



Restructuring Services Case Studies

Case Study 1—Reflectivity Inc.

An interim CFO from The Brenner Group (TBG) functioned as the CFO of Reflectivity, a semiconductor start up company, and assisted the company in the 2006 sale of its assets to a major semiconductor company. Following the sale, TBG initiated business termination services. Three professionals from The Brenner Group became CEO, CFO and Controller respectively of Reflectivity.

Initially, business records were put in storage with essential records transferred to TBG. Among the tasks managed by TBG included the following:

- Take over the company's accounting system bringing transactions up to date, continue to maintain the ongoing system and annually provide the information needed for timely submission of tax returns.
- Arrange several distributions of cash not needed in the wind up or for vendor settlement to note and shareholders
- Manage board agreed upon severance and carve-out payments to former executives and employees.
- Provide asset valuations for tax purposes of items sold in the asset sale
- Recover funds from foreign bank accounts
- With the assistance of the former CEO of Reflectivity, manage a sales tax reporting audit by the California Board of Equalization. Manage with the help of KPMG appeals to unfavorable rulings from the agency.
- Manage the orderly termination of employee benefit plans such as 401K
- Notify vendors in a mailing and settle claims

Due to TBG's continued follow up of potential recovery from the sales tax claim, the corporation has not been dissolved and a final distribution has not yet been made.

Case Study 2—QuantumShift Communications

During 2003, TBG was engaged to assist this large software and communications services provider in restructuring its operations. TBG worked with QS management to record all liabilities and restructure operations and debt. Substantial debt workout plans were established with creditors and the operation was able to downsize its facilities costs through return of space to its landlord. However the continued disclosure of previously unknown liabilities drained cash, and in 2004, the firm sold off its software assets to one firm and its communications services business to another for nominal asset recovery. TBG was retained to manage the shell corporation through termination and including the company's obligations to the firms purchasing the assets of the company.

To effect the termination plan, a TBG professional became CEO of QS and two additional professionals were assigned CFO and Controller duties. From the beginning, major issues confronted us including very little cash to effect the termination including vendor settlements and continued issues with the condition of records and liabilities not on the books. However QS was successfully terminated through the accomplishment of the principal tasks listed below:

- Takeover of records key to the successful dissolution including personnel, tax and corporate.
- Conversion of accounting to QuickBooks and ongoing tax and reporting
- Send notice to creditors outlining the termination
- Closing of benefit plans including a very difficult task to close the 401K plan and locate long missing beneficiaries.
- Major negotiations with vendors for whom there was essentially no cash recovery.
- Lengthy and difficult issues and negotiations with purchasers of the assets when discoveries were made that resulted in claims back to QS for which there were no funds to settle.
- Work to collect tardy accounts receivable including working with collection agencies representing the company on major past due amounts
- Resolve tax compliance issues including reporting in nearly all states. Through negotiation, avoid an IRS audit.
- This very difficult termination was arranged without additional shareholder cash

Case Study 3—Tradenable, Inc.

Tradenable was an Internet escrow provider focused on escrows on eBay transactions. This firm was turned over to TBG in 2002 for liquidation following heavy losses and loss of funding. Following turnover, TBG professionals assumed the roles of CEO, CFO and Controller respectively in the windup company.

Tradenable had substantial physical assets and TBG arranged for an auction of these assets by Dovebid in which a substantial cash recovery was made. Another interesting aspect was that a large number of unsettled escrow disputes were turned over to TBG with the business termination. Funds for these escrows were held in a separate bank account awaiting settlement by the underlying parties to the transactions. Considerable effort on our part was required to nudge these parties to settlement including taking one escrow to arbitration.

Tradenable was successfully terminated through the following principal tasks:

- Takeover of physical accounting and business records, assure that all tax returns and filings were made as required
- Transition employee benefits and close the 401K plan
- Arrange the transfer to the state of California of the proceeds of uncashed checks
- Manage severance payments agreed upon with former employees and executives
- Perform a vendor mailing and resolve claims

Case study 4—Axon Photonics

During 2003, the Board of Directors of Axon, confronted with a number of lawsuits and major issues between the board and management, elected to file chapter 7 bankruptcy. Axon operated several semiconductor foundries in which millions of dollars had been invested. TBG was hired to assist in the preparation of bankruptcy documents and be the company representative to the bankruptcy trustee.

TBG supervised the creation of the documents needed for the bankruptcy filing, inspected company facilities, obtained keys and other assets of the company and with the assistance of Murray and Murray Law, filed the bankruptcy papers. This was a difficult process due to very poorly maintained accounting records. Following the appointment of the bankruptcy trustee, TBG met with this person to facilitate transition of the properties. TBG also attended a bankruptcy hearing for vendors.

Case Study 5—Iospan

Iospan was a semiconductor company that lost funding in 2003 and was turned over to TBG for windup. Some of the assets were sold to L3 Communications and certain IP was sold to Intel subject to escrowed funds. The Brenner Group professionals served as the CEO, CFO and Controller of Iospan in liquidation.

TBG took over the assets of Iospan. A major complication developed when Intel refused to release \$600,000 of funds escrowed due to an IP issue with a license transferred to them from Stanford University. This required substantial negotiations with Intel over a period of a year prior to eventual arrangement of a settlement freeing up the majority of the funds.

Aside from the above, tasks accomplished for Iospan included:

- Take over accounting and key business records, provide tax returns and other filings
- Do vendor mailing and settle claims that came up.
- Assist in closing benefit plans and a 401K audit
- Arrange distribution of excess funds to shareholders

Case Study 6—Peerant Inc.

TBG was engaged to liquidate the assets of a software services company, and manage the wind up process to conclusion. One of investors in the UK had an interest in acquiring the technology for a vertical integration of their business. In order to be sure that all shareholders were being fairly treated, an auction was managed to sell the company's assets, including the intellectual property.

Once the prospective buyers were identified, TBG managed the process of contacting them, and getting the bidders for the auction. From beginning to end, the process of the auction took about 90 days, and all shareholders were pleased with the outcome.

At the conclusion of the auction, we proceeded to manage the final settlement of all outstanding liabilities and distribute the remaining balance to shareholders.

The final tax clearance certificates are expected in early 2009.

Case Study 7—Voice Objects, Inc.

TBG was engaged to manage the transition of an enterprise communications software company in Silicon Valley whose assets had just been sold for cash, stock, and an earn-out to an established private company. The engagement included both management of the two year earn-out and the attendant wind down of the company and its worldwide subsidiaries and offices. The company had sufficient funds from the asset sale to fully compensate all creditors, both secured and unsecured

Upon board approval, the TBG team of professionals replaced the legacy officers and directors and took operating control of the company, reporting to the investors. They began the wind down process in concert with the earn-out, worked closely with all creditors, and established a close working relationship with the acquirer. The engagement included administration of a significant escrow account set aside for issues that might come up over the earn-out period.

The engagement is in its second year and TBG currently projects a successful earn-out result, recapture of the escrow, and problem-free wind down.

The final tax clearance certificates are expected in early 2011.

Case Study 8—Hammerhead, Inc.

TBG was engaged to manage the company into Chapter 7 bankruptcy. Our team replaced the board and management and was established as the board and President. We then worked with bankruptcy counsel who crafted the necessary bankruptcy documents and filings and executed those filings as authorized representatives of Hammerhead, Inc.

We also handled selected pre-bankruptcy tasks such as release of facilities with the landlord, a final accounting of assets and possessions for the landlord and collateralized lender. We also produced 1099's and W-2's for contractors and employees for the year, and handled other items in support of the lender and bankruptcy counsel as necessary. Once the company filed for bankruptcy we provided assistance to the trustee as well.