better manage liquidity and maintain desired allocation of assets.

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The Liquidity Model™ is a living process as there will always be variability in business factors being fed into the model, such as changes in the general business market conditions driving changes in operations which affect the value of investments made. The goal of the River Star Liquidity Model™ is to provide a structured framework that allows the company to demonstrate process and diligence for analyzing these inputs and provide a sense of certainty that management has the situation under control and is making the best decisions for all stakeholders, even in the midst of an uncertain economy and capital market environment.

River Star Strategic & Financial Professional Group

For more information about liquidity modeling and the River Star Liquidity Model™, please contact us your nearest River Star Professional.

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[i] An effective alternative to interim management is River Star's Chief of Staff Services. Contact River Star or see River Star's web site for additional information.

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