

**Straight Path Communications Inc.**  
**Third Quarter Fiscal 2014 Earnings Call**  
**June 17, 2014**

**Operator:** Good day and welcome to the Straight Path Communications Fiscal Third Quarter Business Update Call and Webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key, followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your touchtone phone. To withdraw your question, please press star, then two. Please note this event is being recorded.

I would now like to turn the conference over to Rob Fink. Please go ahead.

**Rob Fink:** Thank you, Kate, and good morning and welcome to the Straight Path Communications Fiscal Third Quarter 2014 Business Update call. Again, my name is Rob Fink and I am with KCSA Strategic Communications, Investor Relations Advisor to Straight Path.

As a reminder, some of the matters Straight Path Management will discuss on this call are forward-looking statements. You should keep in mind that these forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, and that such statements are not a guarantee of future performance. In addition to the factors specifically noted in the forward-looking statements, such risks and uncertainties include, but are not limited to, general economic conditions and those factors discussed under the Risk Factors section of our annual report on Form 10-K and quarterly reports on Form 10-Q and other SEC filings. The forward-looking statements are made of this date and the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

Representing Straight Path today are Davidi Jonas, Chief Executive Officer; and Jonathan Rand, Chief Financial Officer. Let me quickly outline the agenda for today's call. Davidi will introduce Straight Path and take us through the Company's overall strategy. Jonathan will outline the Company's financial plans and provide visibility into the corporate milestones. Following Jonathan's comments, we'll open the call for questions.

With those comments complete, allow me to turn the call over to Davidi. Davidi, the floor is yours.

**Davidi Jonas:** Thanks Rob, and thank you everyone for joining us on today's call. As we quickly approach our first anniversary as an independent public

company, we continue to effectively execute against our long-term growth strategy and drive the value and market traction of our assets. We are operating at a highly efficient rate and making progress to transform our intellectual property and spectrum assets into revenue-generating businesses.

During the third fiscal quarter, we executed on our strategy to begin monetizing the intellectual property held in our IP group. We successfully entered into confidential settlements and license agreements with Google and Sony in the month of April. This brings the total settlement revenue amount since our August 2013 spin-off through the end of Q3 to \$12.3 million. In addition, we added another three licensees following the close of the third quarter, bringing the total since spinning off to seven licensees. I'll discuss these settlements and licensing agreements later on the call.

Our spectrum division also made significant progress during the quarter, forming new co-marketing partnerships with industry vendors that validate that our spectrum holdings are well positioned to capitalize on ongoing wireless network build-outs and hence achieve additional revenue-generating opportunities. We are encouraged by this progress and are confident that the steps we are taking to generate additional customers and revenues will result in increased value for our shareholders.

With that, I'd like to focus on our two business units to highlight our progress and our prospects. We continue to dedicate resources and focus on our spectrum subsidiary in an effort to develop a strategic plan that is focused on the near, mid and long-term prospects. Each of these timelines are based on market research and trends that indicate a significant opportunity for our unique portfolio of spectrum holdings combined with our entrepreneurial approach to leasing and partnering to maximize the value. The near-term opportunity to grow our revenue and further our market share is by introducing Straight Path Spectrum as a dynamic partner and provider of backhaul spectrum for point-to-point and point-to-multipoint license links, an important component of hundreds of existing and new wireless networks.

Straight Path Spectrum has developed a win-win solution that offers network operators a number of benefits, including faster time to market, handling of all FCC filings, and flexible lease terms. We leverage the existing sales personnel and brand recognition of our industry partner. As well, we are deepening our market branding as a premier provider of backhaul spectrum. In the third quarter, we announced a partnership with SAF Tehnika to bundle wireless radio equipment with spectrum links. This innovative bundled offering provides wireless network operators with a faster, more competitively priced method to deploy commercially licensed wireless links. This solution offers a compelling alternative to the traditional Part 101 license frequencies, particularly for those network operators who need rapid deployment in one of the many US cities facing frequency congestion.

We also secured a partnership with Alliance Corporation, a full service value-added wireless equipment distributor, which we announced after the close of the third quarter. Alliance will allow us to bundle our licensed Spectrum and expand our reach through several of Alliance's microwave radio manufacturers. We are in various stages of negotiation with over a half dozen leading equipment manufacturers and radio vendors to develop similar joint offerings whereby our deep portfolio of spectrum in both the 28 and 39 gigahertz frequencies can be leveraged to sell their gear to internet and communications service providers. These partnerships are designed to accelerate our go-to-market execution by highlighting the beneficial features of our spectrum to network operators. We expect that equipment sales will increase and new spectrum leases with Straight Path will be initiated, thereby increasing our revenue, market penetration, and our relevance to both equipment and service providers as a premier provider of backhaul spectrum.

Another important development in our near-term spectrum opportunity is that we have been part of two special temporary authority applications with the FCC, along with an innovative radio vendor offering a new point-to-multipoint wireless radio, together with two network operators. The FCC grants via the SCA a licensee the permission to operate a communications facility for a limited time to test commercial viability of new equipment. This is the first step to testing new equipment that leverages our spectrum to provide valuable competitive benefits to the deploying network operators.

Moving on to the midterm opportunities, we continue to see our spectrum assets as an ideal backhaul conduit for small cells, outdoor small cells in particular. Our spectrum holdings particularly in the 39 gigahertz band are deep and broad enough to connect millions of small cell telecommunication networks across the US. We see the most significant market potential lies within cities and congested areas where the demands are the greatest and our bandwidth is capable of meeting that growing demand. As we discussed on our last call, we expect more significant small cell opportunities in 2015 and beyond as the national cellular carriers continue to evaluate possible solutions.

Small cell deployments is a complicated undertaking, requiring site acquisition, automation, other technical issues, in addition to significant cap ex. Due to complexity, no single entity will provide a solution; rather, it will require collaboration and win-win partnerships between equipment vendors, systems integrators, rooftop owners, and bandwidth providers. In the meantime, we continue to focus our efforts on building relationships with relevant partners and anticipate a lengthy testing and sales cycle. We will continue to provide material updates in the coming quarters. At present, we are working with a non-disclosed leading mobile network operator and small cell manufacturer to develop a test bed with 39 gigahertz acting as the primary backhaul conduit.

Now let's turn our attention to the long-term opportunities for our spectrum assets. As we previously discussed, the wireless market is experiencing a spectrum crunch as there is not enough bandwidth in the mobile frequencies to support the growing demand. In order to compensate for the lack of available spectrum that has been used as mobile spectrum to-date, there is a growing body of research and testing focused on millimeter wave frequencies, specifically 28 and 39 gigahertz, as the next generation of mobile spectrum, often called 5G. Initial tests have shown that even in congested urban environments, there is reason to believe that within appropriate distances, millimeter spectrum and our frequencies can be a viable mobile access spectrum.

Straight Path is dedicated to supporting the study of millimeter wave frequencies. As such, Straight Path has joined the advisory board of NYU Wireless to support research efforts into millimeter wave spectrum. Straight Path sees an opportunity and significant value in the innovative research being conducted by NYU Wireless and its industrial affiliates. The other industry affiliate leaders include AT&T, Intel, Nokia, Samsung, and Qualcomm to advance research and development of next generation wireless networks. While the research and testing is in early stages and market adoption and implementation is expected to take four to seven years, the potential increase in the value of our spectrum portfolio could be quite significant.

In summary, we will continue to execute on the near term opportunities in front of us, work to position ourselves to take advantage of the midterm prospects while keeping ourselves on target to take advantage of what we believe is the most significant opportunity: next generation mobile spectrum, known as 5G.

I would now like to move over to our IP group. I will start by focusing on important milestones we achieved during fiscal Q3 and then turn to a discussion of upcoming events and future plans. As a reminder, we announced settlement agreements with Sharp and Bandwidth.com in the first fiscal quarter. In Q3, we added new licensees of our IP assets by entering into confidential license agreements with Google and Sony, bringing the aggregated total licensing to-date up to \$12.3 million since spinning off. It's important to note that in becoming a licensee, Sony also withdrew its Inter Partes reviews of our patents. In the early days of Q4, we secured three additional licensees for a total of \$3 million, including Panasonic.

We have demonstrated the broad applicability of our patents as we have now licensed to three distinct industries streaming media, voice-over IP, and the OEM industry. The revenue generated from the settlement and license agreements in the early phases of our licensing efforts provides a positive indication for our future ability to generate similar and perhaps even greater results. As the number of licensees continues to grow, we will, we expect, be more widely recognized as a legitimate licensor, which will benefit our future licensing efforts.

During the current quarter, we took additional actions to defend our IP assets, filing against Netflix in the Eastern District of Texas, having three Inter Partes reviews dismissed, and strategically moving to terminate the ITC investigation that we initiated. We are also in discussions with a number of parties to the cases we have filed to-date. Our actions in Texas against Blackberry, Huawei, Samsung, and ZTE are set for a claim construction hearing October of this year. As we look to the future, beyond the activities addressed thus far, we expect to undertake additional efforts to license our patents to infringing parties. This may take the form of additional actions in the appropriate legal venues as well as direct engagement with potential licensees. To sum up, we are optimistic about both business units and expect to report positive results in the coming quarters and beyond.

It is my pleasure to now turn the call over to our CFO, Jonathan Rand, to address our financial progress and prospects. Jonathan, the call is yours.

**Jonathan Rand:** Thank you Davidi, and thanks to all of you who are joining us on today's call. This morning, I will provide an overview of Straight Path's financial results for our fiscal 2014 third quarter ended April 30, 2014. I'll also provide insight into how GAAP is applied to our current results as well as describe milestones we will be pursuing in the upcoming quarters. Without disclosing details of any particular settlement and licensing agreement, I will say that we have been projecting near-term monetization of our intellectual property and we're glad to achieve these results this quarter, both in terms of the amount of revenue as well as the important strategic value of our Q3 licensees, Sony and Google.

Let's start off by reviewing some of the key highlights of our Q3 balance sheet. First, we are proud to point out that our cash on hand of \$15.6 million now exceeds the 15 million we held at our August 2013 spinoff. Also an improvement, our trade accounts receivable net rose from 3.8 million in Q2 to 4.9 at the end of Q3. This increase and the other increases throughout our balance sheet, such as other assets and deferred revenue, all relate to how we recognize the revenue and associated expenses primarily due to these IP settlements, reflecting the 12.3 million total we have settled since August 2013.

A significant increase is recognizable in our Q3 revenue, which more than doubled to 913,000 as compared with 454,000 for the second fiscal quarter 2014. This significant growth is a result of the allocation of the intellectual property settlements to this quarter. In subsequent quarters, until the patents expire in September 2015, we will be allocating revenue and related expenses to each quarter in our income statement as prescribed by GAAP, and respective changes will appear on our balance sheet as well. This process will run through our Q1 fiscal 2016.

Deeper in our income statement, total expenses decreased this quarter to 1.1 million for the quarter ended April 30 compared to the 1.3 million in Q2. The SG&A portion was 535,000. We view this SG&A spending as positive because our SG&A spending now totals 1.6 million after nine months into fiscal 2014, well within our projected SG&A spending of approximately 3 million for fiscal 2014. Lastly, our net income for the quarter was \$161,000 in the black compared with a net loss of 868,000 for Q2. The increase in Q3 was primarily due to the increase in revenues and other income recorded at 332,000.

To summarize the quarter, we are seeing a significant increase in revenues due to the early success of our IP group. We have increased our cash position over our initial capitalization and we are managing our SG&A burn well in line with our budgetary plans. Overall, this quarter represents the initial monetization of our IP assets in line with our earlier stated timelines and objectives.

I'll move on to describe several milestones to watch for in the coming quarters. For our intellectual property subsidiary, there is a likelihood that additional settlements will occur and the initiation of new protection actions will also occur. For our spectrum subsidiary, we expect to see more partnerships with radio vendors and equipment distributors, several new spectrum leasing customers, an upgraded marketing campaign to educate the wider wireless market about our national spectrum holding, and key new hires with industry experience to drive additional growth. The new spectrum customers are likely to demonstrate applications for our spectrum that should be expandable to additional customers as well.

We will continue to demonstrate some of the newest radio technology, working together with our spectrum as a critical next step for deploying network operators to determine which equipment to use for build-outs. We are excited about the market developments and the favorable industry feedback we hear concerning our spectrum holdings, and we believe we are on track via strong business development methods to be laying the groundwork that should result in significant monetization of the spectrum assets further down the road.

With that, let me turn the call back to Davidi for closing remarks.

**Davidi Jonas:** We are extremely pleased with our efforts to monetize our IP assets and remain on course to deliver tremendous value to our shareholders. We would like to thank our shareholders for joining our call today. We look forward to keeping you updated on our progress.

Operator, you may now open the call for questions.

**Operator:** Thank you. We will now begin the question and answer session. To ask a question, you may press star, then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the

keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Gerard Hallaren of Janco. Please go ahead.

**Gerard Hallaren:** Morning gents.

**Jonathan Rand:** Morning, Gerard.

**Gerard Hallaren:** (Inaudible) on a good quarter.

**Jonathan Rand:** Thank you.

**Gerard Hallaren:** I guess what I'm trying to understand and turn over in my head is about the IP settlements. You talk about how you deal with them according to GAAP, and as we all know, GAAP has many different options. Could you perhaps maybe simplify it for those of us who are unwashed and say, okay, we got X-amount in gross settlement, we gave this amount to lawyers, and what's on our balance sheet is a trade receivable of 100% of what we're going to receive, or whatever percent it's going to be once you receive it.

**Jonathan Rand:** This is Jonathan. I'll answer that, Gerard. A simple way to understand it is—I'm not focusing exactly on our balance sheet as much as it's an example, but if we settled a \$6 million suit and it was exactly at the beginning of the quarter that we received the \$6 million, it would show up as either cash since we received it in the quarter, or let's say we settled it but didn't receive it, then it would show up as a trades account receivable. But the full 6 million would show up in the balance sheet while the 6 million would be allocated equally pro rata over all the remaining quarters until the patent expires, so that's into the first quarter of our fiscal 2016.

So in this example, you'd see \$6 million in the balance sheet for revenue and you'd see \$1 million per the next six quarters that would show up in the income statement \$1 million, so you kind of have a prebooked \$1 million in this example for the next six quarters, and so too with the expenses. A good rule of thumb is to consider the expenses, the contingency fees as well as legal fees, legal expenses of about 50%. That's not an exact number in each settlement, but it's a good ballpark number to estimate, so that also would show up as a deferred expense in the balance sheet and then it would show up as expenses throughout the life of the patent pro rata for each of the six quarters.

**Gerard Hallaren:** Okay, great. Thank you very much. Then perhaps you could expand a little bit on any customer conversions that you and your partnerships have resulted in, and it may be too early for that.

**Jonathan Rand:** Yes, I think it is early for that. The process to deploy a network has many steps, so we're comfortable with taking a lot of the behind-the-scenes steps that are solid business dev – that might take two, three, four, five, six months until customers sign, but we wouldn't get those customers if we were not involved with these partners and taking these outreach steps.

So, I think the main indicator for us is that the vendors see an advantage for themselves to increase their own sales of hardware when they bundle it together with our spectrum, that it makes a compelling offering for network providers.

**Gerard Hallaren:** Absolutely, absolutely. This is sort of an odd technical point, and I wouldn't be surprised if—I mean, I sure don't know it, I'd love to know it. What is the highest speed radio that's available for your frequencies?

**Davidi Jonas:** There are radios that they get above a gig—above a gigabit per second depending on the latency of the radios. But it really depends; obviously different radios have different specs, different characteristics that will differentiate themselves, but frankly Canister Radio can get gigabit per second speeds.

**Gerard Hallaren:** Okay, great. Thank you very much, and job well done.

**Davidi Jonas:** Thank you.

**Operator:** Again if you have a question, please press star, then one. Our next question is from Brian Warner from Performing Capital. Please go ahead.

**Brian Warner:** Hi, good morning guys. Can you just sort of talk—maybe you can give us a sense of how many links are out there that are—either point-to-point or point-to-multipoint that are using your spectrum currently, and just maybe give us sort of a qualitative assessment of how you think they're working, sort of what you're seeing, and then maybe a sense of where the most interest in the applications that you're seeing the best result is coming from.

**Davidi Jonas:** Sure, thank you for the question. This is Davidi, I'll take that question. In terms of the number of links that we have out, that's a number that we don't disclose; and part of the reason also why we don't disclose the number is that there are different types of leasing arrangements that we enter into with a diverse customer base. Some of them are link-by-link, some of them are covering a broader geographical area, something that we call a block lease. Some of them are for smaller areas, some of them are point-to-point, some of them are point-to-multipoint. So in terms of a total number, we don't disclose, as well as the caveat to that being that we wouldn't be able to fully—to give a full handle on the exact number given some of the different types of deployments.

But we do see that number increasing over the next number of quarters as it increased already in this fiscal year, but we expect a significant ramp-up over the next three to four quarters.

**Brian Warner:** Thanks very much.

**Davidi Jonas:** Thank you.

**Operator:** There are no further questions at this time. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.