

PIPE Transactions vs. Registered Direct Offerings

The following chart compares and contrasts the characteristics of, and benefits associated with, PIPE transactions (or private investments in public equity) and registered direct offerings.

| | COMMON STOCK PIPE TRANSACTION | COMMON STOCK RD WITH EFFECTIVE SHELF |
|-------------------|--|--|
| OVERVIEW | <ul style="list-style-type: none"> Company sells unregistered common stock to a targeted group of institutional investors in a private placement, with an agreement to register the resale of the securities typically within 30 days after the offering | <ul style="list-style-type: none"> Company sells registered equity pursuant to an existing shelf registration statement to a targeted group of institutional investors following a brief marketing period |
| BENEFITS | <ul style="list-style-type: none"> No upfront SEC registration Can be executed quickly, usually within 1-2 weeks post-transaction launch Limited market risk as transaction is confidential Ability to size transaction to company needs and investor response | <ul style="list-style-type: none"> Broad addressable investor base Can be executed very quickly, oftentimes with 3-5 days post-transaction launch Ability to size transaction to company needs and investor response Pricing dynamics similar to marketed follow-on |
| CONSIDERATIONS | <ul style="list-style-type: none"> Offered at a negotiated discount to recent average closing price given illiquidity of shares May require the issuance of warrants | <ul style="list-style-type: none"> Offered at a negotiated discount to the then current market price Shelf registration statement must be effective prior to transaction launch Requires legal opinions and comfort letter |
| DESCRIPTION | <ul style="list-style-type: none"> Typically sold to a targeted group of investors (usually 15 or fewer, subject to offer size) Opportunity to attract new institutional shareholders by offering key institutions enough shares to give them a core position Investors include mutual funds, cross-over investors, private equity investors, financial institutions, and hedge funds | <ul style="list-style-type: none"> Typically sold to a targeted group of investors (usually 15 or fewer, subject to offer size) Opportunity to attract new institutional shareholders by offering key institutions enough shares to give them a core position Investors include mutual funds, cross-over investors, private equity investors, financial institutions, and hedge funds |
| PRICING | <ul style="list-style-type: none"> Modified book building; usually priced at a negotiated discount to recent average closing price Transparency of order book between issuer and agent | <ul style="list-style-type: none"> Modified book building; usually priced at a negotiated discount to the then current market price Transparency of order book between issuer and agent |
| TIMING | <ul style="list-style-type: none"> Offering does not require up-front SEC registration Can be completed in 1-2 weeks post transaction launch Targeted marketing over a 3-5 day time period, predominately through a limited number of one-on-ones and conference calls | <ul style="list-style-type: none"> Offering requires up-front SEC registration (shelf registration statement must be effective) Targeted marketing over a brief time period, predominately via a limited number of one-on-ones and conference calls |
| AGENTS / MANAGERS | <ul style="list-style-type: none"> Typically sole agented given quick process, targeted investor set, premium on consistent message, negotiated transaction | <ul style="list-style-type: none"> Typically sole agented (“best efforts” underwriting) given quick process, targeted investor set, premium on consistent message, negotiated transaction |