

Hearing Date and Time: January 7, 2015 at 10:30 a.m. ET

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*Counsel for the Debtor  
and Debtor-in-Possession*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	:	Chapter 11
	:	
AEREO, INC.,	:	Case No. 14-13200 (SHL)
	:	
Debtor.	:	

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**NOTICE OF FILING OF REVISED KEY EMPLOYEE INCENTIVE PLAN**

**PLEASE TAKE NOTICE** that, on November 20, 2014, Aereo, Inc., the above-captioned debtor and debtor-in-possession (the “Debtor”),<sup>1</sup> filed the *Debtor’s Motion for Entry of an Order Approving Key Employee Incentive Plan* [Docket No. 9] (the “Motion”),<sup>2</sup> which was initially scheduled to be heard at the December 19, 2014 hearing (the “December 19 Hearing”) before the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). At the December 19 Hearing, the Bankruptcy Court suggested that the Debtor consider potential revisions to its key employee incentive plan (the “KEIP”) after further

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<sup>1</sup> The last four digits of the Debtor’s taxpayer identification number are: 2838. Aereo, Inc. is a New York corporation.

<sup>2</sup> The Motion, the Declaration of Lawton W. Bloom attached as Exhibit C thereto (the “First Bloom Declaration”), the *Debtor’s Omnibus Response to Objections to Debtor’s Motion for Entry of an Order Approving Key Employee Incentive Plan* [Docket No. 71] (the “Response”), and the *Second Declaration of Lawton W. Bloom In Support of Debtor’s Motion for Entry of an Order Approving Key Employee Incentive Plan*, attached hereto as Exhibit A (the “Second Bloom Declaration”), are incorporated by reference as if fully set forth herein. To avoid duplicative argument, the Debtor relies on and respectfully refers the Court to the arguments and legal authority set forth in the Motion and Response.

review of metrics that have been approved in employee incentive plans other cases. Based on the Bankruptcy Court's remarks, the Debtor adjourned the Motion until January 7, 2014.

**PLEASE TAKE FURTHER NOTICE** that, following the December 19 Hearing, the Debtor has worked with its Chief Restructuring Officer, Lawton W. Bloom ("CRO"), and its attorneys to revise the terms of the KEIP. The Debtor believes that the revisions to the KEIP address the Bankruptcy Court's earlier concerns, are designed to achieve "above-and-beyond" performance from its eligible employees (the "Key Employees"), and are particularly appropriate in the unique circumstances present here, including, without limitation:

- None of the Debtor's assets are presently used to generate revenue, in any amount, given the Supreme Court's ruling in a preliminary injunction context that certain of the Debtor's prior business operations gave rise to copyright infringement claims. While those assets have a number of other and fully legal uses across many industries, each potentially determining in significant part the ultimate value that the Debtor is able to realize, the Debtor has insufficient resources and no intention to itself re-deploy such assets to operate and create revenue, and so each potential buyer must itself determine the particular use it finds most appropriate for those now-idle assets.
- The Debtor's Key Employees are working extraordinary hours and expending extraordinary effort to achieve a favorable outcome for the benefit of creditors and shareholders. Without those additional and substantial efforts, the outcome of the proposed Sale Transaction (as defined below) would be likely impaired.
- As previously indicated, the Debtor previously gave two of its Key Employees modest annual base salary increases aggregating \$70,000 per year, but reduced the annual base salaries of five of the Key Employees by up to 50%, constituting a savings of \$369,800 per year. See Motion ¶ 17 n.4; Response at 15-16.
- Following the December 19 Hearing, the Debtor's Chief Executive Officer, Chaitanya Kanojia, as well as its Senior Vice President of Communications and Government Relations, Virginia Thuy Lam Abrams, voluntarily elected not to participate in the KEIP, while still agreeing to continue to provide all efforts necessary to ensure that the sale of the Debtor's assets is for the best and highest price available.

- The moving Broadcasters<sup>3</sup> have undertaken an unprecedented litigation campaign in at least two courts to block or derail *any* sale of the Debtor’s assets, including by seeking to obtain advisory opinions as to how any potential buyer may or may not use the Debtor’s technology. Those litigations have caused the Debtor to suffer extraordinary costs and imposed extraordinary burdens on all of its limited remaining employees and have significant chilling effect on the Debtor’s ability to maximize value in this case.
- As recognized by the Supreme Court, the Debtor’s assets are truly unique, so there is no market reference or comparable transactions from which the value of the assets can be estimated.
- The Debtor has no operations or revenues, so value also cannot be estimated through traditional “discounted cash flow” models. In short, there are *none* of the traditional metrics available to debtors in other chapter 11 cases by which to benchmark value or to use to design “performance metrics” defining appropriate KEIP achievements – other than to achieve as soon as possible the highest and best price for the disposition of its assets.
- The Debtor does not have at this time a stalking horse bidder, any offer for its assets, or even any letters of intent.
- Despite the lack of any traditional metrics in this case to estimate asset value or to use as KEIP performance metrics, the Revised KEIP sets a value “floor” of \$4 million (the “Floor”) that must be realized from a sale, license or other disposition of any type (but not a reorganization) of the Debtor’s assets (the “Sale Transaction”) before the first dollar of KEIP bonuses are earned. The amount of the Floor is nearly \$2 million more than the estimated liquidation value of the Debtor’s assets of \$2 million, see Second Bloom Dec. ¶ 7, notwithstanding that there is no firm basis at this time to predict that values greater than liquidation values can be achieved.

**PLEASE TAKE FURTHER NOTICE** that a hearing to consider approval of the Motion and the revised KEIP is scheduled before the Honorable Sean H. Lane at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-1408 on January 7, 2015 at 2:00 p.m. (Eastern Time). The terms of the revised

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<sup>3</sup> The Moving Broadcasters here are WNET, THIRTEEN, Fox Television Stations, Inc., Twentieth Century Fox Film Corporation, WPIX, LLC, Univision Television Group, Inc., The Univision Network Limited Partnership, Public Broadcasting Service, American Broadcasting Companies, Inc., Disney Enterprises, Inc., CBS Broadcasting Inc., CBS Studios Inc., NBCUniversal Media, LLC, NBC Studios, LLC, Universal Network Television, LLC, Telemundo Network Group LLC, WNJU-TV Broadcasting LLC, KSTU, LLC, KUTV Licensee, LLC and Fox Broadcasting Company.

KEIP, and the eligible Key Employees<sup>4</sup> are set forth on Exhibit B hereto (the “Revised KEIP”).

For the Court’s convenience, a summary of the Revised KEIP is as follows:

- Key Employees may earn a bonus in the lesser amount of: (a) a Key Employee’s respective share of 5% of the gross proceeds from a Sale Transaction in excess of the \$4 million Floor (the “Sale Threshold Bonus”); or (b) 75% (*i.e.*, 9 months) of such Key Employee’s annual base salary (the “Maximum Sale Bonus”).
- Each Key Employee’s respective share of the Sale Threshold Bonus is calculated as the percentage of such Key Employee’s annual base salary as compared to the total aggregate amount of all Key Employees’ annual base salaries.
- The Maximum Sale Bonus that can be paid to Key Employees in the aggregate is approximately \$1.36 million. If the Maximum Bonus is earned, the Debtor will have realized value from a Sale Transaction of at least approximately \$31.22 million, which will be sufficient (in the Debtor’s view) to pay all creditors in full, and also provide recoveries to shareholders in excess of approximately \$15 million. In other words, about half of the proposed KEIP bonuses will be achieved and paid only if creditors are paid in full (again, according to the Debtor’s present view of allowable claims).
- The bonuses to be paid under the KEIP will be paid within 21 days following the closing of a Sale Transaction to Key Employees who either (a) remain employed by the Debtor on the date of the closing of the Sale Transaction, or (b) are involuntarily terminated (x) without cause attributable to the employee prior to the closing of such Sale Transaction, or (y) due to the Key Employee’s death or Disability (as that term is defined in Section 409A of the Internal Revenue Code of 1986).
- The bonus payments under the KEIP will be paid only from the proceeds of the Sale Transaction, and only in the event that the Debtor receives at least approximately \$2 million more than the Liquidation Value of its assets.

The Debtor reserves its right to make additional modifications to the Revised KEIP in advance of the Hearing.

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<sup>4</sup> The list of Key Employees on Exhibit B includes three additional KEIP participants from those previously identified in the Motion: (i) Francis Burke, Senior Manager of Finance; (ii) Tuen Hung Lee, Software Engineer; and (iii) Eva Mackay, Software Engineer. Ms. Burke has been employed by the Debtor prior to the Petition Date and was not included in the list of original KEIP participants because it was expected that her employment would end soon after the Petition Date. The Debtor has now determined, in its business judgment, that Ms. Burke’s services continue to be critical to the Debtor’s sale efforts and thus now intends to retain her on that basis through the Sale Transaction. Mr. Hung Lee and Ms. Mackay were Software Engineers terminated by the Debtor prior to the Petition Date. The Debtor has determined, in its business judgment, that its sale efforts require the services of Mr. Hung Lee and Ms. Mackay and has extended ordinary course offers of employment to these individuals. To the extent the employment offers are not accepted, the KEIP will be adjusted to remove those individuals and reduced accordingly to account for the reduced number of KEIP participants.

Dated: December 31, 2014  
New York, New York

Respectfully submitted,

By: /s/ William R. Baldiga  
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R. Benjamin Chapman, Esquire  
BROWN RUDNICK LLP  
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*Counsel for the Debtor  
and Debtor-in-Possession*

**EXHIBIT A**

**Second Declaration of Lawton W. Bloom**

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*Counsel for the Debtor  
and Debtor-in-Possession*

**UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re:	)	Chapter 11
AEREO, INC.,	)	Case No. 14-13200 (SHL)
Debtor	)	

**SECOND DECLARATION OF LAWTON W. BLOOM  
IN SUPPORT OF DEBTOR'S MOTION FOR THE ENTRY OF AN  
ORDER AUTHORIZING THE KEY EMPLOYEE INCENTIVE PLAN**

I, LAWTON W. BLOOM, declare under penalty of perjury:

1. I am a principal of Argus Management Corporation ("Argus"), a financial advisory services firm based in Grafton, Massachusetts, with an office in New York, New York. I submit this declaration in support of the Debtor's *Motion For The Entry Of An Order Authorizing The Key Employee Incentive Plan*, filed on November 20, 2014 (the "KEIP Motion"). Unless otherwise stated, I have personal knowledge of the facts stated herein.

2. I am the Chief Restructuring Officer ("CRO") for Aereo, Inc. (the "Debtor").

3. I refer to my previous declarations, each of which are fully incorporated herein: (a) *Declaration of Lawton W. Bloom In Support Of Debtor's Motion For The Entry Of An Order Authorizing The Key Employee Incentive Plan*, dated November 20, 2014 and attached as Exhibit C to the KEIP Motion (the "November 20 Bloom Declaration"); and (b) *Declaration Of Lawton*

*W. Bloom In Support Of Debtor's Response And Opposition To The Broadcasters' Motion To Stay Or Objection To Bidding Procedures Motion*, dated December 17, 2014 (the "December 17 Bloom Declaration").

**A. The December 19 Hearing**

4. At the hearing held on December 19, 2014 (the "December 19 Hearing"), the Court shared certain concerns it had with the key employee incentive plan proposed initially by the Debtor in its KEIP Motion, stating that it was "wary of awards solely on the basis of things that are going to happen anyway, that is, a sale transaction[,] confirming a plan or existing bankruptcy" because tying payment of an employee bonus to something that will happen "in any event" is not viewed as truly "incentivizing." See Dec. 19 Hr'g Tr. 101:19-24.

5. The Court suggested three metrics customarily used in other cases to ensure employee bonus plans were truly incentivizing, rather than retentive:

- including "some sort of floor for value" (id. 102:11-23);
- including specific times for accomplishing certain goals as a trigger for earning the bonus payments (id. 102:24-103:7); or
- including specific external efforts as triggers for earning bonus payments (id. 103:8-25).

**B. The Revised KEIP**

6. Following the December 19 Hearing, I worked with the Debtor and its counsel to revise the key employee incentive plan (as revised, the "KEIP") to address the Court's concerns, as well as those of the United States Trustee (the "UST") and other creditor parties. After significant review and consideration of each of the metrics suggested by the Court, and further analysis of the circumstances present in this case as compared to other cases in which key employee incentive plans have been approved or denied, we have revised the KEIP as follows:



- Key Employees may earn a bonus in the lesser amount of: (a) a Key Employee's respective share of 5% of the gross proceeds in excess of \$4 million (the "Floor") that the Debtor realizes from a sale, license or any other type of disposition (but not a restructuring) (the "Sale Transaction") of its assets (the "Sale Threshold Bonus"); or (b) 75% of such Key Employee's annual base salary (the "Maximum Sale Bonus").
- Each Key Employees' respective share of the Sale Threshold Bonus is calculated as the percentage of such Key Employee's annual base salary as compared to the total aggregate amount of all Key Employees' annual base salaries. The Maximum Sale Bonus that can be paid to Key Employees in the aggregate is approximately \$1.36 million.
- The bonuses to be paid under the KEIP will be paid within 21 days following the closing of a Sale Transaction to Key Employees who either (a) remain employed by the Debtor on the date of the closing of the Sale Transaction, or (b) are involuntarily terminated (x) without cause attributable to the Key Employee prior to the closing of such Sale Transaction, or (y) due to the Key Employee's death or Disability (as that term is defined in Section 409A of the Internal Revenue Code of 1986).

7. I believe the terms of the revised KEIP responsibly address the Court's concerns within the unique circumstances of this Debtor and this case. Specifically, the inclusion of the new "Floor" that must be reached before the Key Employees earn any bonuses establishes a clear, objective metric for the Court to conclude that the Key Employees are being incentivized to perform above and beyond their job functions to achieve increased value for the estate. Moreover, the terms of the revised KEIP, and specifically the inclusion of the Floor, is appropriate in this case for the following reasons:

- The Debtor's assets are unique.<sup>1</sup> As the Debtor has discontinued its prior business model, and generates no revenue, its assets do not have any established value. Rather, these assets have many potential and fully legal uses across various industries, all of which impact the value that the Debtor may receive, but each potential buyer must (with the Debtor's help, of course) determine the particular value these assets would have in the context of that buyer's existing business lines and opportunities presented here to expand or improve them.

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<sup>1</sup> The Debtor created a new business model that had no direct analogue in the market, as well as new technology that served that business model but can also be adapted to multiple uses. This situation is as far as possible from a situation in which a company sells an ongoing business or fungible assets.

- As of the filing of this Declaration, the Debtor still does not have a stalking horse bidder, an offer for its assets, or even any letters of intent to purchase. In addition, the Debtor is faced with conducting a Sale Transaction in the face of significant efforts by the moving Broadcasters (in two courts) to block or derail any such transaction, and threatened additional litigation to try to obtain advisory opinions even before the auction as to whether a potential buyer's use could give rise to liability, which is particularly chilling here given that most potential buyers do significant business with those objecting Broadcasters. The Broadcasters' efforts also create a disincentive for potential buyers to spend time and money evaluating the assets.
- Despite the Broadcasters' efforts, a liquidation sale of the Debtor's "hard assets" – that is, its physical equipment and other tangible assets – will likely occur, at some point, regardless of the outcome of all that litigation. However, in my opinion, and based on limited analyses that are reasonably available to me given the time available and the press of other demands in the on-going sale and litigation defense efforts, the estimated liquidation value of the Debtor's tangible assets is approximately \$2 million (the "Liquidation Value").<sup>2</sup> Realizing value beyond the Liquidation Value for the Debtor's assets, including its intangible assets such as intellectual property and proprietary software and technology, is highly uncertain and dependent on a number of factors, including, most significantly, the success of the Key Employees' efforts in marketing and selling the assets to any number of buyers across varying industries and demonstrating how these unique assets can be value-enhancing to the present operations of other complex business units, facilitating buyer due diligence, and managing the ongoing litigation and bankruptcy process to ensure that the company has the wherewithal and ability to complete a Sale Transaction if a willing buyer is secured. Setting a floor in excess of the Liquidation Value that must be reached before bonus payments are earned will therefore additionally incentivize the Key Employees to expend extraordinary efforts to market and sell the assets to potential buyers, well beyond the ordinary demands of their salaried positions, to achieve the best and highest price for the benefit of all parties.
- The Debtor's Key Employees are working extraordinary hours and expending extraordinary effort to achieve a favorable outcome for the benefit of creditors and shareholders. Without those additional and substantial efforts, the outcome of the proposed Sale Transaction (as defined below) would be likely impaired. Moreover, as previously indicated, the Debtor gave two of its Key Employees modest annual base

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<sup>2</sup> I estimated the liquidation value of the Debtor's assets based on my prior experience in asset liquidations, as well as through discussions with third-party liquidators. A detailed breakdown of the Liquidation Value and an explanation as to the methodology for calculating the Liquidation Value is attached hereto as Exhibit A (the "Liquidation Value Estimate").

salary increases aggregating \$70,000 per year, but reduced the annual base salaries of five of the Key Employees by up to 50%, constituting a savings of \$369,800 per year. See Motion ¶ 17 n.4; Response at 15-16.

- Following the December 19 Hearing, the Debtor's Chief Executive Officer, Chaitanya Kanojia, as well as its Senior Vice President of Communications and Government Relations, Virginia Thuy Lam Abrams, voluntarily elected not to participate in the KEIP, while still agreeing to continue to provide all efforts necessary to ensure that the sale of the Debtor's assets is for the best and highest price available.
- Because the Debtor's assets and its prior business are so unique, there is no readily comparable sale data. As indicated to the Court at the December 19 Hearing, there are no comparable companies (or, as indicated above, any offers or Letters of Intent to purchase the Debtor's assets) that can be evaluated to ascertain what floors may have been acceptable in other cases. See Dec. 19 Hr'g Tr. 110:1-5. Likewise, because the Debtor does not have any revenues or basis for expected earnings, the Debtor cannot predict what any entity would likely pay for its assets based on DCF or other traditional metrics. Id. at 109:22-25.
- Because of the uncertainty in achieving anything more than the Liquidation Value pursuant to a Sale Transaction, I believe that setting a Floor of \$4 million – nearly \$2 million more than the Liquidation Value – before any bonuses are earned is an appropriate metric that is designed to incentivize the Key Employees to achieve the best and highest value for the Debtor's assets. Moreover, the incentivizing nature of the KEIP is highlighted by the fact that the bonuses to be paid are calculated as a percentage of, and will be paid from, the gross proceeds in excess of the Floor. Thus, the value to the Key Employees is driven by the value achieved through the Sale Transaction, and not simply the fact that a Sale Transaction will occur.
- Finally, working with the Debtor and its professionals, we have concluded that the other metrics suggested by the Court are not appropriate in this case. First, as the Court recognized at the December 19 Hearing, tying bonus payments under the KEIP to stated time goals is not appropriate here, especially as the timing of the sale process has already been established by the Court's order approving the Bidding Procedures [Docket No. 110] (the "Bidding Procedures Order"), and the Key Employees' efforts are unlikely to affect the timing of any aspects of the sale process. Second, we have concluded that tying the KEIP to established external objectives would not make sense in the context of this case for various reasons, including that defining such efforts is at best difficult and, as the Court acknowledged, will likely lead to disputes down the road. See id. at 103:17-25. The unpredictable nature of such metrics,

in THIS case and for THIS debtor, would likely dilute the incentivizing nature of the KEIP.

8. For the foregoing reasons, I believe that the revised KEIP is appropriate given the unique nature of this case. The KEIP bonuses are not automatic, but instead provide objective and measurable goals that will require additional and considerable effort for the Key Employees to achieve. Moreover, the amounts to be paid are modest: 5% of gross proceeds in excess of the \$4 million Floor, capped at a maximum of \$1.36 million. If the Maximum Sale Bonus is achieved, the Debtor will have received value from the sale of its assets – \$31.22 million – that is sufficient (in the Debtor’s view) to pay all of the Debtor’s creditors in full, and also provide recoveries to shareholders in excess of \$15 million

9. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: December 31, 2014

/s/ Lawton S. Bloom  
Lawton W. Bloom

**Exhibit A**

**Liquidation Value Estimate**

(\$,000)

	<b>Nov MOR Net <u>Book Value</u></b>	<b>Estimated Liquidation <u>Value</u></b>
Cash	\$ 3,797	\$ -
Restricted Cash	629	-
Interest Receivable	2	-
Prepaid Expenses	853	-
Inventory	1,366	412
Mach & Equip - Off the Shelf	4,661	932
Mach & Equip - Aereo Custom	5,590	559
Computers	125	-
Injection Molds	17	-
Software	57	-
Furniture & Fixtures	53	53
Leasehold Improvements	678	-
Other Assets		
Security Deposits	31	-
Intellectual Property	766	-
<b>Total</b>	<b><u>\$ 18,626</u></b>	<b><u>\$ 1,956</u></b>

Below is a summary of the assumptions used to estimate liquidation value in each line item in the table above.

### **Cash and Restricted Cash**

We attribute zero liquidation value to the Debtor's cash because Debtor's cash on hand will not be included in Sale Transaction value.

### **Prepaid Expenses**

Prepaid expenses are primarily investments made to improve collocation spaces, prepaid insurance premiums, and professional retainers related to the bankruptcy filing. We attribute

zero liquidation value to the Debtor's Prepaid Expenses because we do not believe they will be transferable in the context of a liquidation.

### **Inventory**

The Debtor's inventory is held on consignment by three different vendors. It includes both raw materials and work in process (WIP) of \$659,000 and \$708,000 respectively. Since the WIP is products customized for the Debtor we do not believe it is sellable unless it is conjunction with a sale of the Debtor's technology. Therefore, we attribute zero liquidation value to the Debtor's WIP inventory.

For the raw material inventory, we estimate of 100% recovery in a liquidation assuming that it is primarily common components that can be readily resold. We believe this to be an aggressive estimate.

The Debtor owes pre-petition amounts to two of the three vendors holding material on consignment. These amounts, which totals \$247,000, would, need to be paid from any proceeds from the inventory in order for a liquidation to go forward. Deducting these claims reduces the liquidation value of the raw material inventory from \$659,000] to \$412,000.

### **Off the Shelf Machinery & Equipment**

Off the Shelf Machinery & Equipment should be readily saleable in a liquidation, but the value is limited by rapid cost decreases for new assets. The Debtor received a pre-petition proposal for a small subset of this equipment that valued the equipment at 8% to 20% of net book value. Post-petition, the Debtor had another liquidator evaluate this equipment who estimated liquidation values for various items ranging from 5% to 16% of net book value. For the purpose of our estimate, we have assumed a 20% of net book value recovery on Off the Shelf Machinery & Equipment in a hard asset liquidation. Based on the high-level feedback received to date regarding this machinery, we believe this to be an aggressive estimate.

### **Custom Machinery & Equipment**

The Custom Machinery and Equipment, which includes the Debtor's antenna arrays and transcoders, is designed to work with the Debtor's technology and intellectual property. Therefore, we believe that it will have limited value in the context of a hard asset liquidation. Pre-petition, the debtor spoke to liquidators about buying the antenna boards and transcoders and could not find anyone interested. Scrap value of the Custom Machinery & Equipment is estimated to be less than 1% of net book value. We have assumed 10% recovery on net book value for the Custom Machinery and Equipment in a hard asset liquidation.

### **Computers**

The Debtor does not intend to sell its personal computing equipment. Therefore, we have attributed zero liquidation value to computers.

### **Injection Molds**

Injection Molds are customized for the Debtor, and, therefore, have no value outside the context of a sale of the Debtor's technology and intellectual property. For this reason, we attribute zero liquidation value to the Debtor's Injection Molds.

### **Software**

The Software included in the Debtor's assets is third party software that is unlikely to be transferable in a liquidation. Therefore, we have attributed zero liquidation value to the Debtor's Software.

### **Furniture & Fixtures**

The Debtor's Furniture and Fixtures are primarily office furniture which should be readily saleable in a liquidation. Absent any third party advice on value, we have assumed a 100% of net book value recovery on Furniture & Fixtures.

### **Leasehold Improvements**

Leasehold Improvements are generally not transferable in a liquidation. Therefore, we have attributed zero liquidation value to the Debtor's Leasehold Improvements.

### **Security Deposits**

If the Security Deposits are recovered, they will not be included in Sale Transaction value. Therefore, we attribute zero liquidation value to the Debtor's Security Deposits.

### **Intellectual Property**

Intellectual Property is not a hard asset and, therefore, is excluded from the hard asset liquidation value estimate.



**Exhibit B**  
**Aereo, Inc. Revised KEIP**

Sale Transactional Bonus = lesser of: (a) 75% of annual base salary (Maximum Transaction Bonus); or (b) an employee's respective share of 5% of gross transaction proceeds in excess of \$4 million (calculated as the percentage of an employee's annual base salary as compared to total annual base salaries); to be paid to Key Employees who either (i) remain employed by the Debtor on the date of the closing of the Sale Transaction (defined as a sale, licensing or other disposition (but not a restructuring) of the Debtor's assets), or (ii) are involuntarily terminated (x) without cause attributable to the employee prior to the closing of such Sale Transaction, or (y) due to the Key Employee's death or Disability (as that term is defined in Section 409A of the Internal Revenue Code of 1986.

<b>KEY EMPLOYEES</b>				
<b>Name</b>	<b>Title</b>	<b>Annual Base Salary (1)</b>	<b>Roles and Responsibilities</b>	<b>Maximum Transactional Bonus</b>
<b><u>Business Development and Customer Strategies</u></b>				
Mouille-Berteaux, Alex	Chief Commercial Officer	200,000	>> Advise and support management and CRO in connection with restructuring transaction efforts by providing analysis of product performance/market potential in various applications or settings >> Management of company databases, including in connection with preservation obligations related to pending litigations	150,000
<b><u>Information Technology and Infrastructure</u></b>				
Lipowski, Joseph	Chief Technology Officer	160,000	>> Management/Maintenance of all information technology, network administration, information and data retention on equipment and networks/databases, and security functions at various facilities as appropriate	120,000
Helgeson, Michael	Director of User Experience Development	135,000	>> Maintain physical equipment and technology to ensure no degradation in performance or functionality	101,250
Greenleaf, Jonathan	Director of Information Systems	140,000	>> Design and implement strategy to consolidate all physical assets into central storage location and return vacated premises to appropriate conditions	105,000
Eva Mackay (2)	Principal Software Engineer	126,000	>> Work with CRO to inventory and account for all of the Company's physical assets and advise as to potential resale values and strategies, and actively market to potential purchasers on secondary market	94,500
Tuen Hung Lee (2)	Lead Firmware Software Engineer	73,000	>> Advise as to technology built by Company in connection with due diligence and possible integration support for potential purchaser	54,750
Loveland, Brian	Director of Infrastructure Operations	131,000	>> Implement strategy for technical aspects of document and equipment preservation	98,250
<b><u>Finance and Administration</u></b>				
Rivera, Ramon	Secretary, Treasurer and Chief Financial Officer	200,000	>> Provide services as CFO >> Provide operational and strategic financial analysis and projections to CRO regarding company's financial positions >> Provide accounting oversight and maintenance, preservation and reconciliation of books and records in anticipation of sale of company/company's assets >> Assist in handling negotiations and claims issues with vendors/suppliers/utilities  >> Provide maintenance and wind down support of payroll and benefits administration, including ongoing COBRA obligations and administering/winding down 401(k) >> Facilitate efforts to consummate sale of company/company's assets	150,000

Calabro, Matthew	Director of FP&A and Revenue	115,000	>> Act as Assistant Controller and provide support and management functions for VP of Finance and Administration >> Facilitate all due diligence requests from potential purchasers >> Advise as to tax issues relating to Company	86,250
Francis Burke	Senior Finance Manager	100,000		75,000
<b>Legal Services Team</b>				
Cotter, Brenda	General Counsel	250,000	>> Manage all internal legal functions of debtor in possession, including contracting and other issues >> Provide support and advice to Company's restructuring professionals in connection with bankruptcy process, litigation efforts and preservation of assets; oversee litigation counsel in their continuing role to advise about, supervise and manage document preservation and collection  >> Act as legal advisor and internal counsel in connection with outstanding copyright litigation and any related contingent liability >> Provide advice in connection with regulatory matters and interface with governmental agencies in connection with sale efforts >> Oversee with outside counsel legal aspects of patent and IP portfolio	187,500
Brown, Daniel	Deputy General Counsel	185,000	>> Manage certain internal legal functions of debtor in possession, including human resources, certain vendor agreements and other issues >> Provide support and advice to Company's restructuring professionals in connection with bankruptcy process, litigation efforts and proper preservation of assets >> Advise debtor in possession regarding outstanding copyright litigation and any related contingent liability >> Provide advice in connection with regulatory matters and interface with governmental agencies in connection with sale efforts	138,750
<b>Total</b>		<b>1,815,000</b>		<b>1,361,250</b>

(1) Does not reflect the reductions to annual base salaries taken by 3 Key Employees as of November 10, 2014: Alex Moulle-Berteaux; Joseph Lipowski; and Brian Loveland.

(2) Former employee whose services the Debtor has determined, in its business judgment, are critical to the success of the Sale Transaction; offer of employment extended but not yet accepted. If offer is not accepted, individuals will be removed from Key Employees and KEIP will be recalculated accordingly.