The Panmure Gordon Group

ThinkEquity LLC

SEC Small Business Forum

Initial Public Offerings and Securities Regulation Involving Smaller Public Companies:

Challenges Facing Investment Banks Focusing on Growth Sectors of the Economy

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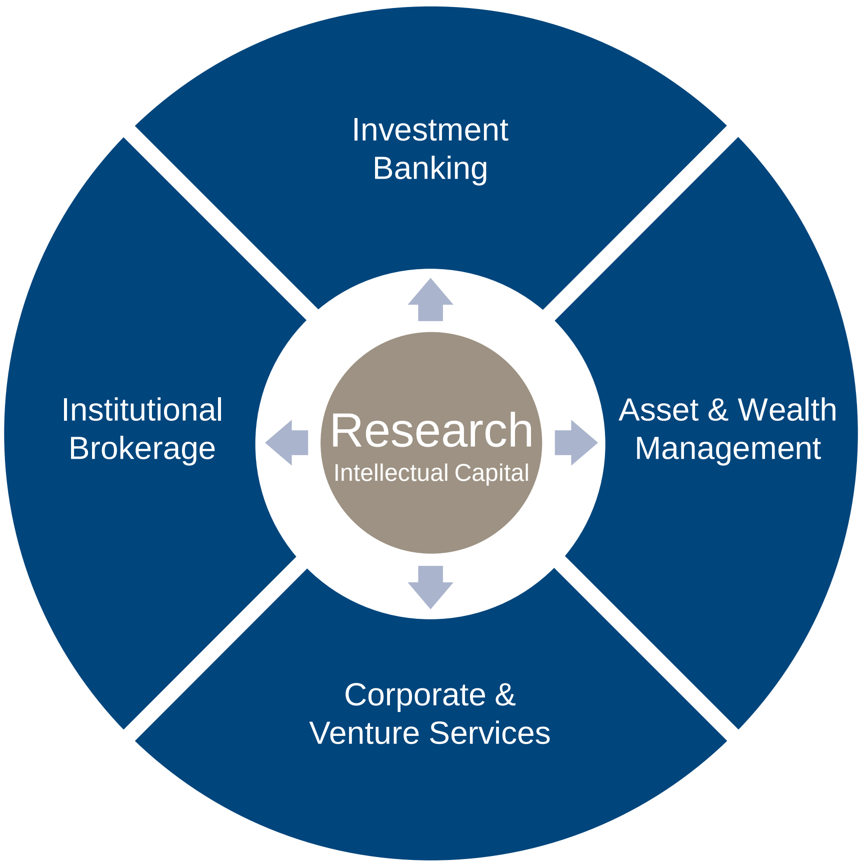
1. Introduction to ThinkEquity

Entrepreneurial Approach with Global Footprint

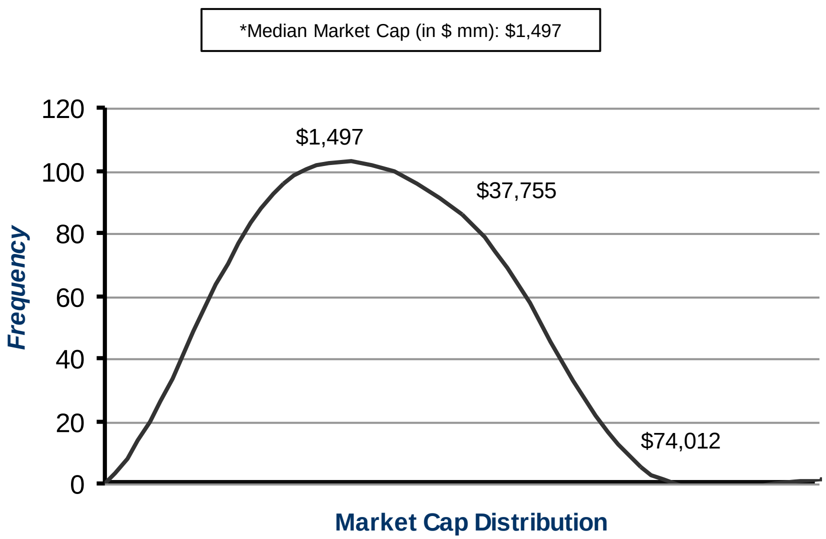
ThinkEquity is the U.S. brand of a global, growth-oriented, entrepreneurial, full-service investment bank that provides equity research, strategic advisory, placement, underwriting, and sales and trading services to corporate and institutional clients.



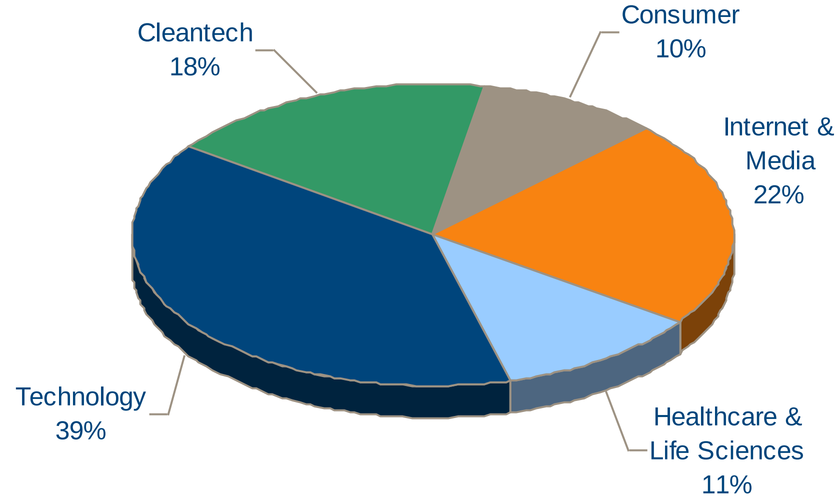
Overview		
Investment Banking	▪ Public equity offerings ▪ Private placements ▪ Mergers & acquisition advisory ▪ Corporate finance advisory ▪ UK corporate broking	
Institutional Brokerage	▪ Institutional sales & sales trading ▪ Market making ▪ Aftermarket support	
Asset & Wealth Management	▪ Investment advisory services and customized money management ▪ Wealth management - objective advocacy for individual investors ▪ Full service brokerage	
Venture & Corporate Services	▪ Share repurchases ▪ Restricted securities expertise	
Group Offices	**United States** ▪ San Francisco ▪ New York ▪ Boston ▪ Chicago	**Europe** ▪ London ▪ Liverpool ▪ Geneva **Asia** ▪ Singapore

ThinkEquity's Disciplined, Selective Sector Focus

Distribution of Companies Covered



Sector Coverage



Technology		Internet & Media	Cleantech	Healthcare	Consumer
Software & Services	Semiconductors	Internet	Solar	Biotechnology	Retailing
Enterprise IT Infrastructure	Tech-Enabled Education	Games	Grid Modernization	Specialty Pharmaceuticals	Active & Healthy Lifestyles
Communications Technologies		e-Commerce	Cleantech & Industrial Growth	Medtech & Diagnostics	

*Source: FactSet, as of November 8, 2011.

Capital Markets Transactions Completed and Pending

In Registration*

$57,500,000	ambient	Follow-on Offering	Co-Manager	In Registration*
$146,300,000	TIMWE	IPO	Co-Manager	In Registration*
$80,000,000	cafe press	IPO	Co-Manager	In Registration*
$100,000,000	enphase ENERGY	IPO	Co-Manager	In Registration*
$60,000,000	Reply!.com Enhanced Clicks & Leads	IPO	Co-Manager	In Registration*

Completed Transactions

$114,314,304	Angie's list	IPO	Co-Manager	November 2011
$75,000,000	InvenSense	IPO	Co-Manager	November 2011
$20,210,000	AUGME TECHNOLOGIES	Registered Direct	Co-Manager	November 2011
$105,573,450	UBIQUITI NETWORKS	IPO	Co-Manager	October 2011
$10,000,000	Location Based Technologies	PIPE	Co-Placement Agent	July 2011
$79,626,000	Zillow Your Edge in Real Estate	IPO	Co-Manager	July 2011
$24,437,500	ecotality	Follow-on Offering	Co-Manager	June 2011
$5,256,000	Tekmira	Follow-on Offering	Financial Advisor	June 2011
$172,367,395	velti	Follow-on Offering	Co-Manager	June 2011
$189,750,000	active NETWORK	IPO	Co-Manager	May 2011
$10,163,468	CVD Equipment Corporation	Registered Direct	Sole Underwriter	May 2011
$113,850,000	nps pharmaceuticals	Follow-on Offering	Co-Manager	April 2011
$34,500,000	AVI BioPharma	Follow-on Offering	Co-Manager	April 2011
$50,000,000	CLEAN POWER GROUP	Strategic Financing	Exclusive Agent	March 2011
$77,625,000	OPTIMER PHARMACEUTICALS, INC.	Follow-on Offering	Co-Manager	February 2011
$7,000,000	LGL GROUP	Registered Direct	Sole Underwriter	February 2011
$178,250,000	SeattleGenetics	Follow-on Offering	Co-Manager	February 2011
$94,875,000	NeoPhotonics	IPO	Co-Manager	February 2011
$172,748,496	velti	IPO	Co-Manager	January 2011
$110,400,000	kitdigital	Registered Direct	Co-Manager	November 2010
$21,787,500	Ascent SOLAR	Follow-on Offering	Co-Manager	November 2010

** A registration statement relating to these securities has been filed with the Securities and Exchange Commission, but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. For a written prospectus go to www.sec.gov/edgar.shtml.*

Capital Markets Transactions Completed and Pending (Cont.)

Completed Transactions

$200,000,000 Spansion Senior Notes Co-Manager November 2010	$131,962,500 Spansion Follow-On Offering Co-Manager November 2010	$19,000,000 echopass Private Placement Sole Placement Agent September 2010	$62,257,585 mediamind IPO Co-Manager August 2010	$9,600,000 ZOO Follow-On Offering Co-Manager July 2010	$27,600,000 GenMark Dx IPO Co-manager May 2010	$13,200,000 Solar Power Partners Private Placement Lead Agent April 2010
$100,625,000 atg Follow-On Offering Co-Manager February 2010	$75,672,015 Meru Networks IPO Co-Manager March 2010	$33,250,000 Xoom Private Placement Sole Placement Agent March 2010	$100,625,000 atg Follow-On Offering Co-Manager February 2010	$34,970,000 kit digital Follow-On Offering Co-Manager January 2010	$57,360,000 Westport Innovations Inc. Registered Direct Co-Manager December 2009	$179,687,500 Fortinet IPO Co-Manager November 2009
$114,242,192 Telvent Follow-On Offering Co-Manager October 2009	$30,000,000 Ascent Solar Registered Direct Co-Manager October 2009	$213,900,000 SuccessFactors Follow-On Offering Co-Manager October 2009	$8,763,500 Aspen Bio Pharma Registered Direct Sole Underwriter October 2009	$209,583,948 OpenTable Follow-On Offering Co-Manager September 2009	$101,250,000 PICO Holdings Registered Direct Exclusive Agent June 2009	$69,000,000 OpenTable IPO Co-Manager May 2009
$142,749,638 APU Follow-On Offering Co-Manager December 2008	$54,000,000 Westport Innovations Inc. Follow-On Offering Co-Manager August 2008	$104,178,554 SuccessFactors Follow-On Offering Co-Manager June 2008	$15,651,750 Harris & Harris Group Registered Direct Sole Placement Agent June 2008	$55,000,000 Real Goods Solar IPO Sole Bookrunner May 2008	$55,200,000 Entropic communications IPO Co-Manager December 2007	$14,950,000 On2 technologies Follow-on Offering Lead Manager October 2007

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2. Why Market Structure Matters

Why Market Structure Matters

IPOs are no longer a viable exit route for many smaller tech and life sciences companies, which…

Drives M&A exits of portfolio companies that in earlier cycles would have gone public, which…

Negatively impacts US innovation, competitiveness, and job creation

3. Why Secondary Trading Profitability Matters

Decline of the IPO Market

- Of the many reasons for the decline of the IPO market, this presentation focuses on one key factor:
  - **Lack of profitability in secondary trading of new issues in particular, and of smaller companies in general**
- Lack of profitability in secondary trading:
  - Forces investment banking boutiques to shift their focus to higher capitalization ranges
  - Deprives smaller / newer companies of the research and market making support they would otherwise have, creating “orphans” -- companies with limited or no research and with limited liquidity
  - Drives institutional investors up in market capitalization in search of liquidity and research and trading support for their investments
  - Furthers both the perception and the reality that smaller companies will not have the institutional following to be viable IPO candidates

Reliance on Other Revenue Streams

- Today, the secondary equity markets business, at best, is a break-even business for an investment banking boutique
- Therefore, investment banking boutiques rely primarily on revenues from banking transactions for profitability
- Banking revenues on capital markets transactions are increasingly allocated to the largest investment banks
- This causes smaller banks, which would normally be the providers of research and trading support to smaller capitalization companies, to focus on M&A and private placements for profitability, reducing focus on IPOs

4. What Happened

The Tsunami of Decimalization

- Moving from fractions to decimals was a sensible reform
- The question though, is not should we use fractions or decimals, but rather, *what is the trading increment that balances reduced transaction costs with sufficient market economics* for firms to profitably provide research and trading support to small companies
- The 1-cent increment, which the SEC targeted, reduced most small cap spreads from 25 cents to 1 cent, stripping 96% of the economics out of the market (today dark pool spreads are often 0.1 cent)
- 10-cent spreads on small cap stocks would have worked, but no business can sustain a loss of 96% of revenues
- Decimalization had the impact on small cap stocks and their investors of a tsunami on a coastal city

Effects of Decimalization

- Capital and people were withdrawn from market making and from research
- Computers and algorithms were substituted
- Market making became a client accommodation, not a source of trading profits, reducing capital and aggressiveness of market making
- Research became a cost center, not a source of trading profits, so investment in research was reduced
- Many top analysts joined the buy-side, depriving most investors of their insights
- Small cap stocks and their investors suffered from the reduced attention and liquidity while frictionless markets encouraged high frequency trading, speculation, and volatility
- Small cap IPOs became less viable

5. What Can Be Done

Proposal

Give the Boards of publicly listed companies the right to set their own trading increments – "tick size"

Note: Another option would be to set minimum commissions and / or minimum quote increments for small cap stocks, tiered to share price.

Effects

- Boards would exercise fiduciary duty to find a balance most favorable to their investors between lower trading costs and the economics needed for research and market making in their stocks
- Small cap research would flourish
- Capital and personnel would return to small cap market making
- Speculative and high frequency trading would be discouraged and longer-term fundamental investing would be encouraged due to slight friction introduced into the system
- Market volatility (and the uncertainty that it presents to issuers and investors) would be reduced
- Investor focus in small cap issuers would increase and would result in greater research following and liquidity
- The groundwork would be in place for the return of the $25 million to $75 million IPO, which would enhance US innovation, competiveness, and job creation

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