
From: Richard Kahn [REDACTED]
Sent: Sunday, January 15, 2017 2:01 PM
To: Jeffrey Epstein
Subject: Fwd: Jawbone

in addition to not meeting any of cash flow promises / new partnerships / valuations promised on calls every 2 months with andrew Lindsay we were never aware of how dire position was that Hosain has had no fund payroll

if things were moving in right direction how come they are feuding with lackrock

Medtronic and Microsoft were 2 proposed partnerships yet Medtronic signs deal with Fitbit

<https://investor.fitbit.com/press/press-releases/press-release-details/2016/Medtronic-and-Fitbit-Partner-to-Integrate-Health-and-Activity-Data-into-New-CGM-Solution-for-Simplified-Type-2-Diabetes-Management/default.aspx>

Jason Child new CFO was supposed to take reins from Hosain and decision making - what happened?

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Begin forwarded message:

From: Richard Kahn [REDACTED]
Subject: Jawbone
Date: September 17, 2015 at 4:33:01 PM EDT
To: "Jeffrey E." <jeevacation@gmail.com>

I spoke with Andrew Linsey, Anna and Will from Code Advisors as Hosain was unavailable last week only \$5,000,000 of investment would be covered as this can only apply to preferred shares

Our investment in Series 5 was as follows:

Preferred 695,301 x .19113 = \$5,000,000
Common 1,260,233 x 3.96792 = \$5,000,000

I was told on call that valuation of company at time of Series 5 was \$650,000 post Series 6, 7, 8 and Blackrock note have further diluted our investment and although they would not give me an exact figure our new breakeven without Series 8 participation appears to be \$3,250,000

With Series 8 investment of \$833,000 I believe we would receive the following on a sale of company post April 28 2016

\$1,000,000 \$7,500,000 from preferred and 0 from common (0 received without Series 8)
\$2,000,000 \$7,500,000 from preferred and 0 from common (0 received without Series 8)
\$3,000,000 \$7,500,000 from preferred and 0 from common (0 received without Series 8)
\$3,250,000 \$7,500,000 from preferred and \$1,000,000 from common (\$10,000,000 received without Series 8)

it appears Series 8 protection provides protection from \$1,000,000 to \$3,250,000 on liquidation

April 28 2016 is key date as it is 1 year anniversary of Blackrock investment and if company sold before that date they have a 3x liquidation preference

As of last Friday they have raised \$33,000,000 of the \$35,000,000 needed for Blackrock to release final \$10,000,000
If that is achieved they would have raised since April 28 2015:

\$220,000,000 Blackrock original note
\$40,000,000 Series 8 JPM (34) and Sequia (6)
\$50,000,000 Blackrock additional
\$35,000,000 Series 8 (33mm raised to date)
\$50,000,000 Blackrock final
\$395,000,000 Total raised

As of Sep 11, 2015 there was cash flow as follows:

\$30,000,000 in cash
\$85,000,000 (Series 8 and final Blackrock)
\$115,000,000 potential cash

Once \$85,000,000 is secured they will finalize deal for an ABL credit line in the amount of \$50,000,000 that will be collateralized by AR and Inventory

They mentioned that Q4 would be cash flow positive however they did not elaborate on what their loss for 2015 or 2016 would be..

When I pressed them and said I thought they would be out of money by mid 2016 and we again may be further diluted with a Series 9 or 10 they responded that they had new management that would not allow this

They said Jason Child, new CFO, has already run analysis to ensure that they remain cash flow positive in 2016
Not sure that is so realistic as they also mentioned that Fitbit already has market share and that they will not chase market share via lower pricing or marketing

In addition they will not build large inventories with vendors if they need to conserve cash

Andrew stated that Hosain made poor non financially focused decisions and new CFO will not allow that moving forward

Jawbone believes it will be the leader in the next phase which will evolve from basic wellness to health and medical (blood pressure, respiration and oxidation)

Analogy was used that basic wellness market is similar to smartphones in the early 2000's and Symbian who was leader disappeared

My concerns are as follows:

- a) Jawbone is always one step behind and they keep jumping to the next Hot idea..
- b) There will inevitably be a Series 9 / 10 round as I believe they will again run out of cash middle of next year causing further dilution to Series 8 they are asking us to participate in

Andrew also sent email with codes for free UP 2 or UP 3 product

I will order and have for you on your next visit (do you have a color preference - black, silver, indigo and red?)

http://www.amazon.com/UP3-Jawbone-Activity-Tracker-Black/dp/B009E6DUK/ref=sr_1_1?ie=UTF8&qid=1442521265&sr=8-1&keywords=ds=up3

Please advise how you want to proceed with Series 8 proposed investment of 833,000
Thank you

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On Sep 17, 2015, at 2:38 PM, jeffrey E. <jeevacation@gmail.com> wrote:

did you check with hosssain re amount of investment covered

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please note

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