



SEC Small Business Forum – November 2015
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Exemptions

Utilization	Various Regulation Exemptions Afforded to Issuers	
	<p><u>Section 4(a)(2) – Private</u></p> <ul style="list-style-type: none"> ■ Unlimited amount ■ Non-reporting + reporting ■ Sophisticated investors ■ No general solicitation 	<ul style="list-style-type: none"> ■ No reporting ■ Restricted securities ■ Purchase Agreement ■ No bad actor provision
	<p><u>Regulation D – 506(b)</u></p> <ul style="list-style-type: none"> ■ Marked directly to known investors ■ No general solicitation ■ Up to 35 non-accredited investors; no limit on accredited ■ No \$ limit 	<ul style="list-style-type: none"> ■ Restricted securities ■ Typically requires financial intermediary ■ Bad actor provision
	<p><u>Regulation D – 506(c)</u></p> <ul style="list-style-type: none"> ■ General solicitation allowed ■ Only accredited investors ■ Issuer / broker must verify investor status, i.e. “reasonable steps” 	<ul style="list-style-type: none"> ■ No \$ limit ■ Restricted securities ■ No requirement for financial intermediary
	<p><u>144A</u></p> <ul style="list-style-type: none"> ■ Sold to QIBs only ■ Financial intermediary required ■ Securities are restricted ■ Free resale to QIBs 	<ul style="list-style-type: none"> ■ Require disclosure/documentation, i.e. Offering Memorandum, Purchase Agreement ■ Expectation securities will be “registered” shortly thereafter
	<p><u>Regulation A</u></p> <ul style="list-style-type: none"> ■ Public offering up to \$50mm ■ Streamlined SEC process ■ Less onerous initial and ongoing disclosure requirements 	<ul style="list-style-type: none"> ■ Preempts registration and qualification requirements under Blue Sky laws ■ Excludes foreign issuers (except Canadian companies) ■ No requirement for financial intermediary

Regulation A — An Investment Bank's Perspective

Benefits

- Up to \$50mm in proceeds
- Preempts Blue Sky laws
- Streamlined SEC process in place
- Test-the-waters ("TTW") meetings are allowed
- Accredited + non-accredited investors can participate
- No financial intermediary required, reducing cost
- Advertising to all investors is allowed
- Freely tradeable securities

Considerations

- Limited to non-reporting companies under Exchange Act
- Limited to US and Canadian issuers
- Limited to \$50mm USD in a 12-month period
- No Safe Harbor from Section 12(a)(2) liability for research reports
- No clear trading market / liquidity concerns
 - Market structure (i.e. decimalization) already inhospitable to small and micro cap companies
 - Blue Sky restriction on resale of Tier II Reg. A will impede trading unless such trading benefits from preemption of Blue Sky

Conclusions / Recommendations

Conclusions / Recommendations

- 1) We propose that Tier 2 of Regulation A should apply to public micro cap companies, thereby enabling these companies to raise a sufficient amount of capital needed to grow their businesses in a cost effective manner. We believe it may be appropriate to consider conditioning the availability of tier 2 on a micro cap company being current for the past two years in its reporting obligations in the Exchange Act
- 2) We propose that micro cap companies should be permitted to incorporate by reference their Exchange Act reports into their Offering Circular, thereby reducing the time and the cost of a Regulation A offering
- 3) We propose that foreign private issuers should be allowed to conduct Tier 2 Regulation A offerings
- 4) We propose that there be a safe-harbor from Section 12(a)(2) liability for research reports prepared by broker dealers on Regulation A issuers
- 5) We believe Regulation A should go further and preempt state blue-sky laws for re-sales of Regulation A securities as well

I. Appendix

Cowen Group Overview

A growth-oriented investment bank that is dedicated to helping its clients outperform

Cowen Mission:

Delivering Alpha

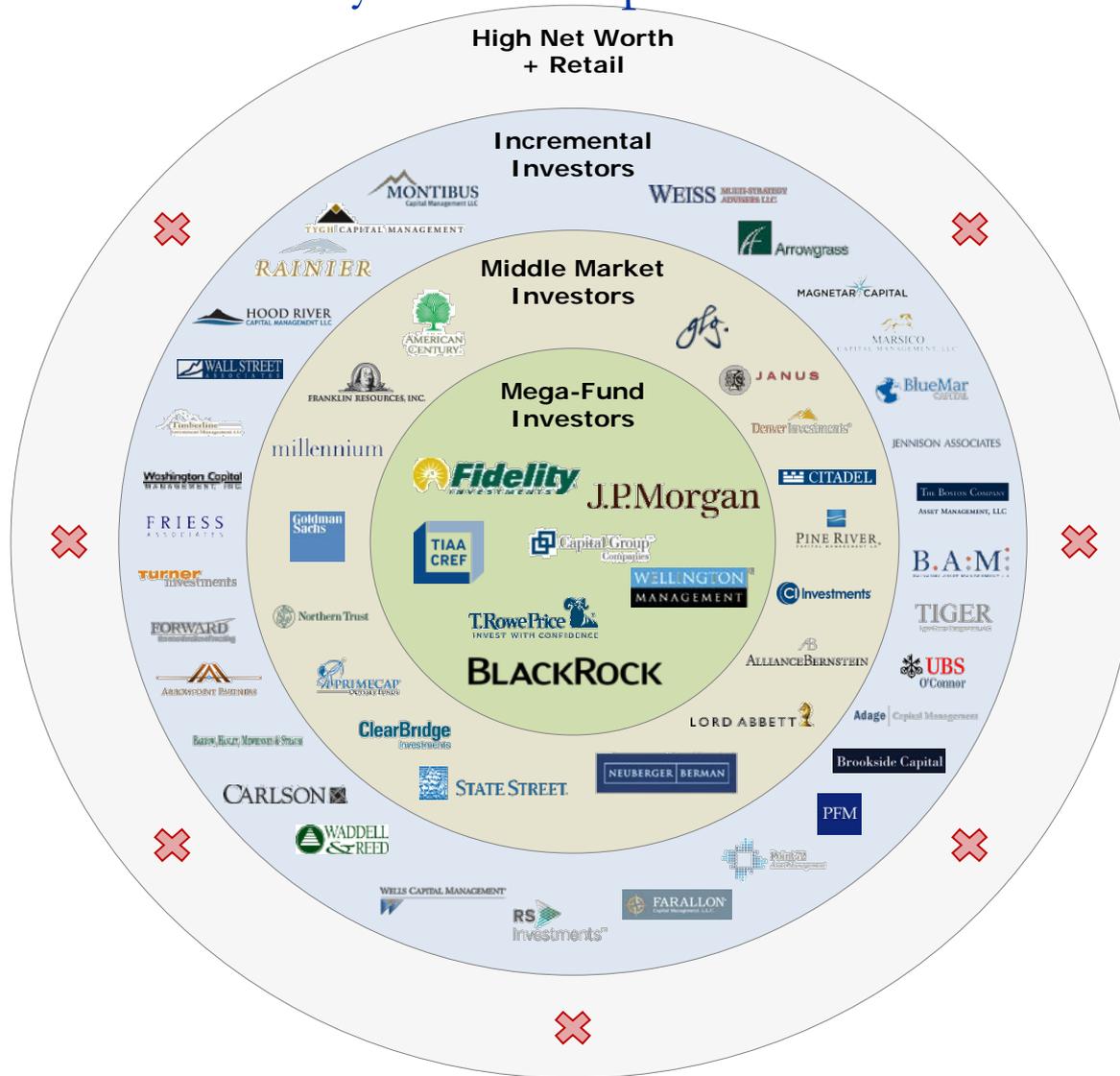
- We enable corporate clients with differentiated financing advice and advisory services aimed at helping them outperform their comparable groups
- We provide portfolio managers with specialized equity research, non-conflicted trading and execution services and high-quality capital markets transactions
- We deliver investment management clients with access to a range of alternative investment products and services



Business Lines				
Investment Banking <ul style="list-style-type: none"> Over 90 Investment Banking Sector and Product Specialists Strong focus on key sectors of the U.S. economy: consumer, health care and technology 	Research <ul style="list-style-type: none"> Industry leading, specialized research product 46+ publishing research analysts 787+ stocks under research coverage 	Sales and Trading <ul style="list-style-type: none"> 100+ professionals covering 1,800+ institutional accounts 1.1x research sales-to-research analyst ratio Non-conflicted trading and execution services 	Corporate Access <ul style="list-style-type: none"> Top 10 in U.S. Corporate Access, in independent polls, including II Organizes hundreds of non-deal marketing days for clients every year 	Asset Management <ul style="list-style-type: none"> Broad range of differentiated alpha-generating alternative investment products and services 20 years of proven experience
Product Coverage				
Equity Capital Markets <ul style="list-style-type: none"> 248 transactions executed since 2014 81 IPOs since 2013 with 44 on a lead-managed basis Raised ~\$23B in equity for our clients since 2014 	Debt Capital Markets <ul style="list-style-type: none"> 50 transactions executed since 2012 \$10B+ of debt raised since 2012 Market leader in private loans and bonds in \$50 – \$300 million range 	Strategic Advisory <ul style="list-style-type: none"> >100 M&A transactions announced >\$30B of total transaction value Recent sellside, buy-side and JV mandates across the firm 	Financial Sponsors <ul style="list-style-type: none"> Coverage of >200 middle market and large cap private equity firms Active across all of Cowen's verticals and products 	

Our Core Sectors	
Health Care 	Consumer
REITs 	TMT
A&D / Industrials 	Transportation
Energy 	IT Services

Cowen is Focused Solely on the Sophisticated Institutional Investor



Select Private Placement Transactions

- Cowen views capital formation through the lens of long-term value creation and strategically building a business
- Cowen is a market leader in private placement financings and has worked on a significant number of high-profile transactions with the goal of:
 - Ensuring that the Company's vision is shared with potential investors while minimizing management's time so they can focus on the business
 - Optimizing optionality and valuation for all shareholders so they can make an informed decision based on what's on the table
 - Building a syndicate of investors who are long-term partners and will continue to support the Company post transaction
- Cowen views the private financing round as an opportunity to build the foundation for a long and lasting partnership

<p>\$75 million</p> <p>Digital Health / Patient Engagement Platform</p> <p>Private Placement Sole Placement Agent In Process</p>	<p>\$20 Million</p> <p>Digital Health / Patient Engagement Platform</p> <p>Private Placement Sole Placement Agent In Process</p>	<p>\$200 Million</p> <p>Diagnostics/ Bioinformatics Platform</p> <p>Private Placement Sole Placement Agent In Process</p>	<p>\$40 Million</p> <p>Diagnostics/ Bioinformatics Platform</p> <p>Private Placement Sole Placement Agent In Process</p>
<p>\$65 Million</p> <p> AUDENTES</p> <p>Private Placement Series C</p> <p>October 2015</p>	<p>\$75 Million</p> <p> CORVUS PHARMACEUTICALS</p> <p>Private Placement Series B</p> <p>September 2015</p>	<p>\$75 Million</p> <p> OVID THERAPEUTICS INC.</p> <p>Private Placement Series B</p> <p>August 2015</p>	<p>\$22 Million</p> <p> MEDIAN</p> <p>Private Placement PIPE</p> <p>July 2015</p>
<p>\$22 Million</p> <p> THINFILM</p> <p>Private Placement PIPE</p> <p>June 2015</p>	<p>\$30 Million</p> <p> N30 PHARMA</p> <p>Private Placement Series B</p> <p>November 2014</p>	<p>\$25 Million</p> <p> MEDIAN</p> <p>Private Placement PIPE</p> <p>September 2014</p>	<p>\$15 Million</p> <p> MedAvail</p> <p>Private Placement Series C</p> <p>September 2014</p>
<p>\$55 Million</p> <p> AVALANCHE BIOTECH</p> <p>Private Placement Series B — Crossover</p> <p>April 2014</p>	<p>\$32 Million</p> <p> Nexvet[®] Transforming pet's lives.</p> <p>Private Placement Series B — Crossover</p> <p>April 2014</p>	<p>\$20 Million</p> <p> Regado Biosciences</p> <p>Private Placement PIPE</p> <p>January 2014</p>	<p>\$38 Million</p> <p> ALIMERA SCIENCES</p> <p>Private Placement PIPE</p> <p>January 2014</p>

2013 – 2015 Life Sciences Pre-Money Valuations

Pre-Money Valuations⁽¹⁾ for LS IPOs Since 2013

(Pre-Money Equity Valuation in Millions)



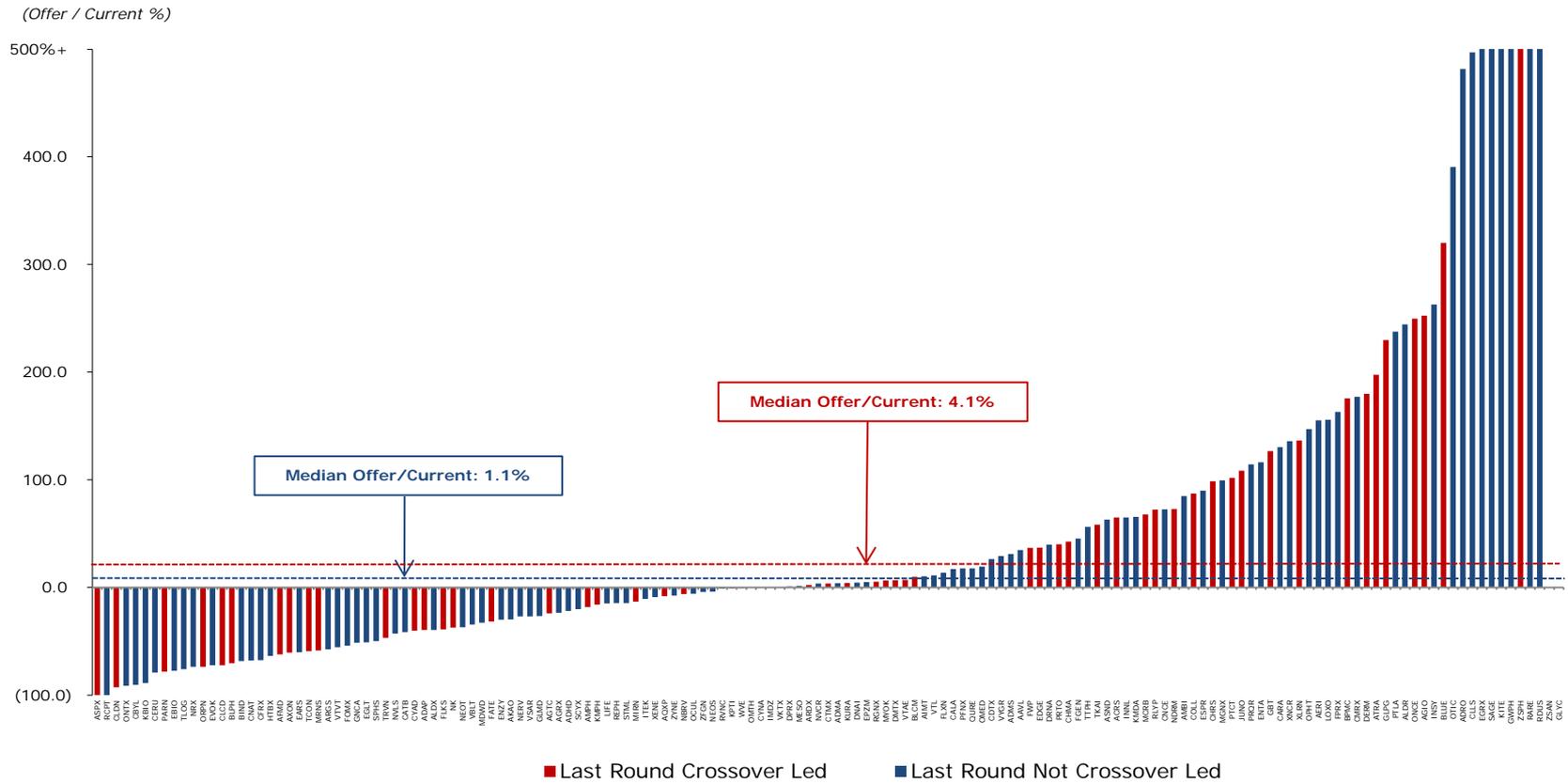
Source: CapIQ and Company Filings as of November 13, 2015. Does not include Intrexon or Forward Pharma.

(1) Calculated using fully-diluted shares outstanding via treasury stock method.

2013 – 2015 Life Sciences Offer/Current

Crossover IPOs have significantly outpaced non-crossover - both have highfliers but ~54% of non-crossover are below issue price

Offer/Current for LS IPOs Since 2013



Source: CapIQ and Company Filings as of November 13, 2015. Does not include Intrexon.

Equity Capital Markets Conditions

Key Market Themes

- Positive economic indicators and strong M&A trends provide reason for optimism:
 - U.S. markets posted across-the-board gains in October, with the DJIA, S&P 500, and Nasdaq up 8.6%, 8.4%, and 9.4%, respectively
 - Improved domestic labor and housing markets bolstered by increased consumer confidence
 - High level of capital markets and M&A activity with strong backlog for Q4
 - Easy monetary policy in most major economies
- However, investors remain cautious due to recent volatility in the equity capital markets
 - Domestic interest rate uncertainty
 - Unclear Chinese economic growth prospects
 - Sustained lower oil prices and downward revisions with respect to future outlook
 - Emerging markets instability
- Primary markets continue to show strength:
 - 2015 IPO's: 146 deals raising \$30.2 billion vs. 258 deals raising \$86.9 billion for the same period in 2014
 - 2015 follow-on's: 498 deals raising \$112.7 billion vs. 517 deals raising \$111.8 billion for the same period in 2014
 - 2015 PIPE's: 635 placements raising \$44.0 billion vs. 654 placements raising \$19.7 billion for the same period in 2014

Equity Capital Markets Financing Activity

US Equity Capital Markets

	2012	2013	2014	2014 YTD	2015 YTD
S&P 500	13.4%	29.6%	11.4%	10.3%	(1.7)%
NASDAQ	15.9%	38.3%	13.4%	12.1%	4.1%
DJIA	7.3%	26.5%	7.5%	6.5%	(3.2)%
10-Year Note	1.78%	3.04%	2.17%	2.35%	2.28%
VIX	18.0	13.7	19.2	13.8	20.1

US Equity Financings¹

	2012		2013		2014		2014 YTD		2015 YTD	
	Total Value	# of Deals								
IPOs										
Consumer	\$2.8	20	\$10.4	23	\$4.7	20	\$4.5	18	\$3.8	13
Energy	\$8.0	22	\$12.0	23	\$13.5	27	\$13.0	25	\$5.5	9
Financials	\$8.8	18	\$5.8	30	\$16.1	38	\$15.3	34	\$1.7	14
Health Care	\$0.9	13	\$9.7	53	\$10.2	108	\$9.3	100	\$6.1	62
Industrials	\$3.2	14	\$5.0	20	\$4.0	15	\$3.7	13	\$3.5	13
REITs	\$1.8	8	\$6.2	20	\$3.4	5	\$0.2	3	\$1.4	7
TMT	\$21.0	40	\$9.6	46	\$41.1	62	\$39.2	55	\$7.7	25
Transportation	\$0.3	1	\$1.8	6	\$1.4	7	\$1.0	5	\$0.5	3
IPOs Total	\$46.8	136	\$60.5	221	\$94.5	282	\$86.2	253	\$30.2	146
Follow-Ons										
Consumer	\$15.6	28	\$17.4	52	\$15.0	45	\$12.3	37	\$9.4	38
Energy	\$24.7	86	\$25.5	97	\$32.5	83	\$31.7	79	\$14.0	46
Financials	\$58.6	74	\$12.9	68	\$11.6	57	\$11.0	53	\$18.2	36
Health Care	\$7.3	117	\$14.5	159	\$17.5	153	\$14.5	134	\$35.6	227
Industrials	\$5.4	41	\$14.3	53	\$7.4	45	\$5.9	40	\$5.1	22
REITs	\$16.8	51	\$20.5	68	\$15.8	64	\$14.6	57	\$15.6	40
TMT	\$5.1	48	\$22.7	105	\$17.1	94	\$15.7	87	\$12.0	70
Transportation	\$2.0	18	\$4.9	28	\$5.9	28	\$5.7	26	\$2.7	17
Follow-Ons Total	\$135.4	463	\$132.8	630	\$122.8	569	\$111.4	513	\$112.6	496
Total	\$182.2	599	\$193.3	851	\$217.3	851	\$197.6	766	\$142.8	642

Source: Cowen, Capital IQ, PrivateRaise and ECM Analytics as of November 13, 2015.

(1): Transaction information through 11/13/15: US dollars in billions.