
From: jeffrey E. <jeevacation@gmail.com>
Sent: Wednesday, September 6, 2017 8:08 PM
To: Richard Kahn
Subject: Re: Next

neale , franky, I dont have them. I would have=thought you did, however lets try to see if there is a =eal, and then we all can agree on what the contingencies are. . =C2◆ You will certaintly agree that if they pertain to the period o= your ownership. you are responsible for your share. , a=tions relation to liabilites after closing is another st=ry

On =ed, Sep 6, 2017 at 10:04 PM, Richard Kahn <[REDACTED]> wrote:

please advise
thank you

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th =loor
New York, NY 10022
tel [REDACTED]
fax [REDACTED]
cell [REDACTED]

Begin forwarded message:

From: Neale Attenborough <neale@goldengatec=p.com>

Subject: RE: Next

Date: September 6, 2017 at 3:51:=6 PM EDT

To: <=span>Richard Kahn <[REDACTED]>

Cc: Chris Lawler <[REDACTED]>, Tyler Shean <[REDACTED]>

What are the specific actions you refer to as Paris, Milan and New Yo=k, with case numbers and a summary of the cases.

From: Richard Kahn [REDACTED]
Sent:</> W=dnesday, September 06, 2017 3:47 PM
To: Neale Attenborough
Cc:=/b>
Subject: Re: Next

contingent liabilities are paris, milan, and the new york =awsuit that is looking to form a class...
this is obviously separate and apart from all actions that m=ght be brought that would be relevant to the
time of your ownership.

<=iv>

Richard Kahn
HBRK Associates♦=AOInc.
575 Lexington Avenue 4th Floor
New York, NY 10022tel 212-971-1306 <tel:(212)%20971-1306>
fax [REDACTED]
cell [REDACTED]

On Sep 6, 2017, at 3:16 PM, Neale Attenborough <[REDACTED]>

We have a term sheet ready and will for=ard once we receive the list of contingent liabilities you
would like us t= consider, as we agreed on our last call.

On Sep 5, 2017, at 10:02 AM, Richard=Kahn [REDACTED]

When can I expect your term sheet w=th details that we discussed explaining exactly
what entity will be sellin= what...

I would assu=e your offer of 8 million cash and 1 million a year for three years would
=llow for the litigation expense and liability (if any) to come out of the =uture payments... so probably 5 years needed...

Please advise

Thank you

=u>

Richard=Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th FloorNew York, NY 10022
tel [REDACTED]
fax [REDACTED]
=el [REDACTED]

On Aug 31, 2017, at 7:0= AM, Neale Attenborough <[REDACTED]> wrote:

As we agreed yesterday:=/u>
<=div>

We will lay our a term sheet which includes the=deal I spoke of yesterday. It will include all the entities that wil= be involved and the concept of some cash paid over time.

You will detail exactly which potential liabilities you speak=of below you would like us to consider.

We c=n then see f it is possible to hammer out a deal.

Thanks.

<=pan style="font-size:18pt;font-family:Helvetica,sans-serif">◆=A0
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On Aug 31, 2017, at 5:55 AM, Richard Kahn <[REDACTED]> wrote:

To move this along I w=uld suggest the following: a rough detailed draft of a term sheet w=th seller companies detailed. how many entities? an amount of=cash left back and an amount of dollars also spread over a number of years= default suggestions and your ideas on how =o deal with liablity. ie ny class action wai=ing to be certified.. others like paris etc. ◆=A0thank you.

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

=n Aug 30, 2017, at 7:16 AM, Richard Kahn <[REDACTED]> wrote:

I would add that you are selling an o=fshore vehicle formed under an agreement that puzzles me. ◆=A0 The whole co is not for sale and if so we might argue along some =imilar but less exagerrated lines multiples of large biz◆=A0 from years ago. I guess if you find the dramati=ally too low, you might offer to buy out Faith and Joel , using your=formulas. with a premium for control. Jeffrey is =et to join the call and has authority to make the decision to accept or re=ect.

Richar= Kahn
HBRK Associate=s Inc.

NY=10022

575 Lexington Avenue, 4th Floor
New York,

Phone [REDACTED]

Fax [REDACTED]

Cell [REDACTED]

On Aug 30, 2017, at 6:25 =M, Richard Kahn <richardkahn12@gmail.com> wrote:

i already pointed out currency exchange, board fees etc. as = bad number in your calculations. sorry....the other transacti=ns that we know very well are far from relevant. . if faith and joel=walk there is NO business which is hardly the same idea as IMG where multi=divisions exist and succession is planned. I do not know=what cash was on the balance sheet when you bought it. =C2◆ The open gate transaction to summarize was a stepping in=o your shoes for only 6 million or roughly the same as the current o=fer. taking out cash 14 of the 15 mil which has not come out.=C2◆ and even on your calculation of 8 cash would mean 3.2 to you back th=n... and then leveraging the biz. / the liability to the buyer=was no where near that to golden gate. sorry. . . We can=go back and forth on comps and can show mom and pop at 1 to 3 times ebitda. . so lets try to short circuit a t=resome unnecessary excercise, as i see it the current bid offer =s 5 bid and approx 9 .2 offer. open gates 6 + 3.2 =rom 2 years ago with more growth potential and lower cash out. multi=les from before digital photos and amazon. sorry.....I am suprised t=at you would inflate current Ebitda, pull multiples from many years =go to biz that are tangential. leave out liabilites even of lawsuits=that you know about, and then pick a cash number to subtract for ent=rprise value. If I have misunderstood and you are not really sellers then = will not be insulted if you decide to cancel our call.

Richard Kah=br/>HBRK Associates Inc.
575 Lexington Avenue, 4th Floor=u>
New York, NY 10022=span>
Tel [REDACTED]
Fax [REDACTED]
Cell [REDACTED]

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

Richard,

Not funny at all, just factual.

I think if we are to u=timately agree on value it will be important we agree on a set of facts:</pan>

</pan>

1. TTM EBITDA is \$6.7Mil=ion. If you disagree, please let us know precisely what items you di=agree with in the number and we can discuss.

2. ◆=A0 =C2◆The current cash balance for the company is \$13=1 Million.

IMG: 13x (WME acquisition, 2013)

=div style="margin-left:0.5in">

4. =C2◆ ◆=A0We invested \$18 million for a 42% stake in the bus=ness,

implying an enterprise value of \$42.9 million.<div>

5. ◆=A0 We received a bona fide offer from OpenGat= Capital which would have resulted in \$18 million in proceeds for us (and =n fact a \$17 million distribution to Faith and Joel), and while they

were, as you point out, contemplating leverage in the <3x EBITDA range, it is in fact a relevant data point and an independent look at value.

6. One other note that 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 than \$100 million (which at the time was a +10x synergy-adjusted EBITDA value). Ultimately they walked based on that value requirement.

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

- a. $=C2\blacklozenge$ Enterprise value = EBITDA x Market Multiple</>
=span style="font-size:11pt;font-family:Calibri,sans-serif;color:rgb(31,7=,125)">b. $=C2\blacklozenge$ 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 at most 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 at 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 \$1.9 million (\$5/.42), an enterprise value of \$3.9 million (\$11.9 million - \$8 million of excess cash) or an EBITDA multiple of 0.58x (\$6.7 x 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

From:<=b> Richard Kahn [REDACTED]
Sent: Friday, August 25, 2017 11:51 AM To: =A0Neale Attenborough
Cc: Chris Lawler
Subject: Re: Next=/span>
=C2\blacklozenge
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=C2\blacklozenge 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. He 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 the= "keep in") silly, at 8mm which is roughly the same as =e suggested. 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= fails the HBS first year class that i am aware you have taken. Regarding the 18 million, we have distributions from Next directly =o the former shareholders of the claxon offshore entity of approx 3. =Regarding the receivables you can ask millie... sorry

PS ♦=A0 Faith and joel will have to borrow the money to buy you out at 5. . can=be done, but not so easy. 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....

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On=Aug 24, 2017, at 4:50 PM, Neale Attenborough <[REDACTED]>

<[REDACTED]>=gt; wrote:

♦=A0

= look forward to our conversation.

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</=iv>

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 =id say we didn't expect to receive what we paid, I did not say it =as 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 years?>

Thanks,

Neale

<=iv>

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From: Richard Kahn <[REDACTED]>

Sent:<=b> =hursday, August 24, 2017 3:45 PM

To: Neale Attenborough

Cc: Charles Lawler

Subject: Next

=/div>

confirmed thank you

<=div>

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We have reviewed your statements that you sent to us along with the K-1's and some financials. Frankly, some of 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 o= Ebitda includes things like adding back foreign exchange costs? boa=d fees etc. That is not the way we look at what is unfortunat=ly for all merely a personal service business.

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Faith and Joel make =p the business, nothing more. We calculate the Ebida, which w= think is an odd way of measuring value of a personal service biz with lot= of competition and small growth opportunitiess if any. G=ving 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 a=d not truly understanding what you described as a fixed tax payment per qu=rter (ie based on what I think looking back over the past three years) ♦=A0ebitda looks like 4-5 million. We have bought many small biz and =sually pay mom and pops for 1- 3 times ebita or more usually 4 times net i=come. We are finding it difficult to get to more than a =5 million total value for Next (not including liabilities). The 18 millio=dollar bid that you mentioned Faith said was hardly legitimate. I =hink further review of the accounting tax etc. is probably a waste of all =ur time. As you rightly said, what you initially paid is somewhat if=not totatly immaterial to todays value. You have not factored=in the liabilities, both reputational and fiscal yet. I thi=k the 5 million cash offer or 6m over time is fair. I look forward =o our conversation on tuesday. As another note, the current re=eivables have not been reviewed for years...

<=u>

<=u>

Ric=

♦=A0
=C2♦

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<Mail Attachment.ics>
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<170829 - N=xt - Jun'17 Balance Sheets.pdf>

<170816 Next - Min Cash Analysis.pdf>

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=C2◆ please note

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date-received 1504728486 flags 8590195713 gmail-label-ids 7 6 remote-id 747139