

# **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

| \$ Liquidation Preference Held by Major Investors (Current) |                           |                           |                           |                         |                         |                         |                         |                         |                           |                           |                         |                   |                      |                 |
|---|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---------------------------|-------------------------|-------------------|----------------------|-----------------|
| Investor  | SERIES 1-A<br>Outstanding | SERIES 1-B<br>Outstanding | SERIES 1-C<br>Outstanding | SERIES 2<br>Outstanding | SERIES 3<br>Outstanding | SERIES 4<br>Outstanding | SERIES 5<br>Outstanding | SERIES 6<br>Outstanding | SERIES 6-A<br>Outstanding | SERIES 6-B<br>Outstanding | SERIES 7<br>Outstanding | SERIES 8<br>(NEW) | CONVERTIBLE<br>NOTES | TOTAL           |
| 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 (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: \$630M

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

| \$ Liquidation Preference Held by Major Investors (Pro Forma) |                           |                           |                           |                         |                         |                         |                         |                         |                           |                           |                         |                   |                      |                 |
|---|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---------------------------|-------------------------|-------------------|----------------------|-----------------|
| Investor  | SERIES 1-A<br>Outstanding | SERIES 1-B<br>Outstanding | SERIES 1-C<br>Outstanding | SERIES 2<br>Outstanding | SERIES 3<br>Outstanding | SERIES 4<br>Outstanding | SERIES 5<br>Outstanding | SERIES 6<br>Outstanding | SERIES 6-A<br>Outstanding | SERIES 6-B<br>Outstanding | SERIES 7<br>Outstanding | SERIES 8<br>(NEW) | CONVERTIBLE<br>NOTES | TOTAL           |
| 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 (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: \$995M

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*