

August 20, 2019

e-mail: gberman@dsi.biz

To the Creditors of:

Anki, Inc.
San Francisco, CA 94015

RE: GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS - UPDATE

Dear Sir or Madam:

The following is intended to give creditors an update on the status of the liquidation of Anki's assets pursuant to the general assignment Anki executed on May 8, 2019 (the "Assignment").

As creditors were previously advised, Anki designed and sold complex robotic toys that served both the consumer and education markets using interactive artificial intelligence. These products were designed to use cell phone applications and web-based services. The main product lines were OVERDRIVE, Cozmo and the most recent product, Vector.

Silicon Valley Bank (the "Bank") extended a line of credit to Anki that was secured by a lien against all of Anki's assets. The principal debt under the \$12 million line of credit was repaid by Anki prior to the making of the Assignment. As of the date of the Assignment, the remaining balance was \$500,000 plus interest and expenses, representing the Bank's termination fee. Anki also factored (sold) certain of its accounts receivable to Prestige Capital. That firm has a lien on the purchased receivables and shortly prior to the Assignment obtained a lien on inventory to secure what is believed to be a shortfall in the receivable advances. The Bank's lien was properly perfected. Prestige Capital's asserted lien against inventory, taken shortly prior to the making of the Assignment, was questioned by the Assignee's counsel. The issue as to the validity of the lien was resolved as is described below.

During the first three plus months of the liquidation process, the Assignee received interest from more than twenty different companies with those firms signing non-disclosure agreements to be able to review information about Anki's various product lines and patent and trademark portfolio, as well as ongoing costs to maintain the web based services that supported the product lines. Only one company made an offer to acquire all of Anki's assets, meaning the product line inventories and related intellectual property and exclusive of outstanding accounts receivable. That party

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failed, however, to execute an asset purchase agreement and ultimately withdrew its interest in the Anki assets.

The Assignee then began fielding inquiries from parties interested in specific product lines. Again, some of the parties got so far as to begin negotiating asset purchase agreements for purchasing the OVERDRIVE product line and related patents and trademarks. None of the parties however agreed to close on a purchase and, as of this date, the OVERDRIVE inventory and patents remain to be sold.

The majority of the Cozmo product line, which represented a small portion of the unsold inventory, was sold to Rainbow Concepts, Inc. for \$156,000.

The Assignee reached an agreement to sell all of the Vector related inventory, located at third party warehouses in Aurora, IL and the Netherlands. The purchase price for all Vector inventory, including accessories, was \$5.5 million. The third party warehouse company has a warehouseman's lien on the inventory it has been holding. Therefore, to enable the release of the Cozmo and Vector inventory the warehouse claims had to be paid. The warehouseman's lien will be retired at the end of the month with the next release of Vector inventory. Proceeds from the sale of the Vector inventory were also used to pay off the Bank in full.

The Assignee also determined that the Vector products use technology licensed from Signal Essence. The Assignee negotiated a one-time fee enabling the sale of the Vector inventory on a pass-through basis and for the resale of that inventory by the purchaser. Both the Vector and Cozmo sales are on an as-is, where-is basis, without representation or warranty. The Assignee has agreed to fund web based services through September 2020 to enable the purchased product to remain usable and of value to consumers. The purchasers will have to make their own arrangements to continue support for the products after September 2020. The Assignee is now discussing the sale of the OVERDRIVE inventory on a basis similar to the other two product line sales.

As noted above, the Assignee through its counsel negotiated a resolution of Prestige Capital's disputed inventory lien so as to be able to complete the sale of the Cozmo and Vector (and we presume OVERDRIVE) inventory. Prestige Capital does not have a lien on any intellectual property assets. Prestige Capital's secured claim, after credit for prior collections on accounts receivable, was settled at \$3.7 million, which reflects a discount to avoid the time and expense of litigating the lien issue. To date, Prestige Capital has been paid [\$1.75 million/\$2.05 million] on account of its claim from sale proceeds.

Also of note is the fact Anki provided its landlord with a \$1.6 million security deposit and the rental rate under Anki's lease was under market for the area in which Anki was located in San Francisco. The rent was three months in arrears with the landlord owed approximately \$900,000

at the time of the Assignment. The lease prevented the Assignee from obtaining the excess over the past due rent from the security deposit for use in administering the Assignment.

Attached to this letter is a copy of Anki's Balance Sheet as of May 8, 2019, the date of the Assignment. The Balance Sheet reveals the substantial debt Anki had incurred. This information came from Anki's records and, with the exception of the secured claims, has not been independently verified by the Assignee's staff.

Finally, creditors are reminded that a Proof of Claim form that must be completed and returned to the Assignee, at its Los Angeles, CA offices (the address is on the form) no later than **October 28, 2019** along with any documents supporting your claim. Creditors who fail to file their Proof of Claim by October 28, 2019 may not be entitled to share in any distribution on account of unsecured claims arising out of the liquidation of Anki's assets to the extent there is any value beyond the secured creditor's claims. The filing of a Proof of Claim does not guaranty that there will in fact be a recovery for unsecured creditors.

Please feel free to contact Steve Victor (svictor@dsiconsulting.com), Matt Sorenson (msorenson@dsiconsulting.com) or the undersigned (gberman@dsiconsulting.com) or by telephone at (213) 617-2717 if you have any questions regarding the Assignment. Additional information about the Assignment will be posted on the Assignee's website at www.dsiassignments.com as it becomes available.

Very truly yours,

DSI Assignments, LLC, solely in its capacity as
Assignee for the benefit of creditors of Anki, Inc.



By

Geoffrey L. Berman, Senior Managing Director
Development Specialists, Inc., the sole and managing member

Enclosure (May 8, 2019 Balance Sheet)

Anki, Inc.
Anki USA, Inc. (Consolidated)
1 Anki Balance Sheet Comparison
8-May-19

Financial Row	Current (As of May 2019 (5.5-6.1))	Prior (As of Apr 2019 (4.7-5.4))	Variance	% Variance
ASSETS				
Current Assets				
Bank	\$65,934.47	\$2,373,652.16	-\$2,307,717.69	-97.22%
Accounts Receivable	(\$1,031,243.91)	(\$966,787.53)	-\$64,456.38	6.67%
Other Current Asset	\$26,934,630.00	\$26,241,761.34	\$692,868.66	2.64%
				includes intercompany
Total Current Assets	\$25,969,320.56	\$27,648,625.97	-\$1,679,305.41	-6.07%
Fixed Assets	\$1,991,862.84	\$1,991,862.84	\$0.00	0.00%
Other Assets	\$1,690,704.82	\$1,690,704.82	\$0.00	0.00%
Total ASSETS	\$29,651,888.22	\$31,331,193.63	-\$1,679,305.41	-5.36%
LIABILITIES & EQUITY				
Current Liabilities				
Accounts Payable	\$34,304,990.61	\$34,926,980.59	-\$621,989.98	-1.78%
Credit Card	(\$294,406.54)	(\$427,089.26)	\$132,682.72	-31.07%
Other Current Liability	\$15,262,683.10	\$15,561,004.37	-\$298,321.27	-1.92%
				includes intercompany
Total Current Liabilities	\$49,273,267.17	\$50,060,895.70	-\$787,628.53	-1.57%
Long Term Liabilities	\$955,055.49	\$955,055.49	\$0.00	0.00%
Equity	(\$20,576,434.44)	(\$19,684,757.56)	-\$891,676.88	4.53%
Total LIABILITIES & EQUITY	\$29,651,888.22	\$31,331,193.63	-\$1,679,305.41	-5.36%