
From: Jeremy Thompson
Sent: Wednesday, June 10, 2020 6:50 AM
To: shardek@zoomessence.com
Subject: RE: Follow Up Email from our Discussion

Hi Steve,

Thank you for the call Monday. It was great to catch up and I'm glad to hear you, your family, and your business have fared the Covid-19 situation well.

And, thank you for you and your Board's continued interest in exploring a partnership with FONA. After careful consideration, we are not in a position to continue discussions regarding a potential transaction. Based on our conversation and my Board's counsel, I believe it best that we conclude the exploration at this time.

Thank you again and best of luck for the future!

Sincerely,
Jeremy

From: Jeremy Thompson
Sent: Tuesday, April 7, 2020 12:34 PM
To: Steve <shardek@zoomessence.com>
Subject: RE: Follow Up Email from our Discussion

Hi Steve,

Thank you. Following our conversation last week, I reached out to members of FONA's BOD/BOA to discuss. We remain interested in the idea of a potential strategic partnership that could combine both FONA and ZoomEssence's extensive technology investments in the encapsulation & flavor delivery field.

While we agree there's value in technology, the real value comes, as you know, when customers are connected with the technology and choose to buy it over other available solutions in the market. Commercialization of technology requires investments beyond the technology itself and the true value is most easily discerned, in our view, from the cash flow a business has generated on the technology historically, plus some assumptions about future investments required and the expected cash generated from future sales. Our rationale for requesting to proceed to a phase where financials were shared was simply to speed along an evaluation process by building on your historic track record and then making assumptions about the benefits/synergies of a possible FONA partnership.

That said, we appreciate the request from your leadership and will give some thought to how to respond. With all that's currently going on with the Covid-19 situation and our upcoming quarterly meetings, please allow us some time to come back to you.

Thanks again for your feedback. Stay safe and healthy!

All the best,

Jeremy

From: Steve <shardek@zoomessence.com>
Sent: Wednesday, April 1, 2020 7:16 PM
To: Jeremy Thompson <jthompson@fona.com>
Subject: Follow Up Email from our Discussion

Hi Jeremy,

Thank you for the email dated March 17th, we appreciate your continued interest in developing a partnership. As I am sure is the case with FONA, we are consistently approached to pursue the sale of our company. Today our leadership remains committed to growing our business which could include partnerships with like-minded companies.

At the core of ZoomEssence is our intellectual property which includes both patents and trade secrets. Our team of physicists and scientists are continuously advancing our technology, most recently into the field of carrier free compositions. The latest patent promises a new frontier of taste and aroma delivery, and in many applications, CoolZoom® powder flavors are replacing liquids and delivering both quality and cost advantages. This is a game changer in the flavor industry.

We believe our technology creates a preferred delivery system for flavors, even when compared to liquid flavors. As we continue to expand our know-how and depth of the technology's applications we aim to strategically protect, and vigorously defend, our patent portfolio and know-how.

Regarding your suggestion of an acquisition, the value of Zoom goes far beyond the typical industry valuations based on certain financial measures. Rather, much of the value is driven by the technology's potential supported by an extensive foundation of know-how, leverage and capability. Any interested party would need to appreciate the potential for value creation when valuing Zoom. Without that initial understanding it is premature for us to share any financial data. Now that we have completed the evaluation of CoolZoom® powder flavors, we would like to understand how you would value our technology.

At the beginning of this process, both parties wanted to pursue a relationship that could potentially add value to both companies. We look forward to your feedback.

Regards,
Steve

Steve Hardek | President, Technology & Innovation

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From: Jeremy Thompson
Sent: Tuesday, March 17, 2020 12:22 PM
To: shardek@zoomessence.com
Subject: Follow-Up on Next Steps

Hi Steve,

I hope all is well. Joe returned from his trip last week and I had the meeting with he and other members of our BOD / BOA here on Thursday, to align on next steps.

As we've discussed since early on in our dialogue, we see a lot of potential to a Zoom/FONA collaboration that would join together our technologies and our resources across various functions. The recent exchange of samples and our evaluations have further demonstrated that there are benefits a customer will see from both technologies versus traditional spray drying techniques. And, additionally, the evaluations have demonstrated that the technologies are distinctly different in terms of the particles they produce and the impacts these will have in various applications and with various flavor types.

Because of all this, we believe there could be potential value created for customers if we were able to offer an even broader portfolio of encapsulation solutions than we have today, that includes the ZoomEssence technology. The key question, which you and I have discussed only on a very limited basis, is how to form a partnership between our companies that would enable this.

After considerable discussion and dialogue with my BOD/BOA members, we arrived at only one way to approach this that we believe would maximize the opportunity for all stakeholders. We believe that an outright acquisition of ZoomEssence by FONA International would be the best approach. Of course, this is a very significant decision for all stakeholders and we don't want to presume this is of interest. But, if it is, there are a couple important next steps that our BOD/BOA would recommend be taken, if agreeable for your side:

1. First, given that we want to ensure everyone's interests are fully protected during a process with this significance, we would like to execute a mutual NDA specific to this process that spells out a few, very specific pieces of information that would need to be exchanged in order for the process to proceed. FONA would propose terms for our mutual legal teams to review and work to agree on.
2. Second, if the first step is agreed / executed, we would like to receive a very limited set of financial information that would enable us to place a value on ZoomEssence and develop a non-binding offer / letter of intent. This would include the following for at least the past 3 years (subject to review/negotiation as we work through step 1):
 - a. Sales
 - b. Gross Margins
 - c. Net Income
 - d. EBITDA
 - e. Adjusted EBITDA (based on a Quality of Earnings type analysis)
 - f. Customer Mix / Concentration Analysis
 - g. Product Mix / Concentration Analysis
3. Lastly, if this offer is accepted, in principle, by ZoomEssence stakeholders, we would proceed to further due diligence steps and a binding agreement.

On point two, I wanted to acknowledge that you/I have discussed FONA developing an offer value for your technology, perhaps somewhat independently of the underlying flavor business you've developed. From the dialogue with my BOD/BOA, we feel the information above will help in arriving at a fair value for both parties, that builds off the current performance profile of the business. I realize this may be a different approach than you had in mind, but am hopeful this will be of interest / acceptable for your team.

Again, I hope all is well with you and your team during these tumultuous times! Please let me know if you have any questions and I look forward to discussing at your convenience.

Best Regards,
Jeremy

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Forbes magazine named FONA to list of Small Giants, one of only 25 companies in the nation to receive the honor! Check out more details [here](#).

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