
From: Richard Kahn <[REDACTED]>
Sent: Wednesday, August 30, 2017 2:56 AM
To: Jeffrey Epstein
Cc: [REDACTED]
Subject: Fwd: Next

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
[REDACTED]

Begin forwarded message:

From: Neale Attenborough <[REDACTED]> Date:</=> August 29, 2017 at 10:50:47 PM EDT
To: Richard Kahn <[REDACTED]> Cc: Chris Lawler <[REDACTED]>
<mailto:[REDACTED]>, Tyler Shean <[REDACTED]>
<mailto:[REDACTED]>
Subject: Re: Next</=>

She did. [REDACTED]

On Aug 29, 2017, at 10:48 PM, Richard Kahn <[REDACTED]> <mailto:[REDACTED]> >>
wrote:

Did heather send dial in number. Please advise. Thank you.

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
[REDACTED]

On Aug 29, 2017, at 10:40 PM, Neale Attenborough <[REDACTED]>
<mailto:[REDACTED]> >> wrote:

Richard,<=p>

Not funny at all, just fact=al.

I think if we are to ultima=ely agree on value it will be important we agree on a set of facts:

1. = TTM EBITDA is \$=.7Million. If you disagree, please let us know precisely what items y=u disagree with in the number and we can discuss.

2. = The current cas= balance for the company is \$13.1 Million.

3. = The past three c=mparable transactions for companies in this market average an enterprise va=ue at ~10x multiple of EBITDA

a. =nbsp; Wilhelmina: 7x (=verage meaningful trading multiple since 2010)

b. =nbsp; Creative Artist= Agency: 10x (TPG acquisition, 2014)

c. =nbsp; IMG: 13x (WME a=quisition, 2013)

4. = We invested \$18=million for a 42% stake in the business, implying an enterprise value of \$4=.9 million.

5. = We received a b=na fide offer from OpenGate Capital which would have resulted in \$18 millio= in proceeds for us (and in fact a \$17 million distribution to Faith and Joel), and while they were, as you point out, contemplat=ng leverage in the <3x EBITDA range, it is in fact a relevant data point=and an independent look at value.

6. = One other note t=at is relevant to us, is that when Elite Models in Europe contacted us with=an interest in buying the company, Faith told me to relay to them that they would not contemplate selling to Elite for less t=an \$100 million (which at the time was a +10x synergy-adjusted EBITDA value=). Ultimately they walked based on that value requirement.<=span>

I would hope you agree that=the following is a commonly agreed upon formula for value:

a. =nbsp; Enterprise valu= = EBITDA x Market Multiple

b. =nbsp; Equity Value ==Enterprise Value + net cash (or – net debt).

One matter of judgment is what of the cash balance is "excess cash". Joel has said he believes all the cash is due to the models. The facts show that in the ordinary course of business the collection of receivables offsets the payables and in the past three years, the cash balance has only fluctuated by \$3 million, meaning anywhere from \$8-10 million on the balance sheet should be considered to be "excess cash", not needed for day-to-day operations. I have attached both a three year cash balance tracker and a current balance sheet for your review.

Using the above, a very modest calculation of value would be \$6.7 million of EBITDA x 5 multiple (a 50% discount to the market) or an enterprise value of \$33.5 million and if we took a conservative view of what excess cash is at the moment of \$8 million, would result in a total equity value of \$41.5 million. Our 42% would equate to \$17.4 million of proceeds to us. That is a multiple that has been deeply discounted to the market comps that were actually paid for companies in the same business.

We are, however, willing to take much less than this very discounted value calculation, as I have mentioned to you before. However, your proposal of \$5 million of proceeds to us represents an equity value of \$11.9 million ($\$5 / .42$), an enterprise value of \$3.9 million ($\$11.9 \text{ million} - \$8 \text{ million of excess cash}$) or an EBITDA multiple of 0.58x ($\$6.7 \times 0.58 = \3.9 enterprise value), a level that is far too low for us to accept.

I look forward to our discussion tomorrow morning.

Neale

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From: Richard Kah [mailto: [REDACTED]
Sent: Friday, August 25, 2017 11:51 AM
To: Neale Attenborough
Cc: Chris Lawler
Subject: Re: Next <mailto: [REDACTED]>

Pretty funny Neale...

Even the silly open gate proposal was in essence stepping into your shoes for only 6 million cash.

BACK THEN !!

Then proposing to distribute what they estimated to be almost the full total (14 of the 15 million of cash on the balance sheet. Chris I must point out that is more than it totals today. Then having Joel, Faith,

etc leverage themselves up by borrowing at 7 percent against the entire co in order to make a further distribution of an additional 15 million which on paper creates a highly inflated enterprise value. The only proposed 6 million cash infusion which is around the same amount that you are currently being offered. They=valued faith and joels ongoing equity (that they proposed they "keep in") silly, at 8mm which is roughly the same as we suggested. &nb=p; Financial engineering done well is like lipstick.. however not done well is also like lipstick. :) This is a personal service business, no more no less and suggesting that they leverage themselves up so you that they can pay themselves a higher salary is the HBS first year class that i am aware you have taken. Regarding the 18 million, we have distributions from Next directly to the former shareholders of the claxon offshore entity of approx 3. Regarding the receivables you can ask millie... sorry

PS Faith and joel will=have to borrow the money to buy you out at 5. . can be done, but not so eas=. they have never taken out real money from the company in any form: salary etc.... hence they have little net worth and current= lenders are not that comfortable with the potential liabilities.... &n=sp;

On Aug 24, 2017, at 4:50 PM, Neale Attenborough <<= href="mailto:[REDACTED]>[REDACTED]> wr=te:

I look forward to our conversation.

For the record, we did actually pay \$18MM for 42% of this business in 2008. At the time that represented an ~8x multiple of EBITDA. That is not a fictitious number. In addition we did receive a bid for about the same amount from Open Gate Capital, a reputable private equity firm. I do not understand why you say that it is "hardly legitimate". While I did say we didn't expect to receive what we paid, I did not say it was immaterial.

I don't follow most=of what you say below and look forward to hearing your clarification. =However, can you please clarify one statement specifically? What do you mean when you say the current receivables have not be reviewed in ye=rs?

Thanks,</=>

Neale

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From: Richard Kahn [mailto:
<mailto:[REDACTED]>]
Sent: Thursday, Aug=st 24, 2017 3:45 PM
To: Neale Attenboro=gh
Cc: Chris Lawler
Subject: Next

confirmed thank you

We have reviewed your statements that you sent to us a=ong with the K-1's and some financials. Frankly, some o= the numbers are inaccurate as a result of millie. Your annual financial statements were reviewed but not audited - shame on all of you... Your calculation of Ebitda includes thi=gs like adding back foreign exchange costs? board fees etc. Tha= is not the way we look at what is unfortunately for all merely a pe=sonal service business.

Faith and Joel make up the business, nothing more.&nb=p; We calculate the Ebidta, which we think is an odd way of measuring=value of a personal service biz with lots of competition and small growth o=portunitiess if any. Giving you the benefit of the doubt, and ignoring how much you paid or if some of that money=was repaid directly to the former owners of Claxon and not truly understand=ng what you described as a fixed tax payment per quarter (ie based on what I=think looking back over the past three years) ebitda looks like 4-5 million. We have bought man= small biz and usually pay mom and pops for 1- 3 times ebita or more usuall= 4 times net income. We are finding it difficult to get t= more than a 15 million total value for Next (not including liabilities). The 18 million dollar bid that you mentioned Faith said was h=rdly legitimate. I think further review of the accounting tax etc. i= probably a waste of all our time. As you rightly said, what you init=ally paid is somewhat if not totally immaterial to todays value. You have not factored in the liabilities,&nbs=; both reputationally and fiscal yet. I think the 5 million cash off=r or 6m over time is fair. I look forward to our conversation on tue=day. As another note, the current receivables have not been reviewed for years...

Rich

On Aug 24, 2017, at 3:28 PM, Neale Attenborough <= href="mailto:[REDACTED]"> [REDACTED] wrote:

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[<Mail Attachment.ics>](#)

[<170829 - Next - Jun'17 Balance Sheets.pdf>](#)

[<170816 Next - Min Cash Analysis.pdf>](#)

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