

From: "jeffrey E." <jeevacation@gmail.com>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: Privileged and Confidential
Date: Sat, 06 Aug 2016 10:47:29 +0000

----- Forwarded message -----

From: jeffrey E. <jeevacation@gmail.com>
Date: Wed, Aug 3, 2016 at 4:59 PM
Subject: Fwd: Privileged and Confidential
To: Jeffrey Epstein <jeevacation@gmail.com>

----- Forwarded message -----

From: Darren Indyke <[REDACTED]>
Date: Wed, Aug 3, 2016 at 2:21 PM
Subject: Fwd: Privileged and Confidential
To: Jeffrey Epstein <jeevacation@gmail.com>

Re: Levitection.

As I indicated previously, the terms that were initially presented to us in a draft term sheet are summarized in my June 22 email to you below. There are changes from the term sheet described in my previous email to you below that I found in the current draft Share Purchase Agreement, the Share Rights Agreement and the Amended and Stated Bylaws that include the following:

1. Instead of \$2.19 per share, now the purchase price is \$21.86 per share, though the Purchase Agreement provides for the same aggregate of \$1,020,000 and \$680,000 of funding tranches and same post closing shareholding percentages — That is, 27.30% of outstanding after first \$1,020,000 investment tranche and then 38.5% of outstanding after \$680,000 investment tranche.
2. The automatic conversion of the preferred share that was initially stated in the term sheet to occur upon a qualified IPO of no less than \$50 MM in gross proceeds that nets \$10MM of proceeds, now will not occur unless there is a qualified IPO of \$80MM gross proceeds that nets \$20MM of proceeds.
3. The 6% liquidation preference per share that was initially stated in the term sheet to terminate once the preferred holders received distributions of 2 times the purchase price for their shares, now will not terminate until the preferred holders receive 3.5 times the purchase price for their shares.
4. The bring along rights that in the term sheet were initially effective only upon 60% shareholder approval of a transaction with a pre-money valuation of not less than \$50MM, now may be imposed even if the pre-money valuation is less than \$50MM as long as there is 75% shareholder approval. That is to say, bring along rights are imposed if there is 60% shareholder approval of a transaction with a pre-money valuation of not less than \$50MM or if there is 75% shareholder approval of a transaction with a pre-money valuation of less than \$50MM.

Because there is missing information, I cannot give you a full summary of the deal as currently drafted. For example:

I understand from the email we previously received that transmitted the signed term sheet to us that there were certain changes to be made to the warrants. Specifically, the 25% increase in the exercise price of the warrants was not to take effect unless either the first warrant for \$1,500,000 was exercised by us or there was a subsequent round of equity financing of at least \$1MM where the purchase price per share in that round was at least 25% higher than the purchase price in our round. However, the documents provided to me include only a reference to the warrants to be issued in the transaction as being on schedules to the Share Purchase Agreement and does not include the schedules or the full terms of the warrants. So, I have no idea of what the terms are for warrants. There is a vague reference in the purchase agreement to a First Warrant for \$1,500,000, but nothing else about the terms of that warrant and nothing about the other warrant (which the term sheet says is supposed to be for another \$2MM, but I cannot not verify).

The other big problem is that, in addition to the omission of the schedules containing the forms and terms of the warrants, no other schedules have been provided to us, including:

The schedule of milestones that trigger obligation to fund second tranche of \$680K in no more than 9 month.

Board Resolutions

Shareholder Resolutions

CEO Compliance Certificate

Legal Opinion

Director Indemnification Agreements

Services Agreement of Gideon Levita

Employment Agreement of Raviv Levita

Consulting Agreement of Ehud Barak

Founders Repurchase Agreements

Cap Table

Reviewed but not audited Financial Statements

Business Plan and Budget

Form of Non-Comp, Non-Solicitation and Confidentiality Agreements

Form of Employment Agreements

Disclosure Schedule, which includes the lists of exceptions to the representations and warranties of the Company. The disclosure schedule that is missing includes:

list of options granted

contracts, agreements and commitments list

list of related party transactions

list of officers and directors prior to closing

schedule of real property and tangible assets

IP Schedule

Product Schedule

Royalty Payment Obligations

Open Source Materials used

Schedule of liabilities

Exceptions to Absence of Changes from Delivered Financial Statements

Employee list

List of Employment, contractor and consultant agreements

List of employment, contractor and consultant agreements not terminable at will upon 30 days notice without liability

List of government funding, government or university resources, or other person funding used to develop IP

List of employees, contractors, consultants that were affiliated with Govt or universities, etc.

List of Brokers entitled to be paid for this transaction

List of Insurance Policies

List of laws not complied with

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [REDACTED]
Telecopier: [REDACTED]
Mobile: [REDACTED]
email: [REDACTED]

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Begin forwarded message:

From: Darren Indyke <[REDACTED]>
Subject: Re: Privileged and Confidential
Date: August 2, 2016 at 7:03:21 PM EDT
To: Jeffrey Epstein <jeevacation@gmail.com>

I will summarize any changes I find in the transaction docs when I get back to house tonight but to refresh your memory the term sheet terms are outlined in my email below. Thanks.

Sent from my iPhone

On Jun 22, 2016, at 4:43 PM, Darren Indyke <[REDACTED]> wrote:

In broad strokes, the Reporty deal was a \$1.5MM investment total for not less than 25% of a Company with a pre-money valuation of \$4.5MM. It included the issuance of Warrants to purchase additional preferred shares exercisable for 4 years after the initial closing, with one set of warrants exercisable for up to \$1.5 MM at 150% of the initial purchase price per share and the second set exercisable for up to \$2.5 MM at 175% of the initial purchase price per share.

The liquidation preference on the Reporty preferred shares was based on an interest rate of 8% per year, compounded annually.

Quick summary of Levitection based on current docs:

Pre-Money Valuation: \$2,715,584

Securities Offered: Series A Preferred Stock convertible into common on a 1-for-1 basis (subject to adjustment - see below) at the election of the holder or mandatorily in the event of an IPO with a company valuation of \$50MM and netting at least \$10MM

Amount to be Invested: \$1,020,000 at \$2.19 per share for approximately 27.3% of Company; 9 months later if certain milestones (which are not described in the documents sent to me) are met, another \$680K at \$2.19 per share which would bring total ownership up to 38.5%.

Warrants: \$1.5 MM of warrants to purchase Preferred Shares exercisable for 3 years at 150% (subject to increase - see below) of the initial price per share

\$2.0MM of warrants to purchase Preferred Shares exercisable for 4 years at 225% (subject to increase - see below) of the initial price per share

Exercise price per share of each of the above warrants increases by 25% every 12 months.

If all warrants were exercised before the end of the first year post closing, EB's ownership of the company would increase to just under 57% of the Company.

Cashless exercise of the warrants would be permitted immediately prior to a deemed liquidation event - e.g., company acquisition by or merger with an unaffiliated entity, asset sale, stock sale, tech license of substantially all assets, or transfer of at least 50% voting control of the company

Preferred Shares have a liquidation preference based on an interest rate of 6% per annum, compounded annually. In the event of a liquidation where that preference would yield a return equal to or greater than 2x the initial investment, then the preference would be terminated and all shareholders would be paid pro rata, pari passu

Conversion Price of Preferred Shares is subject to full-ratchet anti dilution in the event of issuance of New Securities at a price per share less than the then adjusted conversion price of the Preferred Shares, with exception for certain issuances pursuant to option plans, recapitalizations, credit line financing (so long as less than 3% of issued share capital at the time of issuance), and issuance of not more than 5% of issued share capital to a Board Approved Strategic Investor

Rigorous Voting Rights to Preferred Shareholders - through heightened share voting rights as to certain significant matters and through requirement of EB Board representative approval for other significant matters. These remain in effect so long as EB owns 15% of the Company

Reporting Rights, including Annual audited statements, unaudited quarterly statements, monthly reports and advance annual budgets and operating reports so long as EB owns 5% of the Company

Pre-Emptive Rights as to New Issuances

Pro Rata Right of First refusal for transfers

Tag Along Rights

Demand and Piggy-back Registration Rights

Bring Along Rights when 60% of shareholders agree to a transaction where the pre-money valuation of the company is at least \$50MM

Restrictions on Gordon Levita's ability to sell his holdings - no sales for 2 years and only 15% per share for the next two years.

Founders Shares are subject to Reverse Vesting of 75% of their current shares

Anticipated consulting agreement with EB for marketing purposes - an agreement has been drafted but was not attached to the documents sent to me

Non-competition, assignment of IP, non-solicitation and confidentiality provisions with Founders and Key Employees under discussion.

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [REDACTED]
Telecopier: [REDACTED]
Mobile: [REDACTED]
email: [REDACTED]

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