

From: "jeffrey E." <jeevacation@gmail.com>
To: Hosain Rahman <[REDACTED]>
Subject: Re: Confidential Proposal - For Settlement Discussions Only
Date: Fri, 14 Sep 2018 17:51:25 +0000

im waiting for your response thx

On Fri, Aug 31, 2018 at 2:16 AM, Hosain Rahman <[REDACTED]> wrote:

Jeffrey,

My responses to your mail are below. Once you've had a chance to digest, let's get on the phone and discuss.

Hosain,

I received your August 9, 2018 email to which I respond as follows:

1. If I understand your email correctly, Jawbone Health Hub is offering to make me a "Strategic Advisor to the Company" and issue to me shares of its Series A Preferred Stock through which I would hold a .40% interest in the new Company on a fully diluted basis after the closing in September 2018 of the Company's Series A Preferred Stock financing. Taking you at your word, in light of what you assert is the new Company's \$50 MM pre-money valuation, after the closing of the Series A Preferred Stock financing in the amount of \$45 MM, my holdings of Series A Preferred Stock in Jawbone Health Hub would be worth \$380,000, a miniscule 3% of my more than \$12 MM investment in AliphCom.

Yes, the value of the shares is not equivalent to what you invested before and we can't make you whole at this time by giving you the value of the investment at the time you made it but we can give you an ownership level now that with some adjustments for future could get back to that level in the future. So that's what the thinking is here. There is a lot less liquidation preference now (and post Series A) than there was (verifiably) at the time of your investment (half of your initial investment was in common stock which served to blend down the overall valuation paid).

2. Although I understand why you might make such a proposal, \$380,000 worth of initial stage stock of a company that is being pieced together from a failed venture that only a few years ago you told me was valued at \$3.2 B does not provide a basis to resolve a fraud claim worth more than \$12 MM. You suggest I should take comfort in this offer because it increases my percentage holdings from .33% at the time of that venture's wholesale collapse to .40% of the new venture and my interest will be at the "top of the capitalization stack" and "will not be sitting underneath any debt." Those are the same representations you made when you wrongfully induced me to make my initial \$10 MM investment in AliphCom. You also are proposing that I resolve my claims against both AliphCom and you personally in exchange for an investment in a company that will be run by the very same person who misled me about my prior investment.

I absolutely acknowledge that I made mistakes while running the last business. I have learned a ton of painful lessons from those mistakes. Those mistakes were never intentional and I don't agree that I misled you about your prior investment. I'm happy to walk through the point by point details put forth in the draft lawsuit your lawyer sent us and counter the claims. I don't know if that's what you want but I am of course willing to do it because I don't want there to be a misunderstanding. I want to resolve this situation as we discussed on the phone and make you whole eventually but it is really, really important to me that you don't continue to believe on a going forward basis that I misled or lied to you. For context I have not had a single other shareholder accuse me of this. I'm sure there are some who are angry at the mistakes I made but no one has accused me of fraud or lying. Some of the old investors are investing more money in the new Company.

3. Given your central role in this matter, it is important to me that you make good on your obligations to me personally, regardless of whether the Company has the ability to compensate me. I understand, however, that you are experiencing financial hardship and are not currently in any position to immediately make good on your obligations to me.

I am personally willing to backstop the delta between the value of the shares you get in Jawbone Health up to the maximum amount of \$13M over some defined maturity period as outlined below if we can agree to an overall settlement as also outlined below.

4. Therefore, as a counterproposal to resolve my claims against you and AliphCom, I would propose the following:

a. Subject to the completion of satisfactory due diligence to determine the legal and financial status of the Jawbone Health Hub, including its current valuation and the basis therefor, current assets, current debt, current capitalization, and any additional debt and stock issuance contemplated in the foreseeable future, as a resolution of Mort, Inc.'s claims against AliphCom, I would be prepared to accept appointment as a strategic advisor to the Company with appropriate exculpation and indemnities and an irrevocable issuance by the new Company to my designee of Series A Preferred Stock through which my designee would hold no less than a .40% interest in the new Company on a fully diluted basis after the closing in September 2018 of the Company's Series A Preferred Stock financing.

As point of clarification: I can't resolve your claims against AliphCom as I personally no longer have any official affiliation to that Company. Sherwood Partners is responsible for AliphCom now on behalf of BlackRock and all claims towards AliphCom should be directed there.

I can, obviously, resolve your claims against me personally and I have the necessary approval/ability from the new Company to give you shares as part of a settlement agreement to resolve claims against me as they relate to the old Company.

As part of a complete settlement agreement I propose to increase the amount of the pro-forma post Series A share grant to be 0.50% in Jawbone Health - this increase is tied to a few points outlined below as well as in my response to 4b:

- Our interests should be aligned as completely as possible
- I believe it makes sense to work together to increase the value of the shares so that not only are you whole but you have an opportunity to make a return
- As part of your strategic advisory help to Jawbone Health I would like you to set up meetings for me as soon as practical to demonstrate our new health monitoring service with Sheik Mohammed Al-Maktoum, his son Sheik Hamdan, Sheik Mohammed bin Zayed, Prince Mohammed bin Salman and any other ruling/decision maker you think could be helpful to get us more customer partnerships in the GCC. Sheik Mohammed's private holding company is currently the majority shareholder in Jawbone Health and they are committed to being our first enterprise customer but we would like more visibility with the Sheik and to ultimately get his support in rolling our solution to the entire Emirati citizen population of Dubai and all government employees.
- I would like further brainstorm other market-making opportunities like what we see in Dubai with other regions and governments that you have strong relationships with and leverage those relationships for introductions and meetings that could lead to more customers for the Jawbone Health service.

We ask for administration purposes that your designee not be Mort but some other entity of your choosing. The diligence on Jawbone Health is not an issue, let me know how you want to proceed forward on doing that diligence.

b. As a resolution of Mort, Inc.'s claims against you, individually, I would be prepared to accept your personal promissory note that matures in 5 years and is payable to me or my designee in a principal amount equal to 10% of the then current fair market value of all of your direct and indirect holdings of capital stock of Jawbone Health Hub or its successors or assigns, as constituted on the date of maturity ("HR's Jawbone Stock"), provided that no amount shall be due and payable under that promissory note until the fair market value of HR's Jawbone Stock is at least \$10 MM (in which case the maturity date of the promissory note would be extended until such time) and that the maximum principal amount payable under that promissory note, regardless of the then current fair market value of HR's Jawbone Stock, shall not exceed \$13 MM. The promissory note must be secured by a pledge of and first priority lien in all of HR's Jawbone Stock. For purposes hereof, HR's Jawbone Stock shall include, without limitation, assets, obligations, instruments, agreements, understandings or other arrangements, whether written or oral, owned by, issued to, and/or made with you, directly or indirectly, in connection with, as a result of, or in lieu of your directly or indirectly receiving or holding shares of capital stock of Jawbone Health Hub or its successors or assigns.

As stated earlier I am willing to personally backstop any shortfall of the value of your shares in Jawbone Health below \$13M effectively within the same construct you propose provided you are ok with providing the requested strategic help outlined above. I believe that the appropriate maturity period is more like 7 years than 5 years. So in 7 years a promissory note would payable to you or your designee in a principal amount equal to 10% of the then current fair market value of all of my direct and indirect holdings of capital stock of Jawbone Health Hub or its successors or assigns, as constituted on the date of maturity ("HR's Jawbone Stock"), provided that no amount shall be due and payable under that promissory note until the fair market value of HR's Jawbone Stock is at least \$10 MM (in which case the maturity date of the promissory note would be extended until such time) and that the maximum principal amount payable under that promissory note, regardless of the then current fair market value of HR's Jawbone Stock, shall not exceed \$13 MM. The fair market value of the shares at the time of maturity of the promissory note given to you in association with the 0.50% pro-forma grant will be deducted from any amount due under the construct above. So for example if the value of your granted shares was above \$13M no monies would actually be due under the promissory note.

On the lien side I propose a "springing lien" structure.

5. The foregoing proposal is an eminently fair exchange for my forbearance and better aligns our interests, so that I might have some assurance that I will eventually be compensated for the complete loss of my investment in AliphCom. Please advise me of your response so that we can have our attorneys prepare the necessary paperwork to document this settlement proposal.

If we are able to reach an agreement I would need a full release from you as part of the settlement agreement. The arrangement with me would need to be kept strictly confidential.

6. This confidential settlement proposal is being made pursuant to Rule 408 of the Federal Rules of Civil Procedure to resolve disputed claims, and nothing provided herein shall be used in any way in any legal or administrative proceeding, or otherwise, including to establish or limit any claims, defenses, admissions and/or liability of any person or entity in any such proceedings.

Please consider my proposal to fall under the same Rule 408.

Regards,
Hosain

On Aug 23, 2018, at 3:13 AM, jeffrey E. <jeevacation@gmail.com> wrote:

feel free to write those thoughts . It is simple , the obligation is yours. If you had a current net worth of over 100 million I would without a doubt use my resources to recover the monies that you received from me. and I think you would make the right decision and repay it. as you dont currently have the money I m suggesting a mechanism that delays my payment until you do. more than fair

On Thu, Aug 23, 2018 at 1:08 AM, hosain rahman <[REDACTED]> wrote:

Jeffrey,

I have some questions on this email. Can we schedule a time to discuss?

Thanks,
Hosain

On Aug 16, 2018, at 12:16 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Hosain,

I received your August 9, 2018 email to which I respond as follows:

1. If I understand your email correctly, Jawbone Health Hub is offering to make me a "Strategic Advisor to the Company" and issue to me shares of its Series A Preferred Stock through which I would hold a .40% interest in the new Company on a fully diluted basis after the closing in September 2018 of the Company's Series A Preferred Stock financing. Taking you at your word, in light of what you assert is the new Company's \$50 MM pre-money valuation, after the closing of the Series A Preferred Stock financing in the amount of \$45 MM, my holdings of Series A Preferred Stock in Jawbone Health Hub would be worth \$380,000, a miniscule 3% of my more than \$12 MM investment in AliphCom.

2. Although I understand why you might make such a proposal, \$380,000 worth of initial stage stock of a company that is being pieced together from a failed venture that only a few years ago you told me was valued at \$3.2 B does not provide a basis to resolve a fraud claim worth more than \$12 MM. You suggest I should take comfort in this offer because it increases my percentage holdings from .33% at the time of

that venture's wholesale collapse to .40% of the new venture and my interest will be at the "top of the capitalization stack" and "will not be sitting underneath any debt." Those are the same representations you made when you wrongfully induced me to make my initial \$10 MM investment in AliphCom. You also are proposing that I resolve my claims against both AliphCom and you personally in exchange for an investment in a company that will be run by the very same person who misled me about my prior investment.

3. Given your central role in this matter, it is important to me that you make good on your obligations to me personally, regardless of whether the Company has the ability to compensate me. I understand, however, that you are experiencing financial hardship and are not currently in any position to immediately make good on your obligations to me.

4. Therefore, as a counterproposal to resolve my claims against you and AliphCom, I would propose the following:

a. Subject to the completion of satisfactory due diligence to determine the legal and financial status of the Jawbone Health Hub, including its current valuation and the basis therefor, current assets, current debt, current capitalization, and any additional debt and stock issuance contemplated in the foreseeable future, as a resolution of Mort, Inc.'s claims against AliphCom, I would be prepared to accept appointment as a strategic advisor to the Company with appropriate exculpation and indemnities and an irrevocable issuance by the new Company to my designee of Series A Preferred Stock through which my designee would hold no less than a .40% interest in the new Company on a fully diluted basis after the closing in September 2018 of the Company's Series A Preferred Stock financing.

b. As a resolution of Mort, Inc.'s claims against you, individually, I would be prepared to accept your personal promissory note that matures in 5 years and is payable to me or my designee in a principal amount equal to 10% of the then current fair market value of all of your direct and indirect holdings of capital stock of Jawbone Health Hub or its successors or assigns, as constituted on the date of maturity ("HR's Jawbone Stock"), provided that no amount shall be due and payable under that promissory note until the fair market value of HR's Jawbone Stock is at least \$10 MM (in which case the maturity date of the promissory note would be extended until such time) and that the maximum principal amount payable under that promissory note, regardless of the then current fair market value of HR's Jawbone Stock, shall not exceed \$13 MM. The promissory note must be secured by a pledge of and first priority lien in all of HR's Jawbone Stock. For purposes hereof, HR's Jawbone Stock shall include, without limitation, assets, obligations, instruments, agreements, understandings or other arrangements, whether written or oral, owned by, issued to, and/or made with you, directly or indirectly, in connection with, as a result of, or in lieu of your directly or indirectly receiving or holding shares of capital stock of Jawbone Health Hub or its successors or assigns.

5. The foregoing proposal is an eminently fair exchange for my forbearance and better aligns our interests, so that I might have some assurance that I will eventually be compensated for the complete loss of my investment in AliphCom. Please advise me of your response so that we can have our attorneys prepare the necessary paperwork to document this settlement proposal.

6. This confidential settlement proposal is being made pursuant to Rule 408 of the Federal Rules of Civil Procedure to resolve disputed claims, and nothing provided herein shall be used in any way in any legal or administrative proceeding, or otherwise, including to establish or limit any claims, defenses, admissions and/or liability of any person or entity in any such proceedings.

Jeffrey

On Thu, Aug 9, 2018 at 9:28 PM, Hosain Rahman <[REDACTED]> wrote:

Jeffrey,

Thanks for the conversation last week. I appreciate you sharing your perspective candidly and I want to apologize for the bad communication during that period of time. We should have been better regardless of the circumstances and challenges we were facing.

In terms of how we move forward I propose the following:

- We give you 40bps (0.40%) of Series A Preferred stock in the new company, Jawbone Health Hub, on a pro forma basis, so this would be the fully diluted ownership level after the Series A financing is completed. This is more than what you (Mort) owned in the old company, fully diluted. Our records indicate that Mort had 33bps (0.33%) fully diluted in the old company in 2017.
- We would give you this stock for being a “Strategic Advisor to the Company” where you would give us advice time to time. For example you could give us insight on we should navigate the Middle Eastern markets as we seek to expand our distribution beyond Dubai, etc.
- This grant would effectively crease your ownership relative to before and unlike the old company this new stock will not be sitting underneath any debt or anything once the Series A is done. You will be at the top of the capitalization stack.

By way of background on the Jawbone Health Hub:

We are now building a personalized subscription healthcare service that uses continuous health data and combines machine intelligence with human medical insight to catch diseases and issues early and provides daily personal guidance for how users should manage themselves to mitigate issues and be their best. It's almost like personal health as server management. In phase 1 of the offering we screen folks for diabetes, hypertension, different types of arrhythmias, sleep apnea, obesity, and stress. We have completed clinical trials with Stanford, UCSF, Mayo, etc. with strong results and are rolling out the service already on a limited basis.

We are currently closing our Series A, legals docs are done and out for a \$45M raise at a \$50M pre-money valuation with a targeted first closing in mid September. We've also already closed about \$8M with a bunch of angels into a 20% discount convertible note to the Series A (so \$40M pre) - this note will remain open until the first close of the Series A. You are obviously welcome to participate in any of these financing instruments of course if you want to but regardless we will give you the aforementioned pro-forma share grant of 0.40%.

Please let me know if you have any questions - I believe this proposal gives you a legitimate opportunity for capital recovery and a possibility for a return if we are successful. I do hope we can resolve things and be partners again.

Thanks,
Hosain

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