
From: Richard Kahn <[REDACTED]>
Sent: Thursday, September 17, 2015 8:33 PM
To: jeffrey E.
Subject: Jawbone

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 7.19113 ==,000,000
Common 1,260,233 x 3.96792 ==,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 believe we could 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 ==,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 ==,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 ==,000,000 If that is achieved they could 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 == date)
50,000,000 ==, Blackrock final
395,000,000 ==, Total raised

As of Sep 11, 2015 there cash flow was 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 = 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 have 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 deal..
- 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/B00=9E6DUK/ref=sr_1_1?ie=UTF8&qid=1442521265&sr=8-1&keywo=ds=up3

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

Thank you

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



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

did you check with hosssain re amount of investment covered

-- =br class="">

please note

The information contained in this =ommunication is confidential, may be attorney-client =rivileged, may constitute inside information, and is =ntended only for the use of the addressee. It is the =roperty of

JEE

Unauthorized use, disclosure =r copying of this communication or any part thereof is =trictly prohibited and may be unlawful. If you have =eceived this communication in error, please notify us =mmediately by return e-mail or by e-mail to jeevacation@gmail.com, and destroy this =ommunication and all copies thereof, including all =ttachments. copyright -all rights reserved

=