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Subject: Referral re HSNI (Lifeclinic)

Date: Tue, 18 Oct 2011 21:31:50 +0000

Importance: high

Attachments: Health_Station_Networks,_Inc._-_Confidential_PPM.PDF;
HSNIPowerPoint_Investors_052611.pdf; Copy_of_HSNI_2011-
2015_Financial_Model_5_16_11.xlsx

Jeffrey,

My good friend, Dr. Rony Shimony, who you may have met at many Robin Hood events, is a cardiologist at Lenox Hill in New York and he is very impressed with Health Station Networks, Inc., the products and the technology. Rony thought you might wish to review this opportunity as we seek to raise \$10-15 Mit's growth stage, has huge margins, and has a large impact in health media/information and reduces health care costs and saves lives.

HSNI has an existing national network of 30,000 Health Stations, 25,000 in drug store chains and supermarkets, and 5,000 in corporations, etc., and now is expanding into universities, shopping centers, entertainment venues, hospitals and commercial buildings nationwide. Many of your colleagues in the health care industry know us well (most likely under the former company's brand "Lifeclinic.") These assets now have cash flow of \$6.5 M/yr currently and growing.

Right now, these HSs have more than 400,000,000 uses every year. People take initiative to "know their numbers," use less costly preventive care, and avoid emergency and crises care. National Public Radio (NPR) even mentioned the importance of these HSs on Morning Edition last week.

Historical revenues are approx. \$20 M/year, now growing to \$31 M (2012) to \$150 M and ebitda of \$55 M (2015).

HSNI has three revenue streams: it (1) assembles HSs for sale/lease, (2) sells analog and digital advertising, and (3) sells consumer health data. (In fact, they are developing the largest consumer health database in the world with the ACC as partners.) HSNI also has an exclusive license for the world's first non-invasive AGE-based diabetes detection technology.

A few additional points:

1. Deal Structure Options:

a. If you prefer a different deal structure, such as to manage mark-to-market, we're open to options, such as a Senior Secured Note, fully secured by the 20,000+ health stations we own and lease as well as \$6.5 M in related cash flows. (At a minimum, we need \$5 M to close on the asset purchase from the UCC lender, which foreclosed on the assets of the prior company.)

2. Projections: We turn ebitda profitable in late 2012. (See attached)

3. Current P&L: We are operating the company on behalf of/with the UCC lender. We're rebuilding the \$20 M in historical revenue very quickly.

- a. So, year-to-date (6 mo) financials are \$1.2 M in revenue (\$750k HS sales; \$300 adv) with approx. \$400,000 in operating income.
- b. We expect 2012 will exceed \$20 M and could reach \$40 M.

4. Our Value Add for the last Six Months includes:

- a. American College of Cardiology is our co-advertising partner, data manager and content provider..... on an exclusive basis.
 - (1) We'll have the largest national database of this health data and we have not yet projected any revenue from data sales.
 - (2) We are co-managing the data with the ACC's "National Cardiovascular Data Registry"
 - (3) We're also extending our relationships to other medical organizations such as the American Diabetes Assn.
- b. Harris Corp. ("Digital Out-of-Home") is our digital network MSP and is providing a \$30 Million line to cover 100% of our CapEx. (Similar to their 7-Eleven deal.)
 - (1) See www.digitalsignage.harris.com. We also partner with Harris's digital advertising sales unit.
 - (2) We're also working with Harris's "healthcare solutions" business unit.
- c. New HSN 550 and HSN 1000 digital health stations already developed and being sold.
 - (1) More than 1000 digital HSs already in the field.
 - (2) Our European affiliate now selling HSs throughout Europe directly and with partners such as Wellcome in the UK.
- d. New leases with our "retail" channel customers, eg, SuperValue just agreed to a new 2-year lease extension for approx. \$700,000. (800 stores x \$36/mo)
 - (1) \$6.5 Million in annual cash flows from the existing leases will be sent to the company over the next 2-3 years as leases are renewed (with a 100% renewal rate).
 - (2) Potential new customer relationships include Wal-Mart, Subway, Dollar Stores, Walgreens, etc.
- e. ABC (Disney-ABC) is another advertising sales partner with their "out-of-home" channel.
 - (1) With 400,000,000 uniques/year, we have the largest health-focused media network in the nation.... with an existing \$90 M advertising capacity growing to \$480 M.
 - (2) Users are "cuffed" in place for approx. 2.5 mins and must watch 4 "rich media" advertisements (so, total network revenue potential exceeds \$80 Million/year).
- f. Intl Sales produce positive cash flow at 100% gross margin.
 - (1) Current negotiations with international partners (eg., Japan and India) involving multi-year \$20+ Million in revenue, 500 HS/yr for 5 years
 - (2) Intl revenues are not in our current financial model, so we may far exceed our 2012 projections.
 - (3) Note: Total international sales market exceeds, 250,000 HSs, ie., \$2.5 Billion.
- g. US Commercial sales produce positive cash flows at 100% gross margin.
 - (1) Current negotiations with US channel partners (eg., WebMD)
 - (2) United Healthcare/Optum, and other health insurers and wellness companies also joining as sales channel partners for sales to businesses/worksites.
 - (3) We have an existing installed base of 5,000 analog HS to corporate customers we believe will upgrade to the new digital HSs.
 - (4) Note: Total US sales market exceeds 75,000 HSs. Our financial projections show HS sales growing from 1,700 in 2012 to 5,500 in 2015, so less than 10% market penetration.
- h. Exclusive worldwide license for the Diagnostox non-invasive diabetes reader based on Advanced Glycated End-Products (AGEs).
 - (1) Product has received Europe and Canada approvals. and we're conducting a large pilot with Wal-Mart, our existing customer, in Canada.
 - (2) FCC now reviewing US trials and we expect approval June 2012. Inclusion on our HSs will drive usage metrics and attractiveness to commercial customers.
 - (3) We arranged for the ACC to write to FCC in support.

5. We're seeking an early IPO

a. WebMd (WBMD) is the perfect comp. ...\$2 Bn mkt cap on \$600 M rev. (Note: Our 2015 revenue should be in excess of \$150 M.)

b. We expect a \$500 M to \$1 B market capitalization in 4 years.

I hope we'll have an opportunity to meet this week.

Regards,

Michael

Michael Faber
NextPoint

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