

From: Richard Kahn <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: Layer 1 Term Draft
Date: Fri, 10 Aug 2018 00:02:01 +0000

please advise
thank you

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Begin forwarded message:

From: Jeremy Rubin <[REDACTED]>
Subject: Re: Layer 1 Term Draft
Date: August 9, 2018 at 7:23:23 PM EDT
To: Richard Kahn <[REDACTED]>

Just checking in here.

Let me know if there is any other information you need.

[REDACTED]

On Thu, Aug 2, 2018 at 9:34 AM Jeremy Rubin <[REDACTED]> wrote:
Hi Richard,

Attached a pitch deck from them plus their proposed budget.

Below are some of my notes.

Thanks!

Jeremy

Summary: Layer One is a cross between Blockstream and Metastable Capital (core engineering + investment fund managing SPVs).

Their Raise: 3M for 30% of the Company. They anticipate this is a 2 year runway. This is expensive for traditional VC given that they haven't built anything yet or closed key hires, but as a counterpoint it's a more reasonable raise with a more clear business model than most crypto companies, and they don't plan to raise again for the parent company.

Deploy capital Investment: \$1.5M for 15% of the company.

General Strategy & Reutrn: Their plan is to recruit 5-8 top-tier engineers to work on core protocol development for Grin, a new cryptocurrency (I can separately fill you in on what Grin is, but it's legitimate new tech, like ZCash). Meanwhile, they will open up a SPV fund which takes on more capital (non-dilutive to the layer one shareholders) that operates a mining strategy for acquiring Grin (there is no Grin pre-sale, just mining). The SPV pays management and carry to Layer One -- we can separately participate in the SPV if desired, but we automatically get upside exposure with limited downside through management and carry.

Layer One's core development activities can also result in spin-outs. The IP they build might be licensed commercially to exchanges like Coinbase or otherwise productized for consumers. The first technology they want to build for Grin is a protocol that enables issuing 'assets' (e.g., stocks, coupons, licenses), which could easily spin out into a service provider/support business.

They will generalize this plan going forward for working on other cryptocurrencies paired with an SPV.

They will validate their model in two stages: in Q4 they will do initial funding into their first SPV, and in Q1 2019 the first project will launch. If the project launches successfully in 2019, returns should be seen quickly. If the projects's launch is lackluster, then they will both 1) do another SPV for a different asset 2) continue engineering work on the project to bring it into the black. Another upside angle would be acquihire/consulting revenue if they build a high quality technical team, exchanges might pay them for integrations.

Team: A stanford grad and a uchicago grad around my age. They claim to have 3-4 engineering hires who will join when they close the fund (poaching from Blockstream and stanford crypto phds). I've met with both of them one on one and think they are sharp. They've clearly thought deeply about this space and have strong views on what's valuable. We share a lot of views.

Strategic Needs: They want technical guidance, hiring support, and some warm intros from me. I may participate in some of the engineering work for fun anyways (Grin is really cool). As they are yet to incorporate, they need guidance on structure and jurisdiction -- it may be good for them to be a series llc.

On Thu, Aug 2, 2018, 8:46 AM Richard Kahn <[REDACTED]> wrote:

i only see operating agreement attached..
can you please send information about Layer 1..
thank you

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On Aug 1, 2018, at 4:44 PM, Jeremy Rubin <[REDACTED]> wrote:

Just wanted to check in to see if this is sufficient & what sort of turnaround time I might be able to expect (the team inquired as to how long revision might take).

Best,

Jeremy

On Thu, Jul 26, 2018, 12:47 AM Jeremy Rubin <[REDACTED]> wrote:

Hi Richard,

The linked operating agreement seems relatively close to what will work for Layer1.

<https://docs.google.com/document/d/1UhCPkGwhqhfQPwMeAd0pbTDEdDmgtMmJBQde9Qmytc> Does this look like a reasonable starting point to you?

I think the open questions around this are, to me:

1) The founders will have 70% of the units, but will distribute some portion of that to early employees. We want these somehow to be redistributable to employees under vesting schedules. We also want to limit the governing power of these shares until the initial capital is returned (see below).

One option would be to have the 70% vest and not have voting power while vesting...

2) We want is to add language that has some sort of "preferred distribution" so that we get priority on capital return until initial capital is returned. E.g.,

Any distributions, dividends, etc, must be paid to solely to the investors in proportion to the amount invested up until the total distributions made reach the Preference Distribution Limit. Following this point, distributions, dividends, etc will be paid solely to non-investors in proportion to the amount owned until the total distributions reach twice the Preference Distribution Limit. Following this point, all distributions, dividends, etc, must be paid in proportion to ownership with no preference for investor or non-investor.

3) It's not clear to me who should be a Managing Partner -- I think maybe 2 investors and one of the founders? Once enough of their units vest/initial capital repayed they should be able to take the majority of seats?

4) We want to define a point before they begin fund raising for their SPVs where we can vote (with other MP) to dissolve.

Best,

Jeremy

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[REDACTED]