

From: "jeffrey E." <jeevacation@gmail.com>
To: Hosain Rahman <[REDACTED]>
Subject: Re: Final Notes <CONFIDENTIAL SETTLEMENT COMMUNICATION - FOR SETTLEMENT PURPOSES ONLY>
Date: Fri, 20 Jan 2017 12:30:53 +0000

i can talk sometime tomorrow I would like you to tell me of ian osbournes role. did he get any commission fees, value on my investment. ? CAUTION you are walking a taut tightrope with me. . suggesting that my witnesses will be of the same mind in a lawsuit. its clear that blackrock will support my complaint - strongly.

On Tue, Jan 17, 2017 at 5:56 PM, Hosain Rahman <[REDACTED]> wrote:

Hi Jeffrey,

Here is some background on the BlackRock and communication that we had with the Kuwaitis on it. I got clearance to share it with you. We are finalizing the other materials to share with you.

Please treat this as a settlement communication.

Let's discuss,
Hosain

Begin forwarded message:

From: Hosain Rahman <[REDACTED]>
Subject: Final Notes
Date: October 11, 2016 at 2:18:12 AM PDT
To: "Farouk Bastaki"
Cc: "Hussain AlHalabi"

Farouk,

Attached is the bottomline analysis of the options available to the Company right now. It is a pretty stark difference between the two paths. Ultimately we are asking BlackRock to chose the path that is economically best for them - we are killing ourselves for them to have a better financial outcome. Our intentions should be aligned...

I've also attached a timeline of our BlackRock relationship. There is a one page summary at the beginning and the full detail behind it.

Here are notes in some key areas:

Background on the Global Allocation team

- Dennis Stattman is head of the Global Allocation Team.
- Lisa O'Donnell, Co-COO of the team, has been the Fund officer overseeing BlackRock's position in our company and has been the chief decision maker in this process.
- She has been extremely aggressive, mean-spirited and difficult to work with since the beginning of their investment. She dislikes all of their private investments and has stated she wants to make a negative example of Jawbone. She objected to our deal in the beginning and feels like the investment was made despite her viewpoint.
- No one from Jawbone has ever met Lisa in person. She refused to meet us either in her Princeton office nor has she ever visited us. We have tried multiple times.
- Lisa has repeatedly stated in front of advisors and bankers on the phone that she doesn't care if BR loses all of their capital from this deal- the loss is insignificant for them with the size of their fund.
- Lisa has also stated to me directly that we should never expect any help from BlackRock in any situation - "we are your creditor, do not ever expect anything from us"
- I have heard from several different people that they refer to me as "The Terrorist" internally. Terrible given the current state of affairs in the world.

- David Clayton is a non-investing Managing Director with the Fund and has recently been our primary contact recently (he reports to Lisa).
- The Senior Investment Analysts on our deal have been Daniel Daniel and Patrick Edelman. They seem powerless in the situation and do not stand up to Lisa.
- No one from BlackRock has visited Jawbone in 2016. They have not seen any of the new things we are working on. No demos of the prototypes, nothing.

Possible anticipated points from BlackRock and our responses

- **Management team- we don't trust Hosain, the Board, his management team, everything he and the team have told us has turned out to not be true, promises are never hit.** We have missed targets and it has been painful. We are taking great care to make sure we don't repeat the mistakes of the past, there are reasons we missed targets - slow sales in stores, quality issues, product delays. We had a bad product cycle and we haven't been funded to come out of it. Instead of focusing on the business we fight with BR. It's a waste. But to your point it sort of doesn't matter relative to the economically rational decision going forward.
- **Wasting money - opex super high put in this much money three months later they needed more money** Again perhaps we should have cut expenses earlier but we needed to move the ball forward to where it is today in many areas. We have a smart focused plan going forward where we have a very manageable burn rate and are raising 2 years of operating capital. We have never done this in the history of the business.
- **Deals aren't real, they create the term sheets and they aren't real, we can't respond until they are real.** No one will move forward with closing until term sheets are agreed to. This feels like a stall tactic.
- **They threw this Larry/JPM term sheet in front of us, Larry Unrein says he isn't sure if he will do it or not, we got the feeling that JP Morgan wasn't a sureshot** - Larry hadn't taken the deal to his investment committee and gotten final approval because he wanted BR to sign off on it before he got the final approval to ensure he didn't have to go back multiple times. If BR shows flexibility and a willingness, Larry will come through and fund. Other investors are also happy to participate.

Third party feedback

- JP Morgan will tell you that they have never seen a more "destructive" \$285M put into a Company
- Our Skadden lawyer on the re-structuring side is widely considered to be the top re-structuring lawyer in the country. He will tell you he has never seen anyone behave as BlackRock has behaved in the dozens of deals he has worked on - no debtor has not even engaged in a dialogue to give feedback on possible solutions.
- Skadden has also stated repeatedly that the Board since May has done more than any other Board they have ever seen in exploring every option and finding the best solution for all constituents - we have turned over every possible stone we could think of to find a solution.
- PJT has never seen a lender behave this way in any situation they have been involved with
- CODE does not understand what BlackRock is doing and why

Thanks again for your help,
Hosain

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please note

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