

OCEAN TOMO

BANKRUPTCY & RESTRUCTURING VALUATION SERVICES



OCEAN TOMO®
INTELLECTUAL CAPITAL EQUITY®

A considerable and increasing number of corporate restructurings involve intellectual property (“IP”) matters, including patented technology, copyrighted works, trademarked brands, and customer agreements, to name a few. Often, a company’s IP is among its most valuable assets, establishing its market identity and setting it apart from the competition. Disputes related to IP rights and their value are becoming increasingly commonplace and can play a significant role in the restructuring process. Dealing with such issues requires an in-depth understanding of the intellectual property landscape.

Ocean Tomo’s Valuation Group brings expert capabilities and a business-oriented perspective to serve its clients on restructuring matters. Our unique approach combines industry-leading intellectual property market expertise with sound valuation theory, allowing us to properly recognize and accurately value all types of intellectual assets. The increasing importance of IP issues in corporate restructurings has been demonstrated in recent Ocean Tomo engagements, where we successfully advised clients on matters involving intellectual property rights throughout various industries. Examples of these recent projects include:

Nortel Networks

Nortel Networks (“Nortel”) was a multinational telecommunications and data networking equipment manufacturer with global headquarters in Ontario, Canada. Nortel was regarded as a highly technologically innovative organization and at one point, was Canada’s largest publically traded company.

Despite its past success, Nortel struggled to remain competitive in the early 2000s and by the 2008 recession it was clear the firm would no longer be able to continue servicing its debt. In early 2009 the company filed for creditor protection and subsequently auctioned off its assets. These assets included the company’s business lines and nearly 2,500 associated patents, and ultimately, the remaining Nortel IP portfolio consisting of over 7,000 patents which was sold to Rockstar, a consortium of technology companies including Apple and Microsoft. These sales generated over \$7 billion in proceeds while the claims submitted by creditor consortia from Canada, from the U.S., and from Europe, the Middle East, and Africa (“EMEA”) exceeded \$35 billion.

After several years of failed attempts to negotiate the allocation of sales proceeds, the parties proceeded with litigation. Ocean Tomo was hired in 2013 by the EMEA debtors to assist with all valuation and allocation issues related to Nortel’s IP. In order to determine the appropriate allocation of sales proceeds, Ocean Tomo:

- Performed an independent valuation of the ~2,500 patents and other IP which was sold along with Nortel’s various business lines;
- Performed an independent valuation of the 7,000+ patents sold to Rockstar;
- Determined the appropriate commercial life of Nortel’s IP portfolio;
- Determined the geographic distribution of the income expected from Nortel’s patents;
- Determined the relative inventive and financial contributions made by each debtor over a period spanning more than two decades;
- Determined the relative value of exclusive and nonexclusive license rights to all Nortel patents in numerous jurisdictions;
- Analyzed and interpreted dozens of Nortel’s inter- and intra-company agreements including numerous IP licenses and transfer pricing agreements.

Cengage Learning, Inc.

Cengage Learning, Inc. ("Cengage"), a private equity-backed education company, filed for bankruptcy protection on July 2, 2013 as part of an effort to shrink its \$5.8 billion debt load. Ocean Tomo was hired by management of Cengage to serve as its lead intellectual property financial advisor and determine the value of certain intangible assets. On March 31, 2014, Cengage completed its financial restructuring and successfully emerged from its Chapter 11 reorganization.

Our role as intellectual property advisors included participation in all aspects of the valuation of certain unperfected copyrights, as the value of these assets was an early variable between the creditors on how to allocate value under the plan of reorganization. In the case of Cengage, new copyrighted works were being generated so often that Cengage and its creditors chose to file security liens with the U.S. Copyright Office periodically (e.g., quarterly) rather than each time a new work was created. As a result, security interests in certain copyrights owned by Cengage had not been properly perfected under the U.C.C. at the time of the bankruptcy filing. Consequently, the challenge arose as to which creditor held the rights to these unperfected copyrights and how to allocate the value of those assets.

Ocean Tomo undertook a highly quantitative and nuanced approach to valuing these IP assets. In the course of this engagement, we:

- Performed an independent valuation of the 15,000+ subject copyrights by utilizing a hybrid analysis consisting of the Excess Earning and Relief from Royalty methodologies;
- Determined the appropriate economic life of the subject copyrights;
- Utilized complex content allocation factors to develop revenue projections that reflected the unique content that was created specifically for the subject copyrights;
- Developed revenue projections for future revisions of the subject copyrights to account for unique content that is carried from one textbook edition to the next;
- Analyzed and interpreted royalty rate data related to the subject copyrights, as well as data from dozens of third-party publishing license agreements.

Fisker Automotive, Inc.

Fisker Automotive, Inc. ("Fisker") is an American automaker and creator of one of the world's first production plug-in hybrid electric vehicles, the Fisker Karma. The company ceased production in November 2012 due to financial difficulties and eventually declared bankruptcy in November 2013. Ocean Tomo was retained by the purchaser of a defaulted Department of Energy ("DOE") loan who succeeded the DOE as the senior secured lender. In February 2014, the assets of Fisker were successfully sold for a bid of almost six times what Fisker was seeking when it filed for bankruptcy. The various creditor groups were in dispute about the allocation of the proceeds from the sale of the company's assets. In particular, the value contribution of the IP assets was a significant consideration as certain parties believed the international non-perfected IP rights to be of material value. Ocean Tomo provided initial valuation and advisory services related to Fisker's IP portfolio of utility and design patents, outstanding patent applications, and trademarks.



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Gregory Campanella is responsible for leading Ocean Tomo's Management Services Group and is a Managing Director in the Valuation practice. Mr. Campanella's work has focused on valuations of intangible, intellectual property and tangible assets for acquisitions and divestitures, bankruptcy and restructuring, establishment of monetization strategies including licensing, mergers and joint venture/partnership formations, litigation support, and financial reporting and tax matters.





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About Ocean Tomo

Ocean Tomo, the Intellectual Capital Merchant Banc™ firm, provides companies with financial services related to intellectual property and intangible assets including financial expert testimony, valuation, strategy consulting, patent analytics, investment advisory, innovation management consulting and transaction brokerage.

Our Opinion, Management, and Advisory Services are built upon more than three decades of experience valuing intellectual property in the most rigorous of venues – State, Federal and international courts. Our financial, market and technical experts provide a unique understanding of the contributory value of proprietary innovation. This is the cornerstone of our business. This insight permeates every practice and client engagement.

Collectively, Ocean Tomo professionals have:

- Completed over 1000 engagements involving IP worth in excess of \$10 billion including over 300 valuation and 500 financial damages expert testimony engagements;
- Successfully closed hundreds of IP sale transactions with a cumulative transaction value well in excess of \$750 million;
- Served as a trusted advisor involving the biggest IP transactions in history;
- Originated more successful IP monetization solutions than any other firm, including creation of the world's oldest and most successful live patent auction.

Our track record of results spans more than 100 different industry segments. Because our past success provides the best indication of our capabilities, we are proud to feature a few representative engagements and encourage potential clients to seek references from past clients.

Headquartered in Chicago, Ocean Tomo has offices in Greenwich, Houston, and San Francisco.

Subsidiaries of Ocean Tomo include: Ocean Tomo Investment Group, LLC, a licensed broker-dealer under Federal and State securities law (brokercheck.finra.org Broker Check CRD #: 172912); OTI Data Networks, LLC and Patent Marking, LLC.

Ocean Tomo assists clients – corporations, law firms, governments and institutional investors – in realizing Intellectual Capital Equity[®] value broadly defined.