

# Marathon Patent Group

NasdaqCM: MARA



## Momentum gaining, Reiterate Strong Buy Rating

The Company's business is to acquire patents and patent rights from a diverse group of sectors, and to monetize the value of those assets to generate revenue/profit for the Company. The Company acquires patents and patent rights from their owners, who range from individual inventors to Fortune 500 companies. The patents and patent rights that the Company acquires are characterized by having large identifiable companies who are or have been using technology that infringes on the Company's patents and patent rights.

### 28%+ Total Upside to Our Price Target:

We believe Marathon's price will rise to our projection of \$18.51 for 2015. We derived our price target of \$18.51 based on a discounted cash flow analysis (DCF).

### Investment Thesis

- 1) Marathon's focus on speed of monetization is strategically sound as they focus first on coming to a licensing agreement. If this is unsuccessful, Marathon takes the matter to court (a longer process). Management's friendlier strategy of pursuing licensing first and then litigation enables quicker monetization of assets.
- 2) Marathon has a highly scalable business model with strong operating leverage. Further, its strategic relationship with IPNav helps carry out multiple licensing campaigns without substantial increases in overhead.
- 3) MARA's relationship with service company IP Navigation provides a strategic advantage in sourcing strong patents, as MARA gets a first look at everything going through IP Navigation's database.
- 4) Recent introduction of Opus Analytics will add a recurring revenue stream to the revenue mix.
- 5) The key risks to investing in MARA are: weak results from Opus analytics, unfavorable outcome in case against Apple, a high operating leverage business



<b>Rating</b>	<b>Strong Buy</b>
<b>Risk Rating</b>	<b>Speculative</b>
<b>Current Price (Nov 18, 2014)</b>	<b>\$14.43</b>
<b>12-month Price Target</b>	<b>\$18.51</b>
<b>Implied dividend yield</b>	<b>0%</b>
<b>Projected total return</b>	<b>+28%</b>

Shares outstanding (M)	6.8
Market capitalization (M)	\$98.5
Long term debt (MRQ)	\$6.1
Cash (MRQ)	\$5.6
Enterprise value	\$97.6
EV/REV (2016)	3.1x
Rev Estimate (2016)	\$33.1

Float as % of shares out.	67.8%
Short interest as % of Float	2%
Insider ownership	29.1%
Institutional ownership	22.2%
Tangible book value p/s	\$4.86
Cash/share	\$0.82

Revenue (M)				
Dec	2013A	2014A	2015E	2016E
Q1	\$0.00	\$2.78a	\$8.8	\$14.9
Q2	\$1.52	\$3.82a	\$8.8	\$14.9
Q3	\$0.71	\$13.5a	\$13.2	\$14.9
Q4	\$1.18	\$7.9	\$13.2	\$14.9
FY	\$3.42	\$28.0	\$44.0	\$59.4

EBITDA (M)				
	2013A	2014E	2015E	2016E
Q1	(\$0.70)	\$0.17a	\$3.57	\$4.23
Q2	(\$0.36)	\$0.62a	\$3.57	\$4.23
Q3	(\$0.66)	\$5.69	\$3.57	\$4.23
Q4	(\$0.92)	\$1.25	\$3.57	\$4.23
FY	(\$2.74)	\$7.74	\$14.30	\$16.93

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## II. 3Q14 performance

Marathon reported 3Q14 revenues of \$13.5 million, up 255% sequentially from \$3.8 million in 2Q14. The revenue gain was primarily attributable to the issuance of larger one-time, non-recurring, nonexclusive, non-tangible licenses to five different entities and their affiliates. However, the results were highly dependent on licenses to two entities in particular which accounted for 99.6% of the company's 3Q14 revenues. Management has not given details as to which subsidiary or which defendants were involved as there are licenses with other defendants still to be settled and the company wants nothing to interfere with the ongoing discussions.

The direct cost of revenues in the quarter, including contingent payments to patent enforcement counsel, licensing advisors and previous owners, as well as non-contingent costs that included legal fees and the costs associated with technical experts that were associated with entering into settlement license agreements, totaled \$5.6 million gross profit in 3Q14 was \$7.9 million, or 58% of revenues, up from 54% of revenues in 2Q14 and up from 43% of revenues in the third quarter of the prior year.

Total operating expenses for 3Q14 rose 174% against the level of 3Q13 as a result of an almost fourfold increase in patent amortization expenses reflecting Marathon's significant investment in its patent portfolios as well as increases in compensation, consulting and professional fees necessary to the expansion of Marathon's business. The third quarter of 2014 achieved the milestone of being the first quarter in which Marathon achieved positive GAAP earnings of \$0.61 per basic share and \$0.44 per diluted share.

### Patent Portfolios

Marathon made significant strides during the quarter in acquiring new patent portfolios in a variety of technologies and fields and the beginning of commercialization of the Opus Patent Analysis Platform that was developed with IP Navigation. The company acquired two portfolios comprising 71 patents during 3Q14 and subsequent to the quarter completed the acquisition of an additional portfolio of 123 patents.

Marathon acquired the Clouding IP portfolio in August with 70 US and international patents and with 47 patent applications. Fields covered in this portfolio include: e-commerce, software networking, mobile communications, consumer electronics and the PC market. The company noted that each technology covered by the portfolio included file synchronization and transfer, remote content management, cloud-based infrastructure, virtualized service provisioning, pay-per-use provisioning, redundancy storage and virtual private network protocols.

The cost of this particular acquisition included \$1.4 million in cash, \$1 million in the form of a promissory note (which the company subsequently paid in full), 25,000 shares of common stock valued at \$281,000 and the commitment of 50% of the net recovery in excess of \$4 million in net recovery that Marathon makes with regard to the patent purchase from Clouding IP.

Marathon also acquired TLI Communications LLC during the quarter, which owns a single patent covering apparatus and method for recording, communicating and administering digital images. This patent is currently being asserted against 21 defendants including Facebook, Google, Twitter, Yahoo and Apple as well as other companies. Marathon paid \$350,000 in cash and 60,000 shares of stock, valued at \$818,000 as well as the commitment to pay the previous owners 50% of the net recovery once Marathon has recouped any out-of-pocket costs of enforcement including the \$350,000 cash paid for the acquisition.

In mid-September the Patent Trial and Appeal Board of the US Patent and Trademark Office denied Facebook's petition for an Inter Partes Review (IPR) which requested cancellation as unpatentable one or more claims of the patent against TLI Communications. A Markman hearing, a pretrial Claim Construction Hearing, is scheduled for January 20, 2015.

### **Opus Patent Analysis Platform**

The Opus Patent Analysis Platform which had its commercial launch in mid-September, is a proprietary intellectual property analysis platform that the company expects to be a valuable resource to the broader intellectual property and investment communities. This was developed in conjunction with IP Navigation over the past decade. There are three levels of SaaS packages suited to the informational and economic requirements of different users. The Premium package, priced at \$999 per month per individual user is targeted toward the sophisticated IP professional. There is a Basic package priced at \$299 per month per individual user targeted at inventors, R&D departments, financial professionals who need to know the state of some field of technology and companies developing IP. There is also an Alpha Package, priced at \$99 per month, which is targeted at investors in IP or those solely looking for the Alpha score rating of particular patents.

Opus is expected to generate a Software As a Service (SaaS) revenue stream that should be reasonably consistent given the needs of the target audience. The company has not given any feedback as to either the early revenues or the split between the three different levels of commitment by subscribers.

### **Events Following the Quarter**

In October, Marathon Patent acquired MedTech Development, Ortho Phoenix and TLIF LLC which are collectively referred to as MedTech. The purchase price for this new subsidiary was \$10 million in cash with \$1 million on closing and the remainder to be paid monthly. The MedTech patent portfolio covers inventions and technology related to kyphoplasty, intervertebral inserts and heart valve technology. At the end of October there was a ruling by the German court in Düsseldorf that MedTech had won its infringement trial against Stryker GmbH. The company expects to pursue an injunction within the borders of Germany on the strength of this ruling. Marathon is currently working with German counsel to get the injunction in place and expects to have further news on this enforcement case in the very near future. The second phase

of the Stryker trial will be in August 2015. It is called the nullity action where Stryker would challenge the validity of the patents being asserted against them.

As recently as early July 2014 the company owned a total of 208 patents and contracted rights for 10 additional patents. By mid-November the company's portfolio were about 370 patents with about 10% to 15% currently being enforced. As patents vary widely in terms of their value and as they are bought in packages from previous owners, only certain ones are worth pursuing in terms of enforcement. Also, multiple defendants in any given enforcement action may mean that some settle at one time while others delay. In many cases as it is a business decision on the part of the defendants as to when to settle, and may have to do with quarterly earnings expectations of their shareholders, it is more opportune for different defendants to settle at different times.

### **Convertible Debt Financing**

Marathon's financing closed on October 17, 2014, receiving \$5,550,000, of convertible notes due October 9, 2018 along with two-year warrants to purchase 129,499 shares, of Common Stock pursuant to a securities purchase agreement. The notes and warrants are initially convertible into shares of Marathon common stock at a conversion price of \$15.00 per share and an exercise price of \$16.50 per share, respectively. The conversion and exercise prices are subject to adjustment in the event of certain events, including stock splits and dividends.

Because revenues in any given quarter of the results of licensing agreements and events which are not within Marathon's control; the results tend to be quite variable quarter to quarter. There are eight Markman hearings scheduled for next year and the company believes others could be scheduled. Markman hearings are often a spur for defendants to negotiate license settlements. There are two Markman hearings scheduled for January, one in February, one in March, one in May, another in June and one each in August and October. There are two trial dates set already for 2015 and the company expects another one to be set, very possibly before the end of 2014. However, management points out that trial dates are not always set in advance.

### **Looking Forward**

Patent licensing revenues derived from different patent portfolios and settlements with different corporate entities are inherently sequentially volatile as they depend on agreement from those enforcing the patents with those who are paying for licenses they did not initially plan on paying for

### **Where we could be wrong (Risks):**

Introduction of Opus analytics may not be successful and therefore not add additional consistent revenue stream to the revenue mix.

MARA's case with Apple may not be successful and thus lower expectations for the future cash flows of the firm.

Although a highly scalable business model with strong operating leverage, this adds significant risk relative to a more variable cost structure given that if revenues do not come thru as expected, the business would experience significant losses.

## Appendix:

### Discounted Cash Flow (DCF) Analysis

Fiscal Year Ending (\$MMs)	12/31/14	12/31/15	12/30/16	12/30/17	12/30/18	12/30/19	12/29/20
<b>Revenue</b>	<b>\$28.00</b>	<b>\$44.00</b>	<b>\$59.40</b>	<b>\$77.22</b>	<b>\$96.53</b>	<b>\$115.83</b>	<b>\$133.20</b>
EBIT	-\$2.74	-\$15.40	\$0.59	\$3.86	\$7.72	\$13.90	\$18.65
Less: Taxes	-\$0.96	-\$5.39	\$0.21	\$1.35	\$2.70	\$4.86	\$6.53
<b>Debt-Free Earnings</b>	<b>-\$1.78</b>	<b>-\$10.01</b>	<b>\$0.39</b>	<b>\$2.51</b>	<b>\$5.02</b>	<b>\$9.03</b>	<b>\$12.12</b>
Less: Capital Expenditures	-\$5.00	-\$5.00	-\$5.00	-\$5.00	-\$5.00	-\$5.00	-\$5.00
Less: Working Capital Requirements	-\$0.14	-\$0.22	-\$0.30	-\$0.39	-\$0.48	-\$0.58	-\$0.67
Add: Depreciation and Amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Net Investment</b>	<b>-\$6.92</b>	<b>-\$15.23</b>	<b>-\$4.91</b>	<b>-\$2.88</b>	<b>-\$0.46</b>	<b>\$3.46</b>	<b>\$6.46</b>
<b>Net Debt-Free Cash Flows:</b>	<b>-\$8.70</b>	<b>-\$25.24</b>	<b>-\$4.52</b>	<b>-\$0.37</b>	<b>\$4.56</b>	<b>\$12.49</b>	<b>\$18.58</b>
Discount Period	1.10	1.22	1.35	1.49	1.64	1.82	2.00
Discount Factor @ 10.4%	0.90	0.89	0.87	0.86	0.85	0.84	0.82
<b>PV of Net Debt-Free Cash Flows:</b>	<b>-\$7.80</b>	<b>-\$22.36</b>	<b>-\$3.96</b>	<b>-\$0.32</b>	<b>\$3.87</b>	<b>\$10.43</b>	<b>\$15.22</b>
<b>Terminal Value Assumptions</b>		<b>DCF - Price Target - 2015</b>					
Terminal Revenue (2020)	\$127.3	<b>Total EV (\$MMs)</b>		<b>\$104.9</b>			
Terminal Multiple	0.7x	Total Debt		\$5.1			
<b>Terminal Value</b>	<b>\$89.1</b>	Total Cash		\$6.5			
Discount Period	\$1.6	<b>Total Equity Value</b>		<b>\$106.3</b>			
Discount Factor @ 10.4%	\$1.2	Shares Out.		5.7			
<b>PV of Terminal Value</b>	<b>\$75.7</b>	<b>Price Target</b>		<b>\$18.51</b>			
<b>PV of FCF</b>	<b>\$29.2</b>	Current Price		\$14.43			
<b>Total EV (\$MMs)</b>	<b>\$104.9</b>	<b>Upside</b>		<b>28%</b>			

Source: Midtown Partners Estimates, Capital IQ

Income Statement																	
Millions	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E	FYE13	LTM14	FYE14E	FYE15E	FYE16E
Currency	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Revenue	-	\$1.52	\$0.71	\$1.18	\$2.78	\$3.82	\$13.46	\$7.94	\$8.80	\$8.80	\$13.20	\$13.20	\$3.42	\$8.50	\$28.00	\$44.00	\$59.40
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	\$1.52	\$0.71	\$1.18	\$2.78	\$3.82	\$13.46	\$7.94	\$8.80	\$8.80	\$13.20	\$13.20	\$3.42	\$8.50	\$28.00	\$44.00	\$59.40
Cost Of Goods Sold	-	\$0.28	\$0.40	\$0.27	\$1.11	\$1.75	\$5.58	\$4.45	\$3.96	\$3.96	\$5.94	\$5.94	\$0.96	\$3.54	\$12.89	\$19.80	\$29.70
Gross Profit	-	\$1.24	\$0.31	\$0.91	\$1.67	\$2.07	\$7.87	\$3.49	\$4.84	\$4.84	\$7.26	\$7.26	\$2.46	\$4.96	\$15.11	\$24.20	\$29.70
Selling General & Admin Exp	\$0.70	\$1.58	\$0.96	\$1.83	\$1.50	\$1.45	\$2.18	\$2.24	\$1.98	\$1.98	\$2.97	\$2.97	\$5.10	\$5.74	\$7.36	\$9.90	\$12.77
R & D Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amort.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amort. of Goodwill and Intan	\$0.02	\$0.48	\$0.38	\$0.18	\$0.45	\$0.94	\$1.48	\$0.84	\$0.97	\$0.97	\$1.45	\$1.45	\$1.04	\$1.96	\$3.72	\$4.84	\$6.24
Other Operating Expense/(In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Exp., Total	\$0.71	\$2.06	\$1.35	\$2.01	\$1.95	\$2.39	\$3.66	\$3.08	\$2.95	\$2.95	\$4.42	\$4.42	\$6.14	\$7.70	\$11.08	\$14.74	\$19.01
<b>Operating Income</b>	<b>(\$0.71)</b>	<b>(\$0.82)</b>	<b>(\$1.04)</b>	<b>(\$1.10)</b>	<b>(\$0.28)</b>	<b>(\$0.32)</b>	<b>\$4.21</b>	<b>\$0.41</b>	<b>\$1.89</b>	<b>\$1.89</b>	<b>\$2.84</b>	<b>\$2.84</b>	<b>(\$3.68)</b>	<b>(\$2.74)</b>	<b>\$4.03</b>	<b>\$9.46</b>	<b>\$10.69</b>
Interest Expense	\$0.00	-	\$0.00	\$0.00	-	\$0.00	\$0.02	\$0.14	\$0.11	\$0.11	\$0.11	\$0.11	(\$0.00)	(\$0.00)	\$0.16	\$0.44	\$1.19
Interest and Invest. Income	\$0.00	-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.14	\$0.11	\$0.11	\$0.11	\$0.11	\$0.00	\$0.00	\$0.14	\$0.44	\$0.00
<b>Net Interest Exp.</b>	<b>\$0.00</b>	<b>-</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.02</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.02</b>	<b>\$0.00</b>	<b>\$1.19</b>
Other Non-Operating Inc. (E)	-	\$0.00	-	-	-	(\$0.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	(\$0.00)	(\$0.00)	\$0.00	\$0.00
<b>EBT Excl. Unusual Items</b>	<b>(\$0.71)</b>	<b>(\$0.82)</b>	<b>(\$1.04)</b>	<b>(\$1.10)</b>	<b>(\$0.28)</b>	<b>(\$0.32)</b>	<b>\$4.19</b>	<b>\$0.41</b>	<b>\$1.89</b>	<b>\$1.89</b>	<b>\$2.84</b>	<b>\$2.84</b>	<b>(\$3.68)</b>	<b>(\$2.74)</b>	<b>\$4.01</b>	<b>\$9.46</b>	<b>\$9.50</b>
Impairment of Goodwill	-	-	-	-	-	-	\$2.14	-	-	-	-	-	-	-	-	-	-
Gain (Loss) On Sale Of Inve:	-	-	(\$0.04)	\$0.00	-	-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.04)	(\$0.04)	\$0.00	\$0.00	\$0.00
Other Unusual Items	-	-	-	-	-	-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	-	\$0.00	\$0.00	\$0.00
<b>EBT Incl. Unusual Items</b>	<b>(\$0.71)</b>	<b>(\$0.82)</b>	<b>(\$1.08)</b>	<b>(\$1.10)</b>	<b>(\$0.28)</b>	<b>(\$0.32)</b>	<b>\$2.04</b>	<b>\$0.41</b>	<b>\$1.89</b>	<b>\$1.89</b>	<b>\$2.84</b>	<b>\$2.84</b>	<b>(\$3.71)</b>	<b>(\$2.78)</b>	<b>\$4.01</b>	<b>\$9.46</b>	<b>\$9.50</b>
Income Tax Expense	-	-	-	-	-	-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	-	\$0.00	\$0.00	\$3.33
<b>Earnings from Cont. Ops</b>	<b>(\$0.71)</b>	<b>(\$0.82)</b>	<b>(\$1.08)</b>	<b>(\$1.10)</b>	<b>(\$0.28)</b>	<b>(\$0.32)</b>	<b>\$2.04</b>	<b>\$0.41</b>	<b>\$1.89</b>	<b>\$1.89</b>	<b>\$2.84</b>	<b>\$2.84</b>	<b>(\$3.71)</b>	<b>(\$2.78)</b>	<b>\$4.01</b>	<b>\$9.46</b>	<b>\$6.18</b>
Earnings of Discontinued Op	\$0.11	\$0.01	\$0.15	\$0.00	-	-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.26	\$0.15	\$0.00	\$0.00	\$3.15
Extraord. Item & Account. Ch	-	-	-	-	-	-	\$1.48	-	-	-	-	-	-	-	-	-	-
Net Income to Company	(\$0.61)	(\$0.81)	(\$0.94)	(\$1.10)	(\$0.28)	(\$0.32)	\$3.52	\$0.41	\$1.89	\$1.89	\$2.84	\$2.84	(\$3.45)	(\$2.63)	\$4.01	\$9.46	\$3.03
Minority Int. in Earnings	-	-	-	-	-	-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	-	\$0.00	\$0.00	\$0.00
<b>Net Income</b>	<b>(\$0.61)</b>	<b>(\$0.81)</b>	<b>(\$0.94)</b>	<b>(\$1.10)</b>	<b>(\$0.28)</b>	<b>(\$0.32)</b>	<b>\$3.52</b>	<b>\$0.41</b>	<b>\$1.89</b>	<b>\$1.89</b>	<b>\$2.84</b>	<b>\$2.84</b>	<b>(\$3.45)</b>	<b>(\$2.63)</b>	<b>\$4.01</b>	<b>\$9.46</b>	<b>\$3.03</b>
<b>Normalized Net Income</b>	<b>(\$0.46)</b>	<b>(\$0.53)</b>	<b>(\$0.68)</b>	<b>(\$0.71)</b>	<b>(\$0.18)</b>	<b>(\$0.21)</b>	<b>\$3.52</b>	<b>\$0.26</b>	<b>\$1.23</b>	<b>\$1.23</b>	<b>\$1.84</b>	<b>\$1.84</b>	<b>(\$2.39)</b>	<b>(\$1.78)</b>	<b>\$2.61</b>	<b>\$6.15</b>	<b>\$6.18</b>
<b>Normalized EPS</b>	<b>(\$0.13)</b>	<b>(\$0.13)</b>	<b>(\$0.13)</b>	<b>(\$0.13)</b>	<b>(\$0.03)</b>	<b>(\$0.04)</b>	<b>\$0.61</b>	<b>\$0.05</b>	<b>\$0.21</b>	<b>\$0.21</b>	<b>\$0.32</b>	<b>\$0.32</b>	<b>(\$0.52)</b>	<b>(\$0.33)</b>	<b>\$0.45</b>	<b>\$1.07</b>	<b>\$0.90</b>
Basic EPS	(\$0.17)	(\$0.19)	(\$0.18)	(\$0.20)	(\$0.05)	(\$0.29)	\$0.61	\$0.05	\$0.21	\$0.21	\$0.32	\$0.32	(\$0.75)	(\$0.72)	\$0.45	\$1.07	\$0.90
Basic EPS Excl. Extra Items	(\$0.20)	(\$0.19)	(\$0.21)	(\$0.20)	(\$0.05)	(\$0.29)	\$0.61	\$0.05	\$0.21	\$0.21	\$0.32	\$0.32	(\$0.81)	(\$0.75)	\$0.45	\$1.07	\$0.90
Weighted Avg. Basic Share:	3.50	4.25	5.23	5.43	5.49	5.51	5.75	5.75	5.75	5.75	5.75	5.75	4.60	5.41	5.75	5.75	6.90
Diluted EPS	(\$0.17)	(\$0.19)	(\$0.18)	(\$0.20)	(\$0.05)	(\$0.29)	\$0.44	\$0.03	\$0.15	\$0.15	\$0.23	\$0.23	(\$0.75)	(\$0.72)	\$0.45	\$1.07	\$0.69
Diluted EPS Excl. Extra Item	(\$0.20)	(\$0.19)	(\$0.21)	(\$0.20)	(\$0.05)	(\$0.29)	\$0.44	\$0.03	\$0.15	\$0.15	\$0.23	\$0.23	(\$0.81)	(\$0.75)	\$0.45	\$1.07	\$0.69
Weighted Avg. Diluted Share	3.50	4.25	5.23	5.43	5.49	5.51	7.98	7.98	7.98	7.98	7.98	7.98	4.60	5.41	7.98	7.98	8.90

Source: Capital IQ Estimates, Midtown Partners Estimates

### Midtown Partners & Co. LLC. - Investment Ratings

Rating	Rating Description	Number of Companies Covered	Midtown Partners & Co. LLC Rating Distribution Percentage	Investment Banking Clients	Percent Banking Clients
Strong Buy	We expect these shares to increase in value by at least 20% over the next 12 months.	7	44%	0	0%
Buy	We expect these shares to increase in value by at least 10% over the next 12 months	2	8%	0	0%
Neutral	We expect these shares to remain within a range +/- 10% within the next 12 months	7	44%	0	0%
Sell	We expect these shares to decrease in value by at least 10% over the next 12 months				
Not Rated	The ratings for the subject company have been temporarily suspended by Midtown Partners & Co. LLC				

### Midtown Partners & Co. LLC & Co., Inc. - Risk Ratings

Rating	Rating Description
Low	Financial results of companies with a "Low" risk rating have a high level of predictability and / or their share prices are subject to low volatility as measured by Beta
Moderate	Financial results of companies with a "Moderate" risk rating have a moderate level of predictability and / or their share prices are subject to moderate volatility as measured by Beta.
High	Financial results of companies with a "High" risk rating have a low level of predictability and / or their share prices are subject to high volatility as measured by Beta.
Speculative	Financial results of companies with a "Speculative" risk rating have a very low level of predictability and / or their share prices are subject to high volatility as measured by Beta. Investments in these shares carry very high risk.

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