

# **EXHIBIT 10**



Geneva, 10 May 2016

Jean-Yves De Both  
Schellenberg Wittmer Ltd., Attorneys at Law  
15bis, rue des Alpes, P.O Box 2088  
1211 Geneva, Switzerland

Dear Mr. De Both:

I write in response to your letter dated May 4, 2016 demanding payment of \$5 million by Silent Circle, LLC ("Silent Circle") pursuant to the Stock Purchase Agreement and Senior Note Agreement (the "SPA") between Geeksphone S.A., Silent Circle and Silent Circle Inc. For the reasons set forth below, Silent Circle: 1) will not be making the \$5 million payment; 2) requests several categories of information relating to Geeksphone's claimed interest in SGP Technologies S.A. ("SGP") and Geeksphone's solvency at certain times; and 3) demands arbitration in accordance with the parties' agreement should Geeksphone continue to claim entitlement to the \$5 million payment.

#### **Geeksphone's Failure to Contribute Capital for its Shares**

At the core of the transactions set forth in the SPA is the sale by Geeksphone of its alleged 50% stake in SGP. Among others things, Geeksphone represented and warranted that it was the owner of and had sufficient ownership and title in the stock of SGP to convey to Silent Circle in exchange for \$30 million. As Silent Circle has come to learn in the 14 months since purchasing that interest and taking control of and having complete access to the records of SGP, Geeksphone in fact failed to provide the consideration it agreed and was obligated to provide in exchange for its 50% stake in SGP and instead used SGP as a means to shift its overhead and other expenses to Silent Circle while failing to contribute any capital to SGP.

As is made clear in the SGP Articles of Association and in the parties' Joint Venture Agreement, each party was to make specific capital contributions in exchange for its respective 50% stake in SGP. Silent Circle, for its part, provided a brand, its software and the cash investment needed to operate SGP from inception. For its part, Geeksphone was to provide "sweat equity" in the form of the development of the initial operating system for the Blackphone device as well as know-how and access to distribution and sales networks for the Blackphone. As SGP's financial records and the events since its formation have made clear, Geeksphone failed to make these capital contributions.



First, Geeksphone failed to contribute any “sweat equity” because almost all, if not all, of the work that went into the development of the Blackphone design and operating system was funded by Silent Circle. SGP was formed as an entity and first had its bank accounts opened in February 2013, just weeks after the parties agreed to become joint venturers. From the moment SGP was formed, its operations were funded entirely by Silent Circle, as Geeksphone repeatedly refused to contribute any working capital for SGP’s operations. To make matters worse, Silent Circle has since learned that Geeksphone moved almost all of the labor costs and overhead associated with its operations into SGP. This included historical costs and virtually all of the costs of the Geeksphone team. While SGP needed to and did hire its own employees, including some former Silent Circle employees, those costs were all born by Silent Circle. Geeksphone, however, simply used SGP as a means to pay the expenses associated with its operations, all of which was funded by Silent Circle.

Geeksphone’s shifting of operational costs associated with the Blackphone project to SGP is significant because it means that Geeksphone did not provide any capital contribution for its 50% as was required by the Articles and the Joint Venture Agreement.

Geeksphone also failed to promote Blackphone and to provide any know-how or other expertise regarding the procurement, marketing and sale of a customized Android smartphone device. As a result of the lack of know-how or other guidance provided by Geeksphone, the initial Blackphone device – though the subject of significant press attention (generated by Silent Circle’s capital and efforts) – was a failure from a technical and design perspective. SGP badly overpaid for the device and adopted a processor platform that was inherently flawed for an enterprise-focused device and had to be changed for the Blackphone 2. With poor specifications, underperforming but overpriced hardware and no guidance from Geeksphone into the distribution of the device, the Blackphone 1 proved to be a major financial failure, costing millions of dollars, all funded by Silent Circle.

Despite having failed to make any capital contribution to SGP in return for its 50% stake, Geeksphone used its ownership position to cause disruption within the company and, through the repeated obstructionist tactics of Rodrigo Silva, to pressure Silent Circle to buy out its stake in the company. Mr. Silva repeatedly refused to agree to routine business decisions and despite having not invested a single dollar into the joint venture, refused to allow Silent Circle to combine certain key functions with SGP, such as marketing and sales. As part of his obstructionist measures, Mr. Silva also routinely interfered with any attempts by Silent Circle to jointly brand or market Silent Circle’s products and the Blackphone or to fold management positions into a single team to reduce overhead.



In short, Mr. Silva ensured that SGP was paralyzed in its efforts to reduce costs and increase efficiencies at a time when Geeksphone was burning significant cash leading up to the launch of the Blackphone 2. In addition, Mr. Silva's refusal to allow Silent Circle to more directly manage the operations of SGP in part led to the SGP stand-alone sales team building unrealistic sales forecasts of more than \$750 million in revenue for 2015, which ultimately turned out to be less than \$10 million. Yet it was based in large part on these inflated sales figures and corresponding valuations that Geeksphone induced Silent Circle to pay it \$30 million.

In short, Silent Circle now believes on information that Geeksphone knowingly shifted its operating costs to SGP, failed to deliver any meaningful know-how or other similar capital, intentionally became obstructionist to force Silent Circle to buy out its stake in SGP and then demanded \$30 million for stock it should never have owned in a company that it never had the ability or intention to help fund or run.

#### **Geeksphone's Unreported Insolvency**

Among the reasons for Geeksphone's failure to make any capital contributions to SGP was its insolvency at the time the joint venture was formed and throughout the life of the joint venture. Geeksphone's immediate shifting of its operational expenses to SGP was grounded in Geeksphone's failure to continue to operate as a going concern. Despite representations to the contrary, Geeksphone was not having success in selling sufficient quantities of its own smartphone and its losses were forcing it to consider selling or winding down its operations. Unbeknownst to Silent Circle, it was entering into a joint venture with a company that had very limited commercial success procuring, marketing and selling a smartphone device and that would never have been in a position to help fund the operations of SGP. By entering into the joint venture and shifting its operational expenses, Geeksphone was able to continue to maintain the semblance of a going concern until the time of the buyout, but Geeksphone had become a shell with no ongoing development or other efforts. These facts became most evident when, just weeks after Geeksphone accepted \$30 million for its 50% stake in SGP, it announced it was exiting the smartphone business and would instead focus on specialized wearable devices.

Geeksphone's insolvency and lack of viability as a going concern is significant for at least three reasons. First, it means that Geeksphone was never in a position to contribute the capital for its 50% stake in SGP (and indeed had no intention to). Second, it means that Silent Circle may have been fraudulently induced to enter into a joint venture with Geeksphone and to grant it a 50% stake in SGP to a company that could not make any meaningful contribution to the joint venture. Third, had Silent Circle known about Geeksphone's true financial and operational status, it could have exercised rights under the Articles and Joint Venture Agreement to assume Geeksphone's interest in SGP. As



Mr. Silva is aware, he was asked directly during negotiations of the buyout whether Geeksphone was and had been solvent, and he claimed that it was.

#### **Request for Information**

To assist Silent Circle in assessing its rights under the operative agreements and its assertion that Geeksphone was at relevant times insolvent and failed to provide any capital contribution in return for its 50% stake in SGP, Silent Circle hereby requests that Geeksphone provides Silent Circle with the following categories of records, whether in electronic or hard form:

- Copies of Geeksphone's financial statements (quarterly and annual) from October 2013 to the present;
- Records sufficient to show any and all costs allocated by Geeksphone to its basis in the SGP shares for tax and other accounting purposes;
- Copies of Geeksphone's tax returns for 2013 and 2014;
- Copies of email and other correspondence relating to the shifting or charging of costs for Geeksphone's operations to SGP;
- Copies of emails and other correspondence between executives at Geeksphone and executives at SGP between January 1, 2015 and March 30, 2015;
- Copies of records sufficient to show the number of smartphone devices sold by Geeksphone in 2013 and 2014;
- Copies of all records relating to operating costs, overhead expenses or other expenses of Geeksphone charged to or borne by SGP; and
- Records sufficient to show any capital contributions Geeksphone claims to have made for its 50% stake in SGP, including any cash contributions or contributions of labor or other services paid for by Geeksphone.

Silent Circle requests that Geeksphone provides the above records by no later than May 30, 2016 so that Silent Circle can better determine whether Geeksphone in fact had proper title to and the ability to convey a 50% stake in SGP to Silent Circle before Silent Circle makes any future payments under the SPA.

Should Geeksphone be unwilling to provide the foregoing records and should Geeksphone continue to maintain that it is entitled to the remaining \$5 million payment without any showing that it had valid title to pass and that it was solvent at relevant times, Silent Circle hereby requests that the parties' arbitrate their disputes in accordance with the SPA. I am willing to meet and confer at your convenience on a location for the arbitration and for the selection of arbitrators.



I look forward to further discussing these issues with you at your earliest convenience.

Sincerely,

/s/ Matt Neiderman  
Matt Neiderman  
General Counsel

