

STRATEGIC

Financing and Investor Relations Symposium

June 9, 2011



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- Types of Transactions
- The Historical Financing Model
- Where Are We Now?
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COMPARISON OF THE TYPES OF FINANCINGS

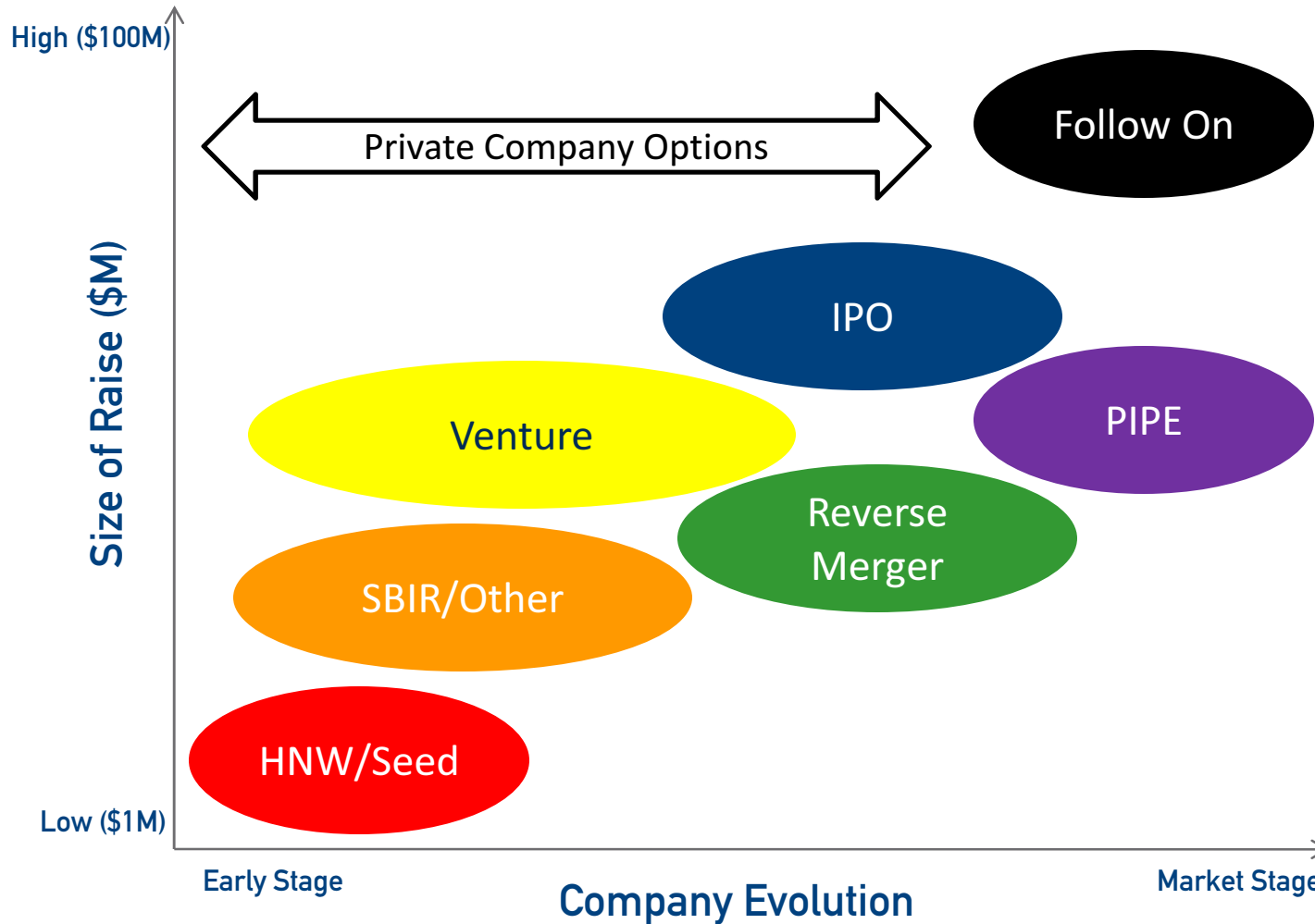


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PRIVATE COMPANY OPTION: HNW/SEED

Description. Investment provided by high net worth individuals or other entities, including venture firms, that tend to be small and for very early stage companies only

Typical Size. \$0 - 3 million

Typical Stage of Company. Early stage of development

Why Used. To provide early stage financing without significant dilution

Diligence Criteria. Lower stringency

Pros. Can be completed relatively soon, Less strings attached, Minimal dilution

Cons. Money may not add expertise, May make a mess of the cap table

Activity in Current Environment. High

PRIVATE COMPANY OPTION: SBIR/STTR/NIH

Description. Small Business Administration (SBA) Office of Technology administers the Small Business Innovation Research (SBIR) Program and the Small Business Technology Transfer (STTR) Program awarding \$2 billion to small high-tech businesses

Typical Size. Varies although mostly under \$2 million

Typical Stage of Company. Early stage of development

Why Used. Provides an option for early stage companies, or companies that don't want to go the venture route

Diligence Criteria. Low to Medium stringency

Pros. Tends to be easier money, Recently has been plentiful

Cons. Government doesn't move fast, May not always fund the best project, VC exclusion

Activity in Current Environment. High

PRIVATE COMPANY OPTION: VENTURE

Description. Financing provided by institutional money or venture capital

Typical Size. \$5 - 30 million

Typical Stage of Company. Mid to Later stage of development

Why Used. To provide a significant source of capital and additional expertise to the BOD

Diligence Criteria. High stringency

Pros. Money brings expertise and connections, May provide foundation for future financings

Cons. Money brings “expertise”, No longer risk capital, Vulture capital?

Activity in Current Environment. Low

PRIVATE COMPANY OPTION: REVERSE MERGER

Description. The acquisition of a public company by a private company, primarily for the public company's public exchange listing, so that the private company can bypass the lengthy and complex process of going public

Typical Size. Varies, money can come from shell company or PIPE transaction

Typical Stage of Company. Mid to Late stage of development

Why Used. To provide another mechanism to go public instead of IPO

Diligence Criteria. Medium stringency

Pros. Can be faster than IPO, Avoids high costs of IPO, Can go public even in a very stringent environment

Cons. Some investors still frown on them, Crap+Crap=Crap

Activity in Current Environment. Medium

PRIVATE COMPANY OPTION: IPO

Description. A company issues common stock or shares to the public for the first time to raise money

Typical Size. \$40 -100 million

Typical Stage of Company. Mid to Late stage of development

Why Used. To provide a significant source of capital to aggressively grow the business and a mechanism for investors to exit

Diligence Criteria. High stringency

Pros. Significant capital transaction, Provides value to employee option grants

Cons. Highly dependent on the market, Comes with significant costs

Activity in Current Environment. Low

PUBLIC COMPANY OPTION: FOLLOW ON

Description. An additional offering of shares after a company has become a public entity via an initial public offering

Typical Size. \$30 - 200 million

Typical Stage of Company. Mid to late stage of development

Why Used. To provide additional, significant funding for a public company

Diligence Criteria. Medium stringency

Pros. Can result in appreciable level of funding, Flexible vehicle regarding amount of financing

Cons. Results in significant dilution, Set of potential investors may be limited

Activity in Current Environment. Medium to High

PUBLIC COMPANY OPTION: PIPE

Description. Private Investment in Public Equity (PIPE) involves selling of common equity to private investors of registered or non-registered shares

Typical Size. \$2 - 20 million

Typical Stage of Company. Early to late stage of development

Why Used. To increase the number of potential investors for higher risk entities

Diligence Criteria. Medium stringency

Pros. Viewed as creative mechanism for capital, Transaction with a significant pool of potential investors

Cons. Shares may price at significant discount, May come with provisions that accelerate the company's demise

Activity in Current Environment. Low

PUBLIC/PRIVATE COMPANY OPTION: PARTNERING

Description. A relationship or agreement with a large company around a technology or a program

Typical Size. \$1 - 500 million

Typical Stage of Company. All

Why Used. To take advantage of one of the few sources of capital in today's environment

Diligence Criteria. High stringency

Pros. Access to expertise, Provides validation to a company or technology

Cons. Process can be slow, Can be stifling with a company with limited programs or technology

Activity in Current Environment. Medium

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WHAT WAS THE HISTORICAL MODEL?

Get some seed financing

Receive some initial venture financing

Try to execute a large corporate deal

Get some more venture financing

Receive technical validation via clinical data

Go public via IPO

Raise some more money via follow-on

Get acquired or get to market

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WHAT NOW IS THE TYPICAL FINANCING TIMELINE?

Get some seed financing

~~Receive some initial venture financing~~ Early stage VC funding is rare

~~Try to execute a large corporate deal~~ Everyone is talking to the large companies

Get some ~~more~~ venture financing Now, VC deals are larger but more rare

Provide some technical validation via clinical data

~~Go public via IPO~~ Currently, no company should assume this is an option

~~Raise some more money via follow-on~~ You have to be public for this mechanism

Get approval

Get acquired ~~or get to market~~ Hard to source the capital to get here

A FEW THOUGHTS ON THE CURRENT ENVIRONMENT

Returns for most venture firms over the last ten years have not been commensurate with the risk

Some life science venture firms are completely changing their model

Creativity is at a premium

No one really knows when the IPO window will open for Life science companies

Corporate development groups at the large companies are inundated

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SUMMARY CONVERSATION

In addition to the quickly summarizing the following points, I would like to open up the floor for comments and questions.....

There are less options now for funding life science companies

Cash is king

We haven't seen something like the current environment since the advent of the life sciences in the late 1970s

Innovation in the life sciences may take a hit over the next ten years

The venture model may be broken