

From: Dan Adler <[REDACTED]>
To: "jeevacation@gmail.com" <jeevacation@gmail.com>
Subject: Fwd: CONFIDENTIAL, re: E-hydrate
Date: Thu, 28 Apr 2016 23:59:06 +0000

Jeffrey-

Version with deck appears to have sent successfully, but I figured I'll just forward it sans deck, to make sure that at least this note reaches you.

Let's talk Tmw.

Again, safe & easy travels.

-Dan

Begin forwarded message:

From: Dan Adler <[REDACTED]>
Date: April 26, 2016 at 11:20:16 AM PDT
To: Jeff Epstein <jeeproject@yahoo.com>
Subject: CONFIDENTIAL, re: E-hydrate

Jeff-

Good talking to you.

After ALL these years, it's time we actually find a way to work together.

Since you said your investment strategy is "anything that makes money," I want to run you through a little more than I was able to explain on the phone. Of course please keep in mind that I send this with all appropriate disclaimers, including the ones on the deck I am sending you and that by "making money" we mean revenues and gross profits on products sold. What, if anything, ROI or exit will look like, will be determined by the market. You should dig as deeply as you want to understand everything you can about the industry in general and our business in particular. I just want to provide a bit of a stream-of-consciousness on where we are now.

The attached deck gives you a quick overview of what we've accomplished in building and launching a natural brand with great benefits — with multiple product lines and in arguably one of the hottest verticals out there — and how we've gotten some of the most critical retail chains behind us. It also walks you through some of the #s and some of the sales pipeline. I can walk you through much more, and of course we also could send you an assortment of product, so you can try it yourself. See here, for more: E-hydrate.com

Quick summary is that we've been national at Target since September with eight SKUs. We just launched three new SKUs, nationally, with them about a week ago. Those three are a KIDS line (two flavors) of single-serve Protein-on-the-Go packs, plus an ACTIVE line with glucosamine. Target requested these three.

We also just rolled out in GNC (4180 stores) with four SKUs (all proteins -- single serve Proten-on-the-Go and six-packs of those single-serves). GNC is the second national retailer to carry E-hydrate and is a natural expansion of the brand's national rollout. GNC will carry our new 6-pack Protein On-the-Go products in chocolate and vanilla flavors, and we anticipate an expansion of E-hydrate product options in GNC over the coming year. Note btw that original PO was for 3300 stores, but they upped it. Also note that we are "pay-for-scan" there, with considerable control over what we do in the stores and with how we bonus their sales staff.

Ingles Markets will serve as the prime retail destination for E-hydrate in the eastern United States. Ingles will highlight the convenient Protein On-the-Go product lines and will support the launch with strong in-store presence and demos. E-hydrate is the process of adding multiple other regional chains rapidly. We currently have two SKUs at all Gelson's (in CA). Shaw's (New England) is next. We started with Byerly's/Lunds in Midwest. UNFI distributes us, fyi.

Sofia Vergara is an equity holder in E-hydrate, along with two co-founding partners and me and a small # of investors (some friends around LA/Hollywood, plus a Midwest family office put in \$3.5mm as we were rolling out, with \$3mm of that a \$16mm pre-money valuation, and the latest investors in at \$19mm pre-money).

We also have two notable advisors: Phil Kent (a former colleague of mine from CAA, who went on to run Turner Broadcasting, where he was responsible for about \$10 billion of revenue and about 14,000 employees) and Bill Nicholson (who worked for President Ford, then ran Amway, which he expanded exponentially & globally).

At a macro level, here's what's relevant:

We successfully developed, manufactured, and sold-in a product — and built a full brand — with several distinct yet complementary product lines. We had a successful national launch at Target at the end of last year and are bringing on more key regional and full national retailers, putting us on-track to accomplish our goal of \$10MM+ in sales over the next financial quarters. We hope to be in 85% of national grocery by the end of this year, and our sales could be as high as \$18MM by the end of the year. If Costco — who approached us! — ends up placing the orders they are considering, that # could increase E-hydrate's sales by another \$15-20 MM. (I want to be clear that we are not there yet with Costco; our conversations are early, but, as I said, they reached out to us, based on how innovative our Protein product is.)

As you might imagine, to execute on our sales pipeline, we need some serious capital behind the brand and to help ensure that we reach the potential the business represents. We've answered a bunch of issues that the Cokes and Pepsis of the world can't seem to get their arms around, and if past is prologue, companies like those would be possible acquirors. We anticipate being cash-flow positive in 2017 (with more than \$6MM of EBITDA, based on assumptions that do not include Costco as a customer).

We believe we are right in the sweet spot of increased consumer demand for healthy and natural nutrition options, offering a healthy and robust business rooted in a tangible consumable with daily use by a wide target market of consumers. Our gross margins have been increasing as volume increase and as we optimize our sourcing. Our customer "repeat buyer" rates have been as high as 62% — again, evidence that what we have satisfies a clear market need. Our capital needs now come to needing to support a growing footprint. That's why I decided to call you.

Please lmk what you think.

Thanks.

-Dan

<E-hydrate Investment Deck for Jeffrey Epstein.pdf>

