

From: "jeffrey E." <jeevacation@gmail.com>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: Privileged and Confidential
Date: Sat, 06 Aug 2016 10:47:41 +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>

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From: Darren Indyke <[REDACTED]>
Date: Tue, Aug 2, 2016 at 7:03 PM
Subject: Re: Privileged and Confidential
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
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