From: Richard Kahn <[redacted]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fwd: Next
Date: Wed, 06 Sep 2017 20:04:44 +0000

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please advise
thank you

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

Begin forwarded message:

From: Neale Attenborough <[redacted]>
Subject: RE: Next
Date: September 6, 2017 at 3:51:06 PM EDT
To: Richard Kahn <[redacted]>
Cc: Chris Lawler <[redacted]>, Tyler Shean <[redacted]>

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

From: Richard Kahn [mailto:[redacted]]
Sent: Wednesday, September 06, 2017 3:47 PM
To: Neale Attenborough
Cc: Chris Lawler; Tyler Shean
Subject: Re: Next

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

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

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

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

On Sep 5, 2017, at 10:02 AM, Richard Kahn <[redacted]> wrote:

When can I expect your term sheet with details that we discussed explaining exactly what entity will be selling what…
I would assume your offer of 8 million cash and 1 million a year for three years would allow for the litigation expense and liability (if any) to come out of the future payments... so probably 5 years needed…
Please advise
Thank you

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

On Aug 31, 2017, at 7:02 AM, Neale Attenborough <[redacted]> wrote:

As we agreed yesterday:

We will lay our a term sheet which includes the deal I spoke of yesterday. It will include all the entities that will 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 can then see f it is possible to hammer out a deal.

Thanks.

On Aug 31, 2017, at 5:55 AM, Richard Kahn
<[redacted]> wrote:

To move this along I would suggest the following: a rough detailed draft of a term sheet with 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 to deal with liablity.   ie ny class action waiting to be certified. .   others like paris etc.
thank you.

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

On Aug 30, 2017, at 7:16 AM, Richard Kahn
<[redacted]> wrote:

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

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
[redacted]6

On Aug 30, 2017, at 6:25 AM, Richard Kahn
<[redacted]> wrote:

i already pointed out currency exchange, board fees etc. as a bad number in your calculations. sorry....the other transactions 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. The open gate transaction to summarize was a stepping into your shoes for only 6 million or roughly the same as the current offer. taking out cash 14 of the 15 mil which has not come out. and even on your calculation of 8 cash would mean 3.2 to you back then... 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 tiresome uncessary excercise, as i see it the current bid offer is 5 bid and approx 9 .2 offer. open gates 6 + 3.2 from 2 years ago with more growth potential and lower cash out. multiples from before digital photos and amazon. sorry.....I am suprised that you would inflate current Ebitda, pull multiples from many years ago to biz that are tangential. leave out liabilites even of lawsuits that you know about, and then pick a cash number to subtract for enterprise value. If I have misunderstood and you are not really sellers then I will not be insulted if you decide to cancel our call.

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

On Aug 29, 2017, at 10:40 PM, Neale Attenborough <[redacted]> wrote:

Richard,

Not funny at all, just factual.

I think if we are to ultimately agree on value it will be important we agree on a set of facts:

1. TTM EBITDA is $6.7Million. If you disagree, please let us know precisely what items you disagree with in the number and we can discuss.
2. The current cash balance for the company is $13.1 Million.
3. The past three comparable transactions for companies in this market average an enterprise value at ~10x multiple of EBITDA
    a. Wilhelmina: 7x (average meaningful trading multiple since 2010)
    b. Creative Artists Agency: 10x (TPG acquisition, 2014)
    c. IMG: 13x (WME acquisition, 2013)
4. We invested $18 million for a 42% stake in the business, implying an enterprise value of $42.9 million.
5. We received a bona fide offer from OpenGate Capital which would have resulted in $18 million in proceeds for us (and in 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. Enterprise value = EBITDA x Market Multiple
    b.