
From: Tim Danaher on behalf of Tim Danaher <tim@pax.com>
To: James Monsees
Sent: 11/5/2015 10:31:29 AM
Subject: RE: organizational update

Cool

From: James Monsees [mailto:james@pax.com]
Sent: Thursday, November 05, 2015 1:29 PM
To: Tim Danaher
Subject: Re: organizational update

Yes.

On Thu, Nov 5, 2015 at 10:28 AM Tim Danaher <tim@pax.com> wrote:
James - Did you bcc all of the Series C investors?

From: James Monsees [mailto:james@pax.com]
Sent: Thursday, November 05, 2015 1:26 PM
To: board@pax.com
Subject: organizational update

Dear Investors,

I'm writing to inform you of some organizational and board improvements at PAX Labs.

Over the past year, we have introduced to the market two well-received products, seen strong JUUL key indicators, seen PAX embraced by lifestyle trade, partners and press, begun selling PAX in several international markets, brought our ERP system to near integration, structured cost reduction efforts that will significantly improve product margins beginning in Q2 next year, added talented leaders to our management team, and focused our efforts. The board and I are more confident than ever in our long-term prospects. To drive forward with rapid, lasting growth, we have decided to make four decisions effective immediately:

1. Additions to PAX Labs Board of Directors

I have the great pleasure of introducing two new board members, Hoyoung Huh and Alexander Asseily. Together with Nick Pritzker, Riaz Valani, Hank Handelsman, Adam Bowen and myself, the board now comprises seven executives. Adam and I are pleased to have such talented and experienced board members working with us.

Mr. Huh is a former partner at McKinsey & Company and is an innovation-focused entrepreneur and investor. He is currently Chairman of two NASDAQ-listed companies, Geron Corporation and CytomX Therapeutics, and has been involved in formation, management and financing of over 20 successful companies, including operating roles CEO, COO and lead director.

Mr. Asseily was the founding CEO of Jawbone and served as its Chairman. As Jawbone's founding CEO, Mr. Asseily directed the development of Jawbone's core products and built the defense business with DARPA. In 2004, he launched the first Jawbone headset to critical acclaim, followed in 2006 by the industry-changing Jawbone Bluetooth headset. Today, Jawbone is one of the most highly valued private consumer electronics companies in the world.

2. New CEO search initiated

The PAX Labs board and management team are extremely confident in the company's long-term prospects and business fundamentals. However, we have identified a number of short-term operational challenges; in response to these challenges and to usher in the next phase of growth for the business, I'll be stepping down as CEO. I will be staying with the company as President and Chief Product Officer with a mandate to work closely across the organization to explore and clarify our future product strategy and roadmap.

The search for a new CEO has already begun with an executive search firm we believe in, True (www.truesearch.com). We believe finding a CEO with substantial experience managing a high growth business, consumer and technology industry expertise and capital market knowledge and understanding, including monetizing a multi billion dollar business, are keys to accelerated growth at PAX.

3. Creation of Management Committees

Until a new CEO is found, the board has created two new committees. A Board Executive Committee has been formed to provide more consistent and focused direction to the company. Board members Nick Pritzker, Hoyoung Huh and Riaz Valani are the Board Executive Committee members with Mr. Huh serving as Executive Chairman and Mr. Pritzker as Co-Chairman.

The board has also implemented a new interim Executive Management Team consisting of six members: Adam Bowen, Richard Mumby (CMO), Danna McKay (GM), Tim Danaher (VP Finance), Bryan White (VP Product Development) and myself.

The Board of Directors expects the Board and Management Committees to work together to develop the strategic and financial foundation for the company, reaching across all functions including product strategy, business planning and organizational structure. Additionally, the board believes these organizational changes will foster a realignment of some functions and roles, with the goal of providing additional clarity, accountability and certainty around growth oriented business results.

4. Departure of Scott Dunlap, COO, Scott Varner, VP of Sales, and Paul Morales, VP Global Supply

With the implementation of this new management structure, the board has determined that the role of Scott Dunlap as COO was no longer essential. Scott Varner's role as VP Sales required a shift to foster a new wholistic sales and marketing strategy across the company, now led by Richard Mumby. Paul Morales' role as VP Global Supply would be dissolved to consolidate strategic components of Global Supply into the Product Development team and the new department will take a more operational mandate.

The Board Executive Committee share both personal and board level commitment to the ongoing growth and success of PAX Labs as well as their belief in the promise of the company's future. I share this vision and look forward to continuing our mission to transform several of the largest global industries through our unique capabilities and vaporization technologies.

Respectfully,

James

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James Monsees | ceo
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