PharmStar Pharmaceuticals, Inc.

Intellectual Property Valuation

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Intellectual Property Valuation

PharmStar Pharmaceuticals, Inc. (PSP) has requested a valuation of their intellectual property relating to the Aquaprin™ soluble aspirin product, including patent applications and associated know-how, and the Aquaprin trademark.

The patent applications include:

(1) a patent application directed to the Aquaprin™ formulation; and
(2) a patent application directed to a quick dose administration device for administering a soluble aspirin product to an individual in need of such product, e.g., as a cardioprotective intervention

The following assessment provides a valuation of this intellectual property.

Executive Summary

Based on the subsequent analysis in this report, the intellectual property associated with the patent, know-how and trademark positions of PSP is valued at $32 million.

Background

The worldwide analgesic market is variously estimated at $30 to 75 billion dollars, with the U.S. market being in excess of $10 billion annually.

Approximately 84% of the U.S. population regularly uses non-prescription analgesics for minor pain relief for conditions such as headache, muscle ache or backache (Simmons Market Research, 2000). Over $2 billion worth of such analgesics are sold annually by supermarkets, drugstores and mass merchandisers.

The non-prescription analgesics market encompasses pain-relief medications having four major active chemical ingredients, aspirin, acetaminophen, ibuprofen and naproxen sodium. Familiar brand names in each of these segments include Tylenol (acetaminophen), Advil and Motrin (ibuprofen), Aleve (naproxen sodium), Bayer (aspirin or combination), Excedrin (acetaminophen or combination), Midol and Pamprin (varying formulas for menstrual pain relief). Of note, there is a significant discrepancy between actual differentiation of almost homogeneous medical products in this market segment and the perceived differentiation among different brands, resulting from advertising.

The ratio of advertising to sales in the nonprescription analgesics industry among various major manufacturers can range from 20 to 50% (Getting into Your Head(ache): Advertising Content for OTC Analgesics, Simon P. Anderson, Federico Cilibertoz and Jura Liaukonytex, Marketing Science Institute Working Paper, February 2008), highlighting the value attributed to brand identity.

Aspirin has a number of inherent advantages. Like other pain relievers of the type discussed above, aspirin is effective for treatment of pain, fevers, arthritis, and headaches, but unlike such other analgesic products, aspirin is the only pain reliever shown to reduce the risk of heart attack. In addition, aspirin is the oldest and best established of the common pain relievers, with well over a century of use throughout the world.

In the field of aspirin pain relievers, effervescent soluble aspirin products such as Aspro or Disprin are quite popular in other countries such as Australia, Canada, Great Britain and New Zealand. In the U.S., Alka-Seltzer, and effervescent formulation including aspirin, sodium bicarbonate and citric acid. Alka-Seltzer is the world's number one cure for hangover and is currently sold in over 100 countries, generating annual sales in excess of $100 million[1]. Overall, the soluble aspirin products market worldwide exceeds $2 billion.

The Aquaprin™ and Insta-Prin™ Products

The Aquaprin™ product being readied for commercial rollout is a third-generation soluble aspirin formulation.

The first-generation soluble aspirin products began to appear at the beginning of the last century. See, for example, U.S. Patent Number 740,703 issued in 1903. These early products were based on various soluble salts, lithium, sodium, potassium, calcium and magnesium as well as with organic amines and amino acids (lysine and ormthine), and were not stable formulations. Their instability resulted from water of crystallization contained in the salts, that resulted in degradation of aspirin into salicylic and acetic acids. Efforts to improve such products focused on removal of the water of crystallization, and formation of anhydrous salts, but the resulting compositions were difficult to handle and expensive to produce, involved unsuitably high levels of metallic elements, and were not economically competitive against aspirin.

Later developments in such first-generation products employed buffering coatings intended to neutralize gastric acidity. Clinical studies showed, however, that is not possible to coat aspirin tablets with sufficient amounts of buffering agent to totally neutralize gastric acid, and such buffering coatings are ineffective in preventing in soluble aspirin particles from adhering to gastrointestinal mucosa. Enteric coatings have

[1] More recently, Alka-Seltzer Gold has been introduced for relief of acid indigestion, heartburn and sour stomach. Alka-Seltzer Gold contains sodium bicarbonate, potassium bicarbonate and anhydrous citric acid, but it does not contain aspirin and correspondingly is deficient in the advantages associated with such active ingredient.

been alternatively utilize, but are subject to the same mucosal adhesion problems in the intestinal locus.

Subsequent first-generation soluble aspirin products include products based on soluble salts of aspirin, such as that disclosed in U.S. Patent No. 3,985,792, in which aspirin is reacted with sodium bicarbonate and water to form a sodium salt solution that then is treated with alcohol and cooled to crystallize sodium acetylsalicylate dihydrate. This dihydrate then is filtered, washed and dehydrated to provide the final product. Such product is, however, extremely susceptible to degradation by moisture, and additionally requires large amounts of alcohol that must be separated by distillation. Further, large amounts of sodium bicarbonate are required in these products, which carries the risk of hypertension from ingestion of sodium.

The shortcomings of the use first generation products were addressed in a second-generation formulation of soluble aspirin developed by Howard Phykitt, the inventor of the current Aquaprin™ product. The second-generation soluble aspirin product was patented by Mr. Phykitt in 1998 in U.S. Patent No. 5,723,453. This second-generation product was a stabilized, essentially sodium-free aspirin composition that was readily soluble in aqueous medium. It comprised aspirin granules of predetermined particle size and granular potassium bicarbonate with an outer surface layer of potassium carbonate on the granules in an amount greater than that required to neutralize the aspirin granules.

The third-generation soluble aspirin product developed by Mr. Phykitt achieves breakthrough advantages in taste, dissolution rate in water, and absence of microsolids residue. This third-generation product contains agglomerate granules containing powdered aspirin, powdered heat-treated bicarbonate salt, pharmaceutically acceptable resin and surfactant as ingredients. This is the new Aquaprin™ product. Mr. Phykitt has developed specially adapted manufacturing techniques for the high-volume production of such Aquaprin™ product, enabling it to be highly competitive with current nonprescription branded pain relievers, but of substantially lower manufacturing cost.

The Aquaprin™ product has numerous advantages in speed of relief, ease-of-use, levels of analgesia in relation to a corresponding amount of aspirin per se, and antacid behavior. The Aquaprin™ product has application to the treatment of headache, migraine, rheumatic pains, neuralgia, period pain, toothache and symptoms of colds and influenza.

Existing soluble aspirin products, have major deficiencies, as sodium or calcium-based compositions that require several minutes to dissolve in water, and leave residue and undissolved particles in a liquid. In addition, soluble aspirin products in the market in Europe, Middle East and Asia do not meet USP requirements for marketing in the United States. Alka-Seltzer® as the leading soluble aspirin product in the US, as the associated disadvantage of high sodium content, and such product is sold as an antacid/pain reliever and not as a daily aspirin regimen pain reliever and arthritis treatment.

In addition to the Aquadrin™ product, Mr. Phykitt has developed a product called the Insta-Prin™ Applicator, which is a device in which the potassium aspirin can be stored in

dry form, and upon need for administration, the Aquaprin™ product can be immediately mixed to a liquid dose form for administration at the onset of life-threatening cerebrovascular and coronary events. The Insta-Prin™ Applicator can be carried by emergency medical personnel, police, firemen and other first responder personnel, to facilitate immediate aspirin therapy intervention for prevention or amelioration of heart attack and stroke.

The Intellectual Property Assets

In considering the intellectual property of PSP, the prospective brand identity associated with the Aquaprin and Insta-Prin trademarks is a significant asset.

Although trademark rights are created by use in branding of products in the commercial marketplace, and in the absence of product branding have no associated goodwill, the value of the Aquaprin trademark is reflected by its having been approved for registration by the U.S. Patent and Trademark Office upon completion of the interstate commerce usage requirements, thus having official recognition of its distinctive character as a branding name. Since the water compatibility of the product is immediately connoted by the "Aqua" portion of the trademark and since the "prin" portion of the trademark has a suggestive association to "aspirin," Aquaprin is a well-considered and communicative branding of the prospective product. It therefore has an instant impact, and a highly memorable character.

The trademark Insta-prin is also highly memorable and closely associative with the character of the appertaining product. The "Insta" portion of the trademark is connotative of "instant" and the "prin" formative, as in the case of Aquaprin, as a suggestive association to "aspirin."

Since the value of trademarks as intellectual property resides predominantly in the goodwill and consumer brand recognition associated with them, and since trademarks are susceptible of potentially infinite duration dependent on their continued use in association with the product, the true value of these trademarks as proprietary assets will not be fully realized until the respective products achieve broad penetration of the consumer analgesic market, and become associated with the products in consumers' minds.

The Aquadrin™ product is covered by the claims of the U.S. patent application entitled "ANALGESIC COMPOSITION AND METHOD OF MAKING THE SAME" in the name of Howard Phykitt ("Aquadrin™ patent application"). The claims to the Aquadrin™ product in the Aquadrin™ patent application

> 1. A soluble aspirin composition, comprising agglomerate granules containing powdered aspirin, powdered heat-treated bicarbonate salt, pharmaceutically-acceptable resin and surfactant.

2. The soluble aspirin composition of claim 1, further comprising crystalline particles of pharmaceutically-acceptable acid and crystalline particles of heat-treated bicarbonate salt.

3. The soluble aspirin composition of claim 1, wherein the bicarbonate salt comprises one or more of potassium bicarbonate, sodium bicarbonate, calcium bicarbonate, magnesium carbonate and lithium carbonate.

4. The soluble aspirin composition of claim 1, wherein aspirin is present at a concentration of from 80 to 2000 mg.

5. The soluble aspirin composition of claim 1, wherein pH of the powdered heat-treated potassium bicarbonate is in a range of from 8.4 to 10.

6. The soluble aspirin composition of claim 1, wherein the pharmaceutically-acceptable resin is selected from the group consisting of polyvinyl pyrollidone, polyvinyl alcohol, acrylic acid polymers, methacrylic acid polymers, sulfonated styrenes, sulfonated dimethyl benzenes, modified celluloses, and dextrans.

7. The soluble aspirin composition of claim 1, wherein the pharmaceutically-acceptable resin comprises polyvinyl pyrollidone.

8. The soluble aspirin composition of claim 1, wherein the pharmaceutically-acceptable resin has a concentration in a range of from about 1.5 to about 4 percent by weight, based on total weight of the agglomerate granules.

9. The soluble aspirin composition of claim 1, wherein the pharmaceutically-acceptable acid is selected from the group consisting of citric acid, acetic acid, adipic acid, benzoate acid, caproic acid, malic acid, malonic acid, nicotinic acid, lauric acid, glycolic acid, oxalic acid, phosphoric acid, succinic acid, oleic acid, palmitic acid, proprionic acid, cinnamic acid, gluconic acid, stearate acid, and tartaric acid.

10. The soluble aspirin composition of claim 1, wherein the surfactant is selected from the group consisting of sodium laurel sulfate, polyoxyethylene sorbitan monolaurate, polyoxyethylene sorbitan monooleate, polyethylene glycol 300, propoxylated polyethylene glycol, polyoxyethylene lauryl ether, and diethylene glycol monoethyl ether.

11. The soluble aspirin composition of claim 1, wherein the surfactant comprises sodium laurel sulfate at a concentration in a range of from 0.01 to 0.1 weight percent, based on total weight of the agglomerate granules.

12. The soluble aspirin composition of claim 1, further comprising at least one ingredient selected from the group consisting of flavorants, sweeteners, and caffeine.

13. The soluble aspirin composition of claim 1, oil-free in character, and having a moisture content less than 0.5% by weight, based on total weight of the composition.

14. A dry solids analgesic composition, comprising (i) agglomerate granules containing powdered aspirin, powdered heat-treated potassium bicarbonate, pharmaceutically-acceptable resin and surfactant, (ii) crystalline particles of pharmaceutically-acceptable acid, and (iii) crystalline particles of heat-treated potassium bicarbonate.

15. The dry solids analgesic composition of claim 14, wherein aspirin is present at a concentration of from 80 to 2000 mg.

16. The dry solids analgesic composition of claim 14, wherein pH of the powdered heat-treated potassium bicarbonate is in a range of from 8.4 to 10.

17. The dry solids analgesic composition of claim 14, wherein the pharmaceutically-acceptable resin comprises polyvinyl pyrollidone.

18. The dry solids analgesic composition of claim 17, wherein the pharmaceutically-acceptable resin has a concentration in a range of from about 1.5 to about 4 percent by weight, based on total weight of the agglomerate granules.

19. The dry solids analgesic composition of claim 14, wherein the pharmaceutically-acceptable acid comprises citric acid, and the surfactant comprises sodium laurel sulfate.

20. The dry solids analgesic composition of claim 14, further comprising at least one ingredient selected from the group consisting of flavorants, sweeteners and caffeine.

21. The dry solids analgesic composition of claim 14, oil-free in character, and having a moisture content less than 0.5% by weight, based on total weight of the composition.

22. A method of making a soluble aspirin analgesic composition, comprising: agglomerating powdered aspirin and powdered heat-treated bicarbonate salt with a pharmaceutically-acceptable resin and surfactant, to form granular solids; and mixing the granular solids with

> crystalline particles of pharmaceutically-acceptable acid and crystalline particles of heat-treated bicarbonate salt, to yield the soluble aspirin analgesic composition.
>
> 23. A method of providing analgesia for a subject in need thereof, comprising mixing an effective amount of the dry solids analgesic composition of claim 14 with a solubilizing quantity of aqueous medium, to produce an effervescent analgesic solution for administration to such subject.

Although the U.S. Patent and Trademark Office will not be approving the patent on the Aquadrin™ patent application for some period of time (typically patent pendency periods of U.S. patent applications is on the order of 2-1/2 to 3 years), the claims of this application effectively cover the Aquadrin™ product and in light of prior studies of the prior art and the clear basis of distinction of the claims over the disclosures in the prior art, there is seen to be no impediment in such state of the art that would preclude issuing the above claims in a U.S. patent.

The Insta-Prin™ product is covered by the claims of the U.S. patent application entitled "EMERGENCY DOSE MEDICATION ADMINISTRATION DEVICE" in the name of Howard Phykitt ("Insta-Prin™ patent application").

The Insta-Prin™ patent application contains the following claims to the applicator product:

> 1. An emergency dose medication administration device, comprising separate compartments separated from one another by a barrier member, in which at least one of the compartments includes a bellowed portion which is expansible upon intermixing of compositions from the respective compartments of the device to form a therapeutic product, when the barrier member is pierced by a manually actuatable piercing element including a passage for administration of the therapeutic product to a patient.
>
> 2. The device of claim 1, wherein the compartments are interconnected to one another by a bellowed connection that is expansible upon piercing of the barrier member and intermixing of contents of the separate compartments.
>
> 3. The device of claim 1, wherein the barrier member comprises a membrane.
>
> 4. The device of claim 1, wherein the compartments are coaxial with one another.
>
> 5. The device of claim 1, further comprising a cap that is engageable with one of the compartments to overlie the piercing element.

6. The device of claim 1, wherein the piercing element comprises a hollow bore dispensing passage for administration of the therapeutic product.

7. The device of claim 1, wherein the piercing element includes an opening that communicates with the hollow bore passage, arranged so that when the piercing element has pierced the barrier member, the opening is in flow communication with the compartments, for dispensing of the therapeutic product.

8. The device of claim 1, wherein the piercing element is arranged for downward translation to pierce the barrier member.

9. The device of claim 1, wherein a first one of the compartments contains a dry solids water-soluble aspirin composition, and a second one of the compartments contains an aqueous medium, which in mixture with one another form the therapeutic product as an effervescing analgesic liquid.

10. An emergency dose medication administration device, comprising first and second compartments separated by a barrier member and coupled by an expansible member, with a lower one of the first and seccond compartments including a distal expansible portion, and with a drinking tube arranged with a piercing member at a distal end thereof for manually-actuated piercing of the barrier member to effect communication between the first and second compartments and intermixing of their contents, to produce a therapeutically effective composition for administration.

11. The device of claim 10, wherein the first compartment contains a dry solids water-soluble aspirin composition, and the second compartment contains an aqueous medium, which in mixture with one another form the therapeutically effective composition as an effervescing analgesic liquid.

12. An emergency dose medication administration device, comprising first and second compartments separated by a barrier member and coupled to one another, and a dispensing tube arranged to be manually actuated to disable the barrier member when translated into a dispensing position from a non-actuating position in which the barrier member is enabled to prevent contents of the first and second compartments from intermixing.

The claims of the Insta-Prin™ patent application appropriately cover the product device contemplated for commercialization. It is acknowledged that additional efforts directed to the refinement of the current design may provide additional grounds of patentability of the above claims, but we are unaware of any prior patents, published patent applications or other prior art to the above claims that would preclude their issue in a U.S. patent based on the Insta-Prin™ patent application. Further, the claims set out above can be further augmented with more specific coverage directed to the dry solids water-soluble aspirin composition in additional claims that may be added to the foregoing claims during prosecution of the Insta-Prin™ patent application. The foregoing provides an appropriate proprietary position to PSP on the Insta-Prin™ product.

Detailed Analysis

Our analysis of the intellectual property rights of PSP is based on the following:

the Aquadrin™ patent application;
the Insta-Prin™ patent application;
the Aquaprin™ trademark;
the Insta-Prin™ trademark;
the know-how possessed by PSP in the accumulated knowledge, skill and experience of Howard Phykitt related to analgesic composition formulations, and appertaining manufacturing and packaging techniques; and
various publications, statistical data and reports on patent valuation, market data and royalty rates, including sales data from various sources, including those identified in the Background section of this Intellectual Property Valuation.

It is to be appreciated that the valuation of any intellectual property is based upon a number of identifiable market factors and assumptions that may vary over time. Patents provide an exclusionary right that is limited to 20 years from the filing date of the earliest U.S. application to which priority is claimed (excluding provisional applications).[2] A wide variety of accepted[3] approaches can be utilized to determine the valuation of intellectual property ("IP"), three of the most widely accepted being: (1) The Cost Approach; (2) The Market Approach; and (3) The Income Approach.[4]

The Cost Approach considers the various cost elements involved in the creation of the intellectual property and the determination of a royalty rate that will recapture the

[2] 35 U.S.C. § 154(a)(2)
[3] There are a number of valuation firms and organizations, including: <www.bvappraisersconference.org/>; <www.pellegrinoandassociates.com>;
<http://www.journalofaccountancy.com/Issues/2004/Nov/20StepsForPricingAPatent.htm>; and
<http://ipmetrics.net>; etc.
[4] *See* Robert Pitkethly, *THE VALUATION OF PATENTS: A review of patent valuation methods with consideration of option based methods and the potential for further research*; The Said Business School University of Oxford
Park End Street, Oxford OX1 1HP (1997) at:
http://www.cambiotec.org.mx/cyted/documentos/avaluo/doc_rpitkethly1.pdf

expense of its development.[5] It therefore has limited utility since the technology is not priced competitively on "what the market can bear" principles.

The Market Approach values IP based upon comparing it to other assets that have recently exchanged under similar circumstances.[6] Since there is no recent "comparables" transactions from which data can be utilized, for sales or licensing of soluble aspirin products technology, this approach has limited applicability to the present determination, except to state that Howard Phykitt's second-generation soluble aspirin patent rights were previously independently assessed for value in 1997 (the "1997 analysis").

Based on the analgesic market at that time having an attributed value of $2.7 billion, with the powder segment (considered as distinct in that analysis from a tablet formulation such as Alka-Seltzer) being assessed at $32.7 million (1.2% of the analgesic market) based on market shares at that time of 56.3% for BC Powder, 37.9% for Goody's Powder, and 5.8% for Stanback (source: Drug Store News 11/18/96).

The 1997 analysis Incorporated present worth analysis, attainable market share, projected revenue and income from the patent, income analysis as based on capitalization of income analysis as well as discounted cash flow analysis, investor returns, cost of avoidance of the patent position, and license costs, the patent rights associated with the second-generation soluble aspirin products technology, based on a 17 year patent life (i.e., therefore assuming a three year pendency of the corresponding patent application) with the overall market in years 6-17 assumed to be flat, for analysis purposes, and profitability assumed to be that of year 5 with the continuous improvement of 3% per year based on the anticipated market penetration and sales revenues and a 15% capitalization rate, the then-present value determined for the second-generation soluble aspirin products patent rights in the 1997 analysis was $30,926,980, in 1997 dollars.

The 1997 analysis therefore incorporated the Income Approach, the third major valuation technique, which requires a patent owner in a hypothetical license transaction, as licensor to: (a) generate a cash-flow projection of incomes and expenses over the life-span of a license under an agreed scenario of incomes and costs, and to (b) determine the net present value (NPV) of the profit stream, based on a selected discount factor.

The Income Approach more closely realizes the true value of intellectual property patent assets when there is a reasonable projection of income and expenses (particularly with and without the intellectual property), predictable profit information, and reasonably computable market data. For these reasons, we are utilizing a modified Income Approach, factoring in an assumed scope of market share dominance[7] along with a standard pricing scheme for the stated share of the market and/or royalty rates.[8]

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[5] see, for example, http://en.wikipedia.org/wiki/Royalties#Approaches_to_royalty_rate

[6] *See* David Drews, *Intellectual Property Valuation Techniques*, IP Strategies in Deals, October 2004 at: http://www.ipmetrics.net/IPVT.pdf

[7] Market share would be a percentage of the whole.

[8] As an alternative to sales of product to the market, licenses are another means to effectuate control over a greater share of the market. This analysis assumes a royalty rate from licenses would be equivalent to that profit realized from products that are regularly sold, as factoring the costs incurred by licensees.

The underlying predicate of this modified Income Approach is that the value of a patent asset should directly correlate to the value of the prospective additional profit obtainable from fully exploiting the invention claimed in the patent application a resulting patent, as compared with profits obtainable without patent protection.

Here, the current market is taken as $30 million in the powder segment, approximately the same as in 1997 for such segment, and as $100 million for the Alka-Seltzer segment, for a total of $130 million. In the Alka-Seltzer segment, current online prices for 36 tablet boxes, containing 18 two-tablet packets of Alka-Seltzer, are available online at prices ranging from $5.65 to $10.67 per box, including prices by online Canadian pharmacies. Competitive pricing, based on a packet of the Aquaprin™ product, relative to the $5.65/box/18 packet competition, corresponding to a unit (packet) price of $.313 for Alka-Seltzer, suggests an Aquaprin™ product resale price of $.30 supported by aggressive advertising and promotional activities to be reasonable, consistent with a wholesale unit cost of $.20 and manufacturing unit cost of $.14, as an assumed structure providing a 30% margin.

A five-year time horizon is posited for achievement of market capture, following which sales would continue to grow albeit more slowly. This time horizon is selected because the basic composition patent would be issued at that point in time and additional patents would be pending to build out the intellectual property franchise, and the advantages accruing to patent-protected products early in their lifecycle would be most compelling.

A year 5 capture of 25% of the $130 million powder + Alka-Seltzer market would provide annual sales revenue of $32.5 million at the retail level for the Aquaprin™ product, and corresponding PSP sales for Aquaprin™ on the order of $22 million, and pretax net profit of $6.7 million.

The Insta-prin™ applicator product, by contrast, is sui generis, and has no established market, and its sales would be significantly smaller than the Aquaprin™ product, particularly since it is an emergency dose product, and therefore intended for emergency use. Since emergency dose products have a substantial longitudinal replacement time, with shelf-life being the primary determinant in the absence of emergency deployment, the market for the Insta-prin™ product will be created in a trailer fashion from the successful commercialization of the Aquaprin™ product, and therefore is posited to contribute only about 10% of the amount of the revenues attributable to the Aquaprin™ product. In the case of the fifth year PSP sales of Aquaprin™ product being $22 million and pretax profit of $6.7 million, as above calculated, the corresponding sales revenue and pretax net profit for the Insta-prin™ applicator product would be $2.2 million and $0.67 million, respectively, and the total revenues and pretax net profit attributable to the Aquaprin™ product and the Insta-prin™ applicator product would be $24.2 million and $7.37 million, respectively.

Since the 1997 analysis had posited a fifth-year pretax net profit of $7,172,699, the current analysis fifth-year pretax net profit of $7.37 million is remarkably close to the

valuation of the profit opportunity analysis conducted in 1997, a copy of which is appended hereto. Inasmuch as the current fifth-year pretax net profit value of $7.37 million is roughly 3% above the fifth-year pretax net profit value of the 1997 analysis, and the revenue profile of the Aquaprin™ product and the Insta-prin™ applicator product are expected to yield a conforming trajectory to that of the earlier analysis, it is reasonable to assume the total present value of $30,926,980 obtained in the earlier analysis to the correspondingly increased by about 3%. A corresponding total present value of the Aquaprin™ product and the Insta-prin™ applicator product is $31,854,789, or approximately $32 million in rough terms.

This total present value of $32 million is determined to be the value of the intellectual property rights associated with the Aquaprin™ product and the Insta-prin™ applicator product, since in the absence of the intellectual property applicable to these products, commercialization would not be viable, and there would be no barrier to entry to far larger competitors with correspondingly larger resources. The exclusionary rights associated with the proprietary patent position of PSP, together with the branding trademarks, and substantial know-how of Howard Phykitt, warrant such valuation.

We therefore conclude that the intellectual property rights relating to the Aquaprin™ product and the Insta-prin™ applicator product are fairly valued at $32 million.

HULTQUIST IP
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