

# **JAWBONE**

## INVESTMENT ANALYSIS

# PARTICIPATION SCENARIO OVERVIEW

- Creation of a new Series 8 Preferred
  - 1.5x liquidation preference
  - Senior to all other Series except the Convertible Notes
  - Series 8 purchase price same as Convertible Notes conversion price
- For every dollar invested in Series 8, investors that invest at least their Minimum Amount can move a portion of their liquidation preference up in the stack, beginning with the oldest Preferred Series first
  - An investor's Minimum Amount is 12.39% of its existing liquidation preference
  - Amount of liquidation preference available to be moved up is based on a fixed ratio for all investors
  - Participating investors will surrender prior preferred with a liquidation preference equal to 6.0x their dollars invested in Series 8 and receive Series 8 with a liquidation preference equal to 9.0x their dollars invested
    - 1.5x in exchange for cash and 7.5x in exchange for prior preferred
    - If an investor's prior liquidation preference is less than 6.0x its investment in Series 8, it surrenders all of its existing preferred and still receives the full amount of Series 8
  - Investor can defer decision whether to exchange prior preferred for Series 8 until liquidity event (up to 10 years)
- Series 8 will be sold in a two-stage financing
  - Initial \$40M sale was completed on 7/24/15
  - As required by IRA, other Major Investors are now being given 20 days to participate in the deal

# JAWBONE LIQUIDATION PREFERENCE

## CURRENT

Investor	\$ Liquidation Preference Held by Major Investors (Current)													TOTAL	
	SERIES 1-A Outstanding	SERIES 1-B Outstanding	SERIES 1-C Outstanding	SERIES 2 Outstanding	SERIES 3 Outstanding	SERIES 4 Outstanding	SERIES 5 Outstanding	SERIES 6 Outstanding	SERIES 6-A Outstanding	SERIES 6-B Outstanding	SERIES 7 Outstanding	SERIES 8 (NEW)	CONVERTIBLE NOTES		
Total (Notes @ 1.0x)	\$1,000,000	\$1,751,997	\$4,279,954	\$9,494,572	\$0	\$47,997,956	\$162,499,928	\$141,414,023	\$4,999,991	\$47,339,989	\$0	\$360,000,000	\$270,000,000	\$1,050,778,410	
Cumulative Liquidation Preference	\$1,000,000	\$2,751,997	\$7,031,951	\$16,526,523	\$16,526,523	\$64,524,480	\$227,024,407	\$368,438,431	\$373,438,422	\$420,778,410	\$420,778,410	\$780,778,410	\$1,050,778,410		Total: \$630M
Total (Notes @ 3.0x)	\$1,000,000	\$1,751,997	\$4,279,954	\$9,494,572	\$0	\$47,997,956	\$162,499,928	\$141,414,023	\$4,999,991	\$47,339,989	\$0	\$360,000,000	\$810,000,000	\$1,590,778,410	
Cumulative Liquidation Preference	\$1,000,000	\$2,751,997	\$7,031,951	\$16,526,523	\$16,526,523	\$64,524,480	\$227,024,407	\$368,438,431	\$373,438,422	\$420,778,410	\$420,778,410	\$780,778,410	\$1,590,778,410		Total: \$1,170M

Note: Expected \$35M investment to be distributed pro rata based on current, pre-Series 8 liquidation preference  
 3.0x liquidation preference on Convertible Notes expires one year after original investment (on 04/28/2016) and becomes 1.0x liquidation preference thereafter

# JAWBONE LIQUIDATION PREFERENCE

## \$35M INVESTMENT & \$50M CONVERTIBLE NOTES

Investor	\$ Liquidation Preference Held by Major Investors (Pro Forma)													TOTAL	
	SERIES 1-A Outstanding	SERIES 1-B Outstanding	SERIES 1-C Outstanding	SERIES 2 Outstanding	SERIES 3 Outstanding	SERIES 4 Outstanding	SERIES 5 Outstanding	SERIES 6 Outstanding	SERIES 6-A Outstanding	SERIES 6-B Outstanding	SERIES 7 Outstanding	SERIES 8 (NEW)	Convertible Notes		
Total (Notes @ 1.0x)	\$652,500	\$1,358,619	\$2,191,732	\$2,054,479	\$0	\$12,506,123	\$99,863,466	\$68,959,384	\$4,999,991	\$18,192,118	\$0	\$675,000,000	\$320,000,000	\$1,205,778,410	
Cumulative Liquidation Preference	\$652,500	\$2,011,119	\$4,202,850	\$6,257,329	\$6,257,329	\$18,763,452	\$118,626,917	\$187,586,301	\$192,586,292	\$210,778,410	\$210,778,410	\$885,778,410	\$1,205,778,410		Total: \$995M
Total (Notes @ 3.0x)	\$652,500	\$1,358,619	\$2,191,732	\$2,054,479	\$0	\$12,506,123	\$99,863,466	\$68,959,384	\$4,999,991	\$18,192,118	\$0	\$675,000,000	\$960,000,000	\$1,845,778,410	
Cumulative Liquidation Preference	\$652,500	\$2,011,119	\$4,202,850	\$6,257,329	\$6,257,329	\$18,763,452	\$118,626,917	\$187,586,301	\$192,586,292	\$210,778,410	\$210,778,410	\$885,778,410	\$1,845,778,410		Total: \$1,635M

Note: Expected \$35M investment to be distributed pro rata based on current, pre-Series 8 liquidation preference  
 3.0x liquidation preference on Convertible Notes expires one year after original investment (on 04/28/2016) and becomes 1.0x liquidation preference thereafter

# JAWBONE INVESTMENT OVERVIEW

*Investment Required for Full Coverage of Paid in Capital*

Investor	Amount Invested in Series 8	Exchange Ratio	Current Liquidation Preference	Amount Moved to Series 8 <sup>(1)</sup>	Additional Liq Pref / \$ Invested	Liquidation Preference Increase	Resulting Liquidation Preference	Change in Sharecount
Mort	\$1,250,000	6.0x	\$5,000,000	\$7,500,000	5.0x	\$6,250,000	\$11,250,000	677,244

*\$2.0M Investment*

Investor	Amount Invested in Series 8	Exchange Ratio	Current Liquidation Preference	Amount Moved to Series 8 <sup>(1)</sup>	Additional Liq Pref / \$ Invested	Liquidation Preference Increase	Resulting Liquidation Preference	Change in Sharecount
Mort	\$2,000,000	6.0x	\$5,000,000	\$12,000,000	6.5x	\$13,000,000	\$18,000,000	1,500,772

Note: Liquidation preference is exchanged on 1:1 basis, however, shares are exchanged based on the Series 8 price per share of \$5.46 / share (or \$8.20 / share to reflect 1.5x liquidation preference).

Therefore, a participating investor with a liquidation preference(s) per share below \$8.20 choosing to exchange their prior Preferred for Series 8 will have their outstanding share ownership decrease. Such an investor could wait to decide whether to exchange their shares until a liquidity event (up to 10 years).

A participating investor with a liquidation preference(s) per share above \$8.20 will increase their share ownership upon exchanging their prior Preferred for Series 8, and could choose to make that exchange immediately.

*Current Shares Outstanding: 368.8M (including Convertible Notes & \$40M investment, on an as-converted bases)*

*Note: Sharecounts shown on a non-converted basis unless otherwise noted*

*(1) If an investor's prior liquidation preference is less than 6.0x its investment in Series 8, it surrenders all of its existing preferred and still receives the full amount of Series 8*