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**From:** Stites, Robert [/O=AMAZON/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=RSTITES]  
**Sent:** 11/1/2017 4:53:06 PM  
**To:** Limp, Dave [REDACTED]  
**CC:** St. Angel, Lindo [REDACTED]; Williams, Robert [REDACTED]; Tritschler, Charlie [REDACTED]; Booms, Douglas [REDACTED]  
**Subject:** Re: Project Darwin (Ring) - call with Dave Limp

This is worth a discussion, We chose to innovate on hardware in Pie well into the design phase requirements and intent were still fluid. This company chooses to limit their hardware capability to what is available and focus on other areas. If you want we can have the company that builds both do a gap Analysis for us as part of the next level due diligence.

Rob Stites  
[REDACTED]

On Nov 2, 2017, at 7:37 AM, Limp, Dave [REDACTED] wrote:

This is problem then. [REDACTED] In facet doing Pie took us a long time and was fraught with issues. Folks need to convince me a frugal organic plan that can win. I have not seen it, perhaps Rob you have that makes you confident?

On Nov 1, 2017, at 4:31 PM, Stites, Robert [REDACTED] wrote:

Dave

Based on your answers, I would be very concerned. You can't half integrate them into mechanisms we use to run the business, things just break everywhere if we treat it as a Chinese menu. They don't have any interesting hardware secret sauce either in IP, manufacturing process, or people. As indicated in the slide I sent last night, from Foxconn (one of their ODMs) I think we could easily replicate all of their hardware to be better, operate in a more secure and robust infrastructure, for a LOT less than cost of buying them so I am not inclined unless our intent is just to benchmark pricing (which seems to me we could get by hiring one or two people). However at this point could easily disagree and commit given the positive assessment of my team in the early meetings at least we don't think they are broken.

Rob Stites  
[REDACTED]

On Nov 2, 2017, at 12:29 AM, Limp, Dave [REDACTED] wrote:

Comments inline in blue. Obviously, a lot of these answers are my early thoughts and worthy of a lot of debate. Net/Net are you inclined to give them a term sheet subject to a LOT more diligence?

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**From:** Robert Stites [REDACTED]  
**Date:** Tuesday, October 31, 2017 at 10:22 PM  
**To:** Dave Limp [REDACTED]  
**Cc:** "St. Angel, Lindo" [REDACTED]; "Williams, Robert" [REDACTED]

[REDACTED]  
"Tritschler, Charlie"  
Booms, Douglas"

**Subject:** Re: Project Darwin (Ring) - call with Dave Limp

Dave

I am writing this on my phone in a care so please forgive any typos and crazy confusing statements.

To start, I want to point out that my lead for the early effort was pleased with what he saw in the supply chain. They use tier one components and manufacturing partners with no red flags in his questioning. He believes they are a solid company. I have several of their products and with the exception of needed a special tool to change a battery, I have been impressed.

My concern largely encompassed the intended integration or non-integration with our business. I mentioned Nest and Beats in this regard as those acquisitions are the best comp I can think of to what we are intending to do and I have the benefit of having a lot of insight on their supply chain integration challenges. Below, I have tried to capture several of the issues they have faced over the last years as well as some other. At this point Nest is entirely functionally integrated with Google Hardware, and Beats has slowly and painfully migrated following a series of hardware and roadmap missteps.

While each area below could be perceived as an individual decision that could be made as part of the next level Diligence, when taken in their entirety they encompass a fundamental approach to this potential acquisition that should be well understood now.

1. Planning- Will they still take orders from the CE buying team just like they do today or would we get involved with our planning team. Who owns FTIS, inventory allocation and launch planning? Will they still have independent relationships with the retailer or would they leverage our retail team? IE do the still meet with the best buys of the world independent of our team? Do we plan to assort in our owned stores, if so are they treated as a 3P or 1P product?

[REDACTED]

2. Cost – Do we want to get involved in areas where their costs are higher than ours, for example, silicon, memory and FATP transformation. We just concluded our relationship with one of their key partners, Chicony, fundamentally because they were a high cost supplier and not interested in competing for our business where cost was so important.

[REDACTED]

3. Contracts – We have world class contracts in-line with our scale and influence, would we plan to align this with the supply base, or keep separate ones with the same suppliers.

4. CSR and compliance- We know they have limited to no activity around compliance and CSR validation. Are we OK with this? Do we have them roll up separately as part of a standard CE supplier to our retail side. Is that even OK? If they were found to have a problem would PR try to tie them to our ownership?

5. Continuity of supply – Are they on their own here or do we get involved when there is a shortage? This usually ends up being beyond frustrating for the teams involved and because we don't share systems, can be extremely time consuming.

6. Logistics – We expect to find that we get better rates than they do in logistics and our SLA's will be tighter. Is this OK or would we try to improve this? Do we take ownership of their reverse logistics, ours is integrated with the FC process, as a CE vendor they have a separate process that drives cost, do we still keep that if we are separate? Do we move their Offline forward logistics from our systems to theirs?

7. Quality – They currently follow standard quality checks and procedures used at the Contract Manufactures. We have a much higher bar with many additional mechanisms developed by us to ensure world class produces. Would we expect to work towards aligned that or wait until we do it over time as the response to various COE's.

8. Supply base sponsorship, relationship and management. When we meet with Supply Base leaders do we try to act as one company or just tell them we have no idea what company X's plans are or what they are up to so you will have to talk to them separately. Foxconn would be one example here. Do we try to align this at all, or do we treat it like AWS. In AWS case there is very little overlap in either material or factory (Server divisions are separate from the CE division in our CMs) so we coordinate loosely unless we see an opportunity to benefit from



working together. This will be beyond confusing for the leadership at the supply base but do we care?

9. Regional involvement – Do their in-region operations teams continue to sit separately, in their own offices, with their own HR, IT, Benefits, support or do they become part of our regional team under our regional leader?

10 – Security – I would be shocked if they didn't need major work in this area to meet our expectations. While I expect the primary focus to be their software architecture I am sure that we will find issues in manufacturing and hardware design that need to be addressed? Who does this, or do we just ignore it and hope it doesn't become a problem.

10. Comp – Do we try to align comp for the same job titles or do they stay under their current comp system? Is this both in region and in the US?

Many of these areas tripped up Beats and Nest and several are still a mess that they are fighting through. The leader of Beats supply chain was just changed out again sending a director from Cupertino and long term Apple leader to run it.

In addition to the areas above, aren't we concerned that Amazon ownership is going to drive different expectations from our customers. We recently have been celebrating our success in establishing tremendous trust from our customer base. This raises expectations in many areas, not the least of which is things working together. Who ensures that we meet that bar in product timing, capability, reliability, quality seamless integration etc.

I am strongly convinced that ignoring all of these areas will just result in a slow and painful migration over time in response to problems, which is just so painful. If we want to move forward the only viable solution I see is to transition the team into a new product line, largely mirror that structure and integrate them using the right mechanisms we have been building over the last years. This is costly, will slow them down some and may alienate some of their leadership but I am convinced is the only way this works in the mid and long term.

Of course I could be wrong...

Rob

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**From:** "Komorous, Nick" [REDACTED]  
**Date:** Tuesday, October 31, 2017 at 8:56 AM  
**To:** "Stites, Robert" [REDACTED]  
**Cc:** "Lindo St. Angel" [REDACTED] "Williams, Robert"  
[REDACTED] "Tritschler, Charlie"  
[REDACTED] Booms, Douglas"  
**Subject:** RE: Project Darwin (Ring) - call with Dave Limp

Removing the EAs

Rob S – we caught up with Dave this morning and brought up your concerns about integrating Darwin. Our current integration hypothesis is to do the minimum amount of work to ensure that Darwin's products are reliable and safe. So, the goal would be to keep Darwin as independent as possible under the principle of doing no harm and not slowing them down. Dave would like to get your opinion on this approach as well as your overall concerns about doing this deal. Can you send him a note directly and cc' all of us? Given the time zone difference, we will likely have to handle this over email. Also, please highlight what you mean by the reference to Nest and Beats. We discussed this briefly, but weren't able to draw a lot of parallels between those deals and Darwin (with the Nest deal seemingly having gone sideways due to contractual commitments to keep it entirely separate – no integration whatsoever).

Thanks,  
Nick

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**From:** Stites, Robert  
**Sent:** Tuesday, October 31, 2017 2:19 AM  
**To:** Komorous, Nick [REDACTED]  
**Cc:** St. Angel, Lindo [REDACTED] Williams, Robert  
[REDACTED] Tritschler, Charlie [REDACTED]  
Booms, Douglas [REDACTED] Osborne, Maya  
[REDACTED] Manila, Marie [REDACTED]  
Guterman, Kimberly [REDACTED] Singh, Wendy  
[REDACTED] Roemer, Jamie [REDACTED]  
**Subject:** Re: Project Darwin (Ring) - call with Dave Limp

Nick

I flew last night and landed today in Taiwan, it is unlikely I will make it to the late night meeting tonight, so thought I would capture my thoughts.



Rob Stites



On Oct 31, 2017, at 2:29 AM, Komorous, Nick

<[redacted]> wrote:

All – I am reaching out because Dave asked me to set up a call (or start an email thread) with his leadership team to get everyone’s perspective on the potential Darwin acquisition. My preference is to do this in person (on a call) rather than via email. Not surprisingly, getting time with Dave in the next few days is proving to be difficult. It looks like our best option is tomorrow morning at 7:30 am PST. Can everyone make that work? Rob S – I realize that is fairly late China time.

Thanks,

Nick Komorous  
Corporate Development  
Amazon.com

