
From: jeffrey E. <jeevacation@gmail.com>
Sent: Friday, August 25, 2017 10:45 AM
To: Richard Kahn
Subject: Re: Next

pretty funny Neale. even ,the=silly open gate proposal was in essence stepping into your shoes =A0 for only 6 million cash. BACK THEN !! then proposin= to distribute what they estimated to be almost the full total=-ie 14 of the 15 million of cash on the balance sheet (I point out that t=at is .more than it totals today , -for chris). and then =A0 having joel ,them and faith leverage themselves up by borro=ing at 7!! percent against the entire co in order to make a further =istribution of an additional 15 m/ . on paper =A0 creating a highly inflated enterprise value . he only proposed 6 =illion cash infusion. around the same amount that you are curr=ntly being offered. they valued faiths and joel ongoing equity=, that they proposd they) " keep in" , silly, at 8 m. =A0 roughly the same as we suggested. Financial engineering don= well is like lipstick.. however not done well. is also =ike lipstick. . :) This is a personal service busi=ess. no more no less. suggesting that they leverage themsel= up so you that they can pay themselves a higher salary . =A0 fails the HBS first year class that im aware youve taken. re the =8 million , we have distributions from Next directly to the former s=areholders of the claxon offshore entity of approx 3. =A0 re receivables . you can ask millie . sor=y

PS Faith and j=el will have to borrow the money to buy you out at 5. . can be done, but n=t so easy. they have never taken out real money from the co.=C2 - in any form. salary etc. hence little net worth ,and c=rrent lenders are not that comfortable with the potential liab=lites. .

On Fri, Aug 25= 2017 at 5:27 AM, Richard Kahn <[REDACTED]> <[REDACTED]> > wrote:

Please =dvise. Thank you.

Richard Kahn
HBRK Associates Inc.
=div>575 Lexington Avenue, 4th Floor
New York, NY 10022
[REDACTED] <tel:[REDACTED]>
Fax [REDACTED] <tel:[REDACTED]>
Cell <= href="tel:[REDACTED]" value="+[REDACTED]" target="_blank">[REDACTED]

Begin forwarded message:

From: Neale Attenborough <[REDACTED]>=a>>
Date: August 24, 2017 at 4:50:55 PM EDT
To: Ric=ard Kahn [REDACTED] <mailto:[REDACTED]> >
Cc: Chris Lawler [REDACTED]

Subject: RE: Next

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 it presented 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 been reviewed in years?

Thanks,

Neale

From: Richard AHN [REDACTED] <mailto:[REDACTED]>]
Sent: Thursday, August 24, 2017 3:45 PM
To: Neale Attenborough
Cc: Chris Lawler
Subject: Next

confirmed thank you

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 of Ebitda includes things like adding back foreign exchange costs? board fees etc. That is not the way we look at what is unfortunately for all merely a personal service business.

Faith and Joel make up the business, nothing more.=C2 We calculate the Ebitda, which we think is an odd way of measuring value of a personal service biz with lots of competition and small growth opportunities 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 understanding 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 many small biz and usually pay mom and pops for 1- 3 times ebita or more usually 4 times net income. We are finding it difficult to get to more than a 15 million total value for Next (not including liabilities). The 18 million dollar bid that you mentioned Faith said was hardly legitimate. I think further review of the accounting tax etc. is probably a waste of all our time. As you rightly said, what you initially paid is somewhat if not totally immaterial to today's value. You have not factored in the liabilities, both reputationally and fiscal yet. I think the 5 million cash offer or 6m over time is fair. I look forward to our conversation on Tuesday. As another note, the current receivables have not been reviewed for years...

Rich

On Aug 24, 2017, at 3:28 PM, Neale Attenborough [REDACTED] wrote:

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<Mail Attachment.ics>

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