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Attorneys for Compass Partners International II LLP

**UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

AEQUITAS MANAGEMENT, LLC; AEQUITAS HOLDINGS, LLC; AEQUITAS COMMERCIAL FINANCE, INC.; AEQUITAS CAPITAL MANAGEMENT, INC.; AEQUITAS INVESTMENT MANAGEMENT, LLC; ROBERT J. JESENİK; BRIAN A. OLIVER; and N. SCOTT GILLIS,

Defendants.

Case No. 3:16-cv-00438-PK

**COMPASS PARTNERS
INTERNATIONAL II'S LIMITED
OBJECTION TO RECEIVER'S
MOTION FOR ORDER APPROVING
THE SALE OF ASSETS FREE AND
CLEAR OF ALL LIENS, CLAIMS,
ENCUMBRANCES AND INTERESTS**



LR 7-1 CERTIFICATE

In compliance with LR 7-1, the parties made a good faith effort through telephone conferences to resolve the dispute and have been unable to do so.

OBJECTION

Compass Partners International II LLP (together with its affiliates and subsidiaries, “Compass”), hereby submits the following limited objection to the Bid Procedures Motion¹ on the basis that the Bid Deadline, the Auction, and the Final Hearing to approve the Sale, each as set forth in this Court’s Order Granting Receiver’s Motion (1) for Approval of Bidding Procedures, Break-Up Fee, and Cedar Springs Capital as Stalking Horse Bidder, and (2) to Schedule Final Sale Hearing (Dkt. No. 333, the “Bid Procedures Order”), do not allow sufficient time for submission of the comprehensive conforming alternative bids for the Property.

Compass sought a consensual extension of the above-mentioned deadlines from the Receiver pursuant to letters and telephone calls, but the Receiver indicated that he could not, or would not, consent to such extensions. In connection therewith Compass represents and states as follows:

PRELIMINARY STATEMENT

Fourteen days is simply not enough time to run a fulsome auction for the assets in this case. The “Property” that the Receiver seeks to sell includes complicated ownership interests in a multitude of individual businesses; interests for which any reasonably prudent investor would require well in excess of fourteen days to evaluate and to form a thoughtful and reasonable offer.

¹ Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Receiver’s Motion for Orders: (1) Scheduling Hearing to Approve Sales of Assets; (2) Approving Cedar Springs Capital as Stalking Horse Bidder; (3) Approving Break-Up Fee; (4) Approving Bidding Procedures; and (5) Approving the Sales of Assets Free and Clear of all Liens, Claims, Encumbrances and Interests (Dkt. No. 323, the “Bid Procedures Motion”).

The cost associated with this transaction – at least \$55 million in cash – highlights the risk to participants, and makes the thoroughness and reliability of diligence that much more important.

Compass is strongly interested in submitting a competing bid for this “Property” in an amount far in excess of the current stalking horse offer. After only one week of diligence Compass indicated to the Receiver, in writing, its intent to bid “well in excess of \$55 million” for the Property. After only two weeks of diligence Compass indicated to the Receiver, again in writing, that it had already increased its indicative bid to \$60 to \$80 million, with potential additional value to the receivership entities pursuant to an earn-out (and improved economics for other LPs). In addition, Compass has already received written indications from its investors of the intent to commit capital to the transaction.

But it simply is not reasonable or realistic to expect Compass, or any party, to learn about the opportunity, conduct reasonable and necessary diligence into complicated assets, and submit a binding offer with an indicative value in excess of \$55 million in only two weeks (in truth, as set forth below, considering the process run by the Receiver and the intervening holidays, the time frame afforded alternative bidders was actually much less than two weeks).

The Receiver has now run a surprisingly (and unnecessarily) truncated process twice, and has yet to receive a single conforming alternative bid *in either process*. Notably, the first process run by the receiver was for a smaller subset of assets, for a substantially smaller proposed purchase price, and did not straddle any national holidays, and yet it was still far too truncated a process to result in any competing bids. As Compass is requesting now, that process needed to be extended to allow legitimate and realistic diligence, negotiation, and formulation of competing bids.

Before filing this request, Compass contacted multiple additional constituencies in this case to discuss timing and the appetite for a more fulsome sale process, and every single party – other than the Receiver – agreed that an extension is necessary to sufficiently and honestly market and maximize the value of the receivership assets.

If the goal is to maximize value for the benefit of the receivership entities, an extension of the Bid Deadline, Auction, and Final Hearing in the Sale are necessary.

OVERVIEW

A. Compass

Compass is a private equity investor with a focus on secondary direct transactions. It works closely with prospective sellers to provide creative exit solutions in complex deal environments and has the ability to provide full or partial exits from illiquid legacy positions. Compass believes that the Property fits well with its investment philosophy and spans industries where Compass can deliver competitive insights and advantages.

Compass seeks to partner with managers of businesses with attractive growth prospects and is known to assist in the business' continuing development, expansion, and profit potential. Typically, Compass looks to hold investments for three to five years. It has offices in both London and New York which are staffed by a seasoned team of transaction partners who have completed transactions investing in excess of \$2.7 billion. The Compass team includes senior executives with significant operating and strategic experience to complement its in-house investment skills. In short, Compass has access to the capital, experience and expertise necessary to submit a successful Qualified Alternative Bid for the Property, and is serious about doing so.

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B. Bid Procedures

On December 28, 2016, this Court entered Bid Procedures Order. Pursuant to that Order, the Court approved, *inter alia*, a Stalking Horse Bidder and the Bidding Procedures. The Bidding Procedures, in turn, established a deadline of only fourteen (14) calendar days (the “Notice Period”) for the Receiver to solicit – and prospective bidders to prepare and submit – Alternative Bids.

Importantly, the Bid Procedures Motion does not appear to have been preceded by any effort by the Receiver to market the Property or to solicit Alternative Bids for the Property, nor has the Receiver appeared to make any such effort during the Notice Period. Indeed, the Receiver appears to have entered into back-to-back exclusivity agreements – first in connection with the proposed sale in October, 2016 (Dkt. No. 247) and then with the Stalking Horse Bidder in connection with the current Bid Procedures Motion – explicitly and intentionally precluding such marketing efforts.

C. Compass Diligence and Indications of Substantial interest

Compass was first made aware of the potential sale of the Property by an email at 9:41 pm on December 29, 2016. Because the email made no mention of any pending deadline (which, in itself, is surprising under the circumstances), the parties agreed to conduct an initial call on January 3, 2017. As a result, Compass’ first substantive discussion about this opportunity was a mere seven business days before the expiration of the “Notice Period.” Over the next seven business days, Compass negotiated and executed a confidentiality agreement, scrambled to conduct diligence and otherwise evaluate whether to submit a competing bid, and began obtaining funding for the potential transaction.

Needless to say, because of the value and complexity of the Property and proposed transaction, Compass is not yet done with its diligence. Based on its preliminary diligence,

however, Compass has already been able to conclude that it intends to submit an Alternative Bid for the Property with a value far in excess of the Stalking Horse Bid.

To that end, on January 10, 2017, counsel for Compass sent a letter to the Receiver's counsel ("January 10 Letter") declaring Compass's intent, and requesting an extension of the Bid Deadline to allow Compass to complete its diligence and prepare a Qualified Alternative Bid. In that January 10 Letter, counsel for Compass notified counsel for the Receiver that Compass intended to submit a bid "that provides the Receiver well in excess of \$55 million ... in accordance with the terms set forth in the" Bidding Procedures Order. *See* Letter to Lawrence R. Ream, counsel for the Receiver, dated January 10, 2017 attached hereto as **Exhibit A**.

On January 11, 2017, Compass sent a letter directly to the Receiver (the "January 11 Compass Letter") describing its bona fides, declaring its strong interest in submitting a Qualified Alternative Bid for the Property, and reiterating its request for an extension of the Bid Deadline. That January 11 Compass Letter explicitly stated that Compass was willing to buy the Property for consideration "well in excess of \$55 million on substantially the same terms as those set forth in the Purchase and Sale Agreement." *See* Letter to Ronald F. Greenspan, Receiver, dated January 11, 2017 attached hereto as **Exhibit B**.

Also on January 11, 2017, counsel to Compass forwarded the January 11 Compass Letter to counsel for the Receiver, and stressed the Receiver's existing authority to adjourn the date of the Auction and to exercise discretion in the conduct thereof.

Finally, on January 18, 2017, Compass sent a revised bid to the Receiver (the "January 18 Compass Letter"), increasing the expected value range on the Compass bid to \$60 million to \$80 million, with potential additional consideration in the form of an earn-out. That January 18 Compass Letter also indicated an intent to provide at least \$20 million in follow-on equity into

the Property, offered improved economic terms for other LPs, and provided the Receiver with evidence of substantial financial commitments that Compass received within the first two weeks of considering this opportunity. *See* Letter to Ronald F. Greenspan, Receiver, dated January 18, 2017 attached hereto as **Exhibit C**.

As a result, in only two weeks, Compass has been able to negotiate and execute a confidentiality agreement, conduct substantial diligence into the Property, evaluate and substantially agree to the terms of the Purchase and Sale Agreement, solicit and receive indications of substantial capital interests from its investors, and submit two different written indications of interest. In fact, it has already raised its internal value indications for the Property to \$60-\$80 million, with a potential earn-out. It has incurred substantial cost in pursuit of this transaction, has allocated substantial resources to the process, and has reached out to – and received interest from – its investors to fund its potential purchase. Compass is simply seeking the time necessary to finish the process it has begun, and to submit a materially superior bid to the Receiver. Compass believes the truncated period to submit bids is unreasonable under the circumstances.

D. Necessary Extension

Compass respectfully proposes that an extension of the Bid Deadline, the Auction, and the Final Hearing on the Sale for at least forty five (45) days would permit Compass, and other alternative bidders, a reasonable and appropriate opportunity to consider the proposed transaction, to conclude reasonable and necessary diligence, and to formulate and submit conforming alternative bids.

In the Bid Procedures Motion, the Receiver represents that the Bidding Procedures are “fair, reasonable and necessary to promote the highest and best sale price” for the Property and intended to “ensure that the Receivership Entity will obtain the best return possible” for the

Property. Dkt. No. 323 at 19, 20. This is consistent with the Receiver’s duty to “marshal[] and preserv[e] all assets” of the Receivership Entity. Dkt. No. 156 at 1. The unreasonably short Notice Period and Bid Deadline, however, has effectively foreclosed bona fide prospective bidders such as Compass from submitting Alternative Bids in a timely manner.

The extension requested by Compass would not impair the value of the Property or otherwise hinder the Receiver’s efforts to sell the Property for the highest and best sale price. The Property does not have a particular shelf life requiring it to be sold immediately in order to maximize value (the proverbial “melting ice cube”), nor does the Receiver make such a claim in the Bid Procedures Motion. Indeed, the only apparent purpose of the expedited Bid Deadline was to conclude the sale process as soon as possible – a goal that is entirely inconsistent with the stated objective of maximizing value. More critically, the only impact of the proposed fire-sale process has been to protect the Stalking Horse Bidder from legitimate competing bids, also a result clearly at odds with the intent of the Bidding Procedures and the Receiver’s mandate to maximize the value of the Property.

Notably, the proposed extension does not appear to conflict with the terms of the Purchase and Sale Agreement or the Bid Procedures Order. Although the Purchase and Sale Agreement allows the Stalking Horse Bidder to terminate the agreement if the Closing does not occur by January 18, 2017 (which is impossible regardless of the proposed extension), that Agreement does not *require* the Stalking Horse Bidder to close on that schedule. *See* Purchase and Sale Agreement, Dkt. No. 324-1 at Section 13(b)(i). While the Purchase and Sale Agreement allows the Stalking Horse Bidder to terminate the Stalking Horse Agreement because of the passage of time, such a termination would not entitle the Stalking Horse Bidder to any Break-Up Fee (effectively saving the estates substantial additional value). *Id.* at Section 7(1).

Indeed, the proposed extension of the Bid Deadline (and the resulting extension of the Auction and Sale Hearing dates) would not appear to violate any provision of the Purchase and Sale Agreement.²

Similarly, the Bidding Procedures give the Receiver the unilateral ability to adjourn the Auction (simply by providing notice to various parties), and broad discretion with respect to the conduct of that Auction. *See* Bidding Procedures, Paragraphs 2, 3. Adjourning the Auction to maximize the value of the Property for the benefit of the Receivership Entities would clearly be a reasonable exercise of the Receiver's discretion (in fact, not doing so would arguably be a violation of his obligations to those entities), as would permitting the participation of qualified competing bidders at that later Auction.

Finally, the equities of this case would seem to support delaying the sale deadlines on the terms proposed herein. The only reason that the current Stalking Horse Bidder is the Stalking Horse Bidder is because it benefited previously from the exact same relief as is sought herein. In October, the Receiver sought to sell a certain subset of the Property to a different stalking horse, and a party in this case sought an extension of the bid deadline to allow the current Stalking Horse to submit a competing bid (the "Cedar Springs Extension Motion") [Dkt. No. 264]. As stated in the Cedar Springs Extension Motion, "in light of the receiver's refusal to consider Cedar Springs' pending offer, it appears that the Bidding Procedures approved by this Court may not be operating 'in the best interest of the Receivership Entity' and are not likely to 'promote the highest and best sale price.'" Cedar Springs Extension Motion, Page 8.

² Even if such an extension could be deemed to violate the Purchase and Sale Agreement, such a violation would not harm the Receivership Entities, as Compass and any other prospective bidder would have to cover the Break-Up Fee as part of a Qualified Alternative Bid.

Compass objects to the truncated bid procedures, and seeks nothing more than a reasonable opportunity to conclude its diligence and submit an Alternative Bid for the Property. Compass is confident that its prospective bid will satisfy the requirements of the Bidding Procedures and be deemed a Qualified Alternative Bid. The proposed extension will also enable other prospective bidders to consider submitting Alternative Bids and create the environment for a truly competitive auction that will serve to maximize the value of the Property.

CONCLUSION

In light of the foregoing, Compass respectfully objects to the Bid Procedures Motion, and respectfully requests that the Court enter an order amending the Bidding Procedures to extend the Bid Deadline for an additional forty-five (45) days, through and including March 3, 2017, and adjourn the Auction and the Final Hearing on the Sale accordingly, and to grant such other and further relief as may be appropriate under the circumstances.

Dated: January 18, 2017

MOTSCHENBACHER & BLATTNER LLP

/s/ Nicholas J. Henderson
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January 10, 2017

Lawrence R. Ream
Schwabe Williamson & Wyatt
1211 SW 5th Ave, Ste. 1600
Portland, OR 97204
lream@schwabe.com

Re: Competing Bids for Property Subject to Receivership

Dear Larry:

I am writing to you in your capacity as counsel for the court-appointed receiver (the "Receiver") for Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc., and Aequitas Investment Management, LLC (together, "Aequitas"). This firm represents Compass Partners International II LLP, and its affiliates and subsidiaries (together, "Compass"), in connection with its consideration of a comprehensive bid for the assets of each of the Aequitas entities.

Compass is a private equity investor with a focus on secondary direct transactions. Compass works closely with prospective sellers to provide creative exit solutions in complex deal environments and has the ability to provide full or partial exits from illiquid legacy positions. Compass has extensive experience executing and managing portfolio transactions, most recently illustrated by the 2016 acquisition of certain interests from Bridgepoint, involving €360 million of equity commitments and an enterprise value for the assets exceeding €1.7 billion. We believe that the Aequitas Property fits well with the Compass investment philosophy and spans industries where we believe we can deliver competitive insights and advantages.

Compass seeks to partner with managers of businesses with attractive growth prospects and is known to assist in the business' continuing development, expansion, and profit potential. Typically, it looks to hold investments for three to five years. Compass has offices in both London and New York and has a seasoned team of transaction partners who have completed transactions investing in excess of \$2.7 billion. The Compass team includes senior executives with significant operating and strategic experience to complement our in-house investment skills.

Compass intends to submit a letter to the Receiver outlining its intent to submit a final, binding offer for the Property that provides the Receiver with value well in excess of \$55 million. That final bid would be in accordance with the terms set forth in, the bidding

Exhibit A - Page 1 of 4

January 10, 2017

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procedures attached to the District Court's December 28, 2016 Order Granting Receiver's Motion (1) for Approval of Bidding Procedures, Break-Up Fee, and Cedar Springs Capital as Stalking Horse Bidder, and (2) to Schedule Final Sale Hearing (the "Bid Procedures Order"). Although Compass still needs to complete its diligence, Compass intends to submit a bid for the Property that will be:

- for substantially all of the Property;
- on substantially the same terms as those set forth in the Purchase and Sale Agreement (but will not provide for a breakup fee or expense reimbursement);
- in a structure that delivers to the Seller at least \$55 million in value, in cash at closing;
- a firm offer without any contingencies to the validity, effectiveness or binding nature thereof, other than those set forth in the Purchase and Sale Agreement;
- accompanied by information about Compass that will be sufficient to allow you to determine Compass's financial wherewithal to close; and
- irrevocable through the conclusion of the Final Hearing, unless such bid is deemed to be a "Back-up Bid," at which point it will remain open until 20 days after the sale order becomes a final non-appealable order.

As a result, we believe that any Compass bid is likely to be deemed a "Qualified Alternative Bid" for the Property, and will materially increase the value of the Property and the return to the estate's constituencies.

Compass cannot, however, submit its final, binding bid within the expedited time frame set forth in the Bid Procedures Order. Although Compass understands the Receiver's interest in moving expeditiously to consummate a sale of the Property, it does not believe the truncated process – 14 days from the entry of the Bid Procedures Order, including a federal holiday – will allow a meaningful opportunity for competing bidders to evaluate the Property and compose alternative bids, and will not maximize the value of that Property for the benefit of the estate.

As a result, Compass hereby requests an extension of the deadline for filing "Qualified Alternative Bids" for an additional forty five (45) days to allow Compass to conclude its diligence and meaningfully participate in the bidding and auction process. Because this extension is likely to produce a competing alternative bid with greater value for the Property and the estate, we believe this extension is reasonable and appropriate under the circumstances.

January 10, 2017

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If you have any questions, or would like to discuss, I am available at your convenience.

Very truly yours,



Henry P. Baer, Jr.

cc: Sheila E. O'Callaghan (ocallaghans@sec.gov)
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January 10, 2017

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Strictly Private and Confidential

11 January 2017

Ronald F. Greenspan, Receiver
5300 Meadows Road, Suite 300
Lake Oswego, OR 97035

Strictly private and confidential

Subject to Contract

Dear Ronald,

Re: CCM Capital Opportunities Fund (the "Property") Bid

Following our recent conversations and continuing work, Compass Partners International II LLP, or its affiliates and subsidiaries (together, "Compass"), would like to confirm its strong interest in acquiring the "Property", as defined in, and in accordance with the terms set forth in, the bidding procedures attached to the District Court's December 28, 2016 Order Granting Receiver's Motion (1) for Approval of Bidding Procedures, Break-Up Fee, and Cedar Springs Capital as Stalking Horse Bidder, and (2) to Schedule Final Sale Hearing (the "Bid Procedures Order") we detail below our indicative offer, assumptions, timing and other considerations.

Proposal

Based on the information provided, we would be willing to acquire the Property for a consideration that delivers to the Seller a value well in excess of \$55 million on substantially the same terms as those set forth in the Purchase and Sale Agreement (but will not provide for a breakup fee or expense reimbursement) (the "Indicative Offer").

In addition, we would be interested in acquiring other assets held by the Aequitas Receivership which may have a value in excess of \$100 million as outlined in Schedule 1 to this letter. Please note that our interest in these additional assets is contingent on our purchase of the "Property," as we do not equate the same value to these assets on a stand-alone basis.

Our Binding Offer (as defined below) will be binding with no conditionality, other than those set forth in the Purchase and Sale Agreement.

Compass Partners International II LLP is a limited liability partnership registered in England and Wales in accordance with the Limited Liability Partnerships Act 2000 with number OC402586 and has its registered office at 1 Grosvenor Place, London SW1X 7JH. A list of our members is available for inspection at our registered office. Compass Partners International II LLP is authorised and regulated by the Financial Conduct Authority of the United Kingdom under FCA Number 750717.

Our Binding Offer will be accompanied by fully binding investor commitment letters and will be irrevocable through the conclusion of the Final Hearing, unless such bid is deemed to be a "Back-up Bid," at which point it will remain open until 20 days after the sale order becomes a final non-appealable order

Timing

Given we cannot meet the current expedited time frame set forth in the Bid Procedures Order, we have requested an extension of the deadline for filing "Qualified Alternative Bids" for an additional 45 days to allow Compass to conclude its due diligence, confirm funding requirements and meaningfully participate in the bidding and auction process. At the end of this period we will provide our binding offer (the "Binding Offer").

Assumptions

We have based our Indicative Offer on the information contained in the data room and received through e-mail, including the financial projections and waterfall assumptions contained therein.

Our analysis to date has been comprised of desk top research conducted in-house by the Compass team. We have conducted an initial review of the contents in the data room, including business forecasts, various company presentations, and have also had conversations with Craig Froude and Ryan McDonald of Aequis Capital.

Business Rationale

Compass is a private equity investor with a focus on secondary direct transactions. We work closely with prospective sellers to provide creative exit solutions in complex deal environments and have the ability to provide full or partial exits from illiquid legacy positions. We believe that the Property fits well with the Compass investment philosophy and spans industries where we believe we can deliver competitive insights and advantages.

Compass seeks to partner with managers of businesses with attractive growth prospects and is known to assist in the business' continuing development, expansion, and profit potential. Typically, we look to hold investments for three to five years. We have offices in both London and New York and have a seasoned team of transaction partners who have completed transactions investing in excess of \$2.7 billion. The Compass team includes senior executives with significant operating and strategic experience to complement our in-house investment skills.

Due Diligence

The Due Diligence process would be conducted and led by the Compass team. We would be supported by a group of professional advisors with whom we have strong working relationships.

We would aim to keep the due diligence to a minimum and it would be our intention to utilise as much in-house information as possible. This may include vendor due diligence for previous M&A processes and bank reports for refinancing or restructurings. We would like to understand what is available and whether it is current. We would also tailor the diligence to the materiality of the asset within the context of the Portfolio, e.g. the largest focus would be on CarePayment, ETC and Motolease.

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Once again we would like to work closely with you to develop a mutually acceptable due diligence work plan to ensure to it is completed in the most expeditious, efficient and cost efficient way.

Sources of Capital

We fund each transaction on a deal-by-deal basis and funding is provided by blue chip global investors, particularly the secondaries community, with whom we have long term relationships.

As you know, the capital available in the secondaries market is currently at unprecedented levels and recent fundraising activity means their dry powder has increased significantly as new larger funds have been raised. Compass is one of the few players globally with a dedicated focus on secondary direct portfolio transactions of this nature.

We believe that with the right combination of experience, expertise and reputation from Compass, there would be strong appetite for this transaction. We believe funding could potentially be underwritten by one larger player or alternatively, a small syndicate of investors, up to three or four.

Regardless, although we have not yet identified the specific funding sources for this transaction, we do not consider funding to be a contingency. Our Binding Offer will be compliant with the Bid Procedure Order with respect to verification of capital for the transaction.

Compass Approval Process

Any investment made would be subject to Compass Investment Committee approval. We have presented this Indicative Offer to our Investment Committee and it was unanimously agreed to provide this proposal to you in order to proceed to the next stage.

Compass Deal Team

The Compass deal team consists of very experienced partners, including operating partners who would work alongside us to assess and review the portfolio companies, strategy and operating performance. Key partners providing transaction leadership will be Frank Rudd, Tim Wright and Alister Wormsley.

As you are aware, we have extensive experience of executing and managing portfolio transactions, most recently illustrated by the Compass 2016 acquisition of certain interests from Bridgepoint, involving €360 million of equity commitments and an enterprise value for the assets exceeding €1.7 billion.

In summary, we are very excited about transaction and are keen to progress this Indicative Offer with you. We believe we are well positioned to provide a liquidity solution for these assets, under strictest confidentiality and a stringent timetable and to provide for an optimal outcome for CCM Capital Opportunities Fund and its limited partners.

Yours sincerely



Compass Partners International II LLP
Anthony Marraccino
Partner

Schedule 1

Other Assets Held by the Aequitas Receivership to Potentially Acquire (Extracted from Receiver's Report Dated September 14, 2016)

Page 1 of 2

CPH, through its subsidiaries (CPLLC and CPFIT), holds consumer medical receivables with a face value of \$76.2 million as of June 30, 2016.

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Schedule 1

Other Assets Held by the Aequitas Receivership to Potentially Acquire (Extracted from Receiver's Report Dated September 14, 2016)

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WRFF, through its affiliates, holds a management contract entitling the Receivership Entity to a management fee of 75 basis points annually on invested capital (approximately \$21.8 million) by its investors in the Window Rock Residential Recovery Fund.

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Synchronex provides technology solutions to the publishing industry via multiple products.



PRIVATE EQUITY

Compass Partners International II LLP
1 Grosvenor Place
London SW1X 7JH
United Kingdom
Tel: 020 7761 2000
Fax: 020 7761 2020

Strictly Private and Confidential

18 January 2017

Ronald F. Greenspan, Receiver
5300 Meadows Road, Suite 300
Lake Oswego, OR 97035

Strictly private and confidential

Subject to Contract

Dear Ronald,

**Re: CCM Capital Opportunities Fund ("CCM") Bid Revised as of
January 18 2017**

Following our recent conversations and continuing work, Compass Partners International II LLP, together with its affiliates and subsidiaries (together, "Compass"), would like to confirm its strong interest in acquiring the "Property", as defined in, and in accordance with the terms set forth in, the bidding procedures attached to the District Court's December 28, 2016 Order Granting Receiver's Motion (1) for Approval of Bidding Procedures, Break-Up Fee, and Cedar Springs Capital as Stalking Horse Bidder, and (2) to Schedule Final Sale Hearing (the "Bid Procedures Order"). We detail below our indicative offer, assumptions, timing and other considerations.

Proposal

Based on the information provided, we would be willing to acquire the Property for consideration that delivers to the Seller value in the range of \$60 million to \$80 million in cash on substantially the same terms as those set forth in the Purchase and Sale Agreement approved by the Bid Procedures Order (the "Purchase and Sale Agreement"), (but will not provide for the existing breakup fee or expense reimbursement) (the "Indicative Offer").

In addition, we are prepared to work with the CCM Limited Partners ("LPs") to deliver further value, specifically:

- We will not require for a breakup fee or expense reimbursement;
- We recognize the need for and would commit to follow-on capital, including a \$20m equity injection into CarePayment. We would remove the preference on this funding and would allow current LPs to co-invest their pro-rata share. Additionally we would agree that these monies would not be dilutive until drawn by the fund;
- We would forgo the 2016 Management Fees in their entirety.

We believe this proposal would deliver demonstrably superior value to the current proposal.

Compass Partners International II LLP is a limited liability partnership registered in England and Wales in accordance with the Limited Liability Partnerships Act 2000 with number OC402586 and has its registered office at 1 Grosvenor Place, London SW1X 7JH. A list of our members is available for inspection at our registered office. Compass Partners International II LLP is authorised and regulated by the Financial Conduct Authority of the United Kingdom under FCA Number 750717.

Subject to further discussion among Compass and management of CCM, and completion of our due diligence process, we will consider providing CCM with an earn-out component based on our overall returns which could provide significant future incremental value to the receivership entities.

Our Binding Offer (as defined below) will be binding with no conditionality, other than those conditions set forth in the Purchase and Sale Agreement, and our purchase and sale agreement will be substantially in the form of the approved Purchase and Sale Agreement.

This Binding Offer will be accompanied by fully binding investor commitment letters and will be irrevocable through the conclusion of the Final Hearing, unless such bid is deemed to be a "Back-up Bid," at which point it will remain open until 20 days after the sale order becomes a final non-appealable order.

Finally, we would be interested in acquiring other assets held by the Aequitas Receivership which may have a value in excess of \$100 million as outlined in Schedule 1 to this letter. Please note that our interest in these additional assets is contingent on our purchase of the "Property," as we do not equate the same value to these assets on a stand-alone basis.

Timing

Given the complex nature of the transaction, the legal workstream around the receivership, and our late introduction to the process, we have been unable to make the desired qualifying bid within the set timetable (fourteen calendar days). Our thorough diligence and deal process requires availability of the fund management, company management and counsel, and as such we were unable to conclude our necessary investment process in such timeframe, especially when taking into the account the holiday period both in Europe and the US.

As we cannot meet the current expedited time frame set forth in the Bid Procedures Order, we have requested an extension of the deadline for filing "Qualified Alternative Bids" for an additional 45 days to allow Compass to conclude its due diligence, confirm funding requirements and meaningfully participate in the bidding and auction process. At the end of the extended period we will provide our binding offer (the "Binding Offer").

Assumptions

We have based our Indicative Offer on the information contained in the data room and received through e-mail, including the financial projections and waterfall assumptions contained therein.

Our analysis to date has been comprised of desk top research conducted in-house by the Compass team. We have conducted an initial review of the contents in the data room, including business forecasts, various company presentations, and have also had conversations with Craig Froude and Ryan McDonald of Aequitas Capital.

Business Rationale

Compass is a private equity investor with a focus on secondary direct transactions. We work closely with prospective sellers to provide creative exit solutions in complex deal environments and have the ability to provide full or partial exits from illiquid legacy positions. We believe that the Property fits well with the Compass investment philosophy and spans industries where we believe we can deliver competitive insights and advantages.

Compass seeks to partner with managers of businesses with attractive growth prospects and is known to assist in the business' continuing development, expansion, and profit potential. Typically, we look to hold investments for three to five years. We have offices in both London and New York and have a seasoned team of transaction partners who have completed transactions investing in excess of \$2.7 billion. The

Compass team includes senior executives with significant operating and strategic experience to complement our in-house investment skills.

Due Diligence

The Due Diligence process would be conducted and led by the Compass team. We would be supported by a group of professional advisors with whom we have strong working relationships.

We would aim to keep the due diligence to a minimum and it would be our intention to utilise as much in-house information as possible. This may include vendor due diligence for previous M&A processes and bank reports for refinancing or restructurings. We would like to understand what is available and whether it is current. We would also tailor the diligence to the materiality of the asset within the context of the Portfolio, e.g. the largest focus would be on CarePayment, ETC and Motolease.

Once again we would like to work closely with you to develop a mutually acceptable due diligence work plan to ensure to it is completed in the most expeditious, efficient and cost efficient way.

Sources of Capital

We fund each transaction on a deal-by-deal basis and funding is provided by blue chip global investors, particularly the secondaries community, with whom we have long term relationships.

As you know, the capital available in the secondaries market is currently at unprecedented levels and recent fundraising activity means their dry powder has increased significantly as new larger funds have been raised. Compass is one of the few players globally with a dedicated focus on secondary direct portfolio transactions of this nature.

We believe that with the right combination of experience, expertise and reputation from Compass, there would be strong appetite for this transaction. We believe funding could potentially be underwritten by one larger player or alternatively, a small syndicate of investors, up to three or four.

To date we have received investor support from PineBridge Investments, indicating their intention to commit capital for this deal in the amount of \$20m, within two weeks of introduction to this opportunity. This only represents one example of the type of institutions which would be interested in supporting this transaction. We remain confident that the remaining funding can be filled from our extensive relationships and investors group given appropriate time.

Regardless, although we have not yet identified the specific funding sources for this transaction, we do not consider funding to be a contingency. Our Binding Offer will be compliant with the Bid Procedure Order with respect to verification of capital for the transaction.

It is worth reiterating that, as explained above, within two weeks of learning about this opportunity we have received intentions to commit funding. We attach the relevant support letters in Appendix .

Compass Approval Process

Any investment made would be subject to Compass Investment Committee approval. We have presented this Indicative Offer to our Investment Committee and it was unanimously agreed to provide this proposal to you in order to proceed to the next stage.

Compass Deal Team

The Compass deal team consists of very experienced partners, including operating partners who would work alongside us to assess and review the portfolio companies, strategy and operating performance. Key partners providing transaction leadership will be Frank Rudd, Tim Wright and Alister Wormsley.

As you are aware, we have extensive experience of executing and managing portfolio transactions, most recently illustrated by the Compass 2016 acquisition of certain interests from Bridgepoint, involving €360 million of equity commitments and an enterprise value for the assets exceeding €1.7 billion.

In summary, we are very excited about transaction and are keen to progress this Indicative Offer with you. We believe we are well positioned to provide a liquidity solution for these assets, under strictest confidentiality and a stringent timetable and to provide for an optimal outcome for CCM Capital Opportunities Fund and its limited partners.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'AM', with a long, sweeping horizontal line extending to the right across the page.

Compass Partners International II LLP
Anthony Marraccino
Partner

Schedule 1

Other Assets Held by the Aequitas Receivership to Potentially Acquire (Extracted from Receiver's Report Dated September 14, 2016)

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Appendix A – Investor Support Letters



Private Equity Secondaries
399 Park Avenue
4th Floor
New York, NY 10022

17 January 2017

BY E-MAIL

Frank Rudd
Compass Partners
franklinrudd@cpil.co.uk

Re: Non-binding Support Letter for Project Skate

Dear Frank:

PineBridge Investments LLC, on behalf of one or more client accounts and investment funds managed by it and/or its affiliates ("PineBridge") is pleased to offer its support to Compass Partners ("Compass") with this preliminary, non-binding indication of interest with respect to PineBridge's participation in a syndicate to be organized to purchase assets (the "Assets") set forth on Schedule A being offered by Seller ("Seller") (such purchase being referred to herein as, the "Transaction").

This letter is intended solely to indicate the basis upon which the PineBridge would, subject to satisfactory completion of the diligence procedures set forth below, consider proceeding with the participation in the Transaction. Therefore, except for paragraphs 3 and 4 below, which shall be legally binding, this letter is not intended to, and does not create any legally binding obligations between or among the parties hereto. Our non-binding indication of interest is based on the limited information provided to us by Compass, which will need to be validated during the course of our due diligence review.

1. Conditions. PineBridge's support of the Transaction is subject to the following conditions:

- a. Maximum investment by PineBridge up to \$20 million;
- b. Approval by PineBridge's investment committee;
- c. Satisfactory completion of customary due diligence including but not limited to management calls, receipt and review of underlying fund and company financials, capital structures, vehicle structures, economic frameworks, budgets, and legal and tax due diligence and review of the Assets' Governing Agreements (as defined below);
- d. Execution and delivery of a mutually satisfactory definitive documentation including a Purchase and Sale Agreement containing customary representations and warranties, covenants and conditions to closing, including, but not limited to:
 1. Receipt of any necessary consent from the Boards of Directors (or other governing body) of the Assets;
 2. Assurances that the transfer of title to the Assets will be free and clear of any security interests or other liens or encumbrances;
 3. Satisfaction of any applicable right of first refusal pursuant to any applicable Assets' Governing Agreements (as defined below);
 4. Assurances that PineBridge will not assume obligations (i) arising out of a breach by the Seller of its representations, warranties, covenants or agreements under the Purchase and Sale Agreement or any other agreement relating to the Assets (collectively, the "Governing Agreements"), (ii) for taxes, fees, penalties or other governmental or other charges imposed upon the Seller attributable to the ownership of the Assets or transfer of the Assets to PineBridge, or (iii) arising out of any "claw back" or similar mechanism related to distributions received by the Seller from the Assets prior to the closing of



- the Transaction or related to investments that have been fully realized prior to the closing of the Transaction; and, iv) liabilities or other obligations with respect to litigation commenced or claims asserted against the Seller with respect to the Assets prior to the closing; and
5. The non-occurrence of any event after 17 January 2017 that could materially and adversely affect the value of the Assets.
 - e. Satisfactory agreement on price, including cash compensation, deferred compensation, exchange rates and fund-level contributions and distributions;
 - f. Satisfactory understanding of any capital requirements of the Assets;
 - g. Satisfactory understanding and agreement on the new fund structure and terms, including economic terms;
 - h. Satisfactory understanding and acceptance of participants and their respective contributions to the Compass syndicate; and
 - i. Satisfactory completion of all conditions set forth in that proposal submitted by Compass to Seller in respect of the Transaction.
2. **Contact Information.** The names and contact information for our primary contact persons and legal advisors are attached as Appendix A to this letter.
 3. **Confidentiality.** This preliminary nonbinding indication of interest and its contents (including the attachments hereto) are CONFIDENTIAL and may not be divulged to any third party without PineBridge's prior written consent. To the extent Compass is legally required to disclose the contents of this letter to any third party, PineBridge shall be provided with prompt prior written notice of such requirement so PineBridge may seek a protective order or other appropriate remedy, including redaction of confidential information. Buyer reserves the right to withdraw or amend this offer without notice, and this offer shall expire at 11:59 p.m. (GMT) on 31 January 2017 unless accepted earlier.
 4. **Governing Law.** This letter and the underlying documents related to the purchase of the Assets will be governed by the laws of the State of New York without giving effect to any choice of law or conflict of law provision that would cause the application of the laws of another jurisdiction. PineBridge and Compass hereby irrevocably submit to the exclusive jurisdiction of the courts of the Southern District of the State of New York in connection with the interpretation and enforcement of the provisions of this letter.

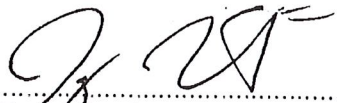
PineBridge Investments is a global multi-strategy asset manager with extensive capabilities in listed equity, fixed income and private equity investing. As of June 2016, PineBridge Investments manages approximately \$82 billion of investments of institutional and retail clients across a variety of strategies, either through separately managed accounts or through registered investment companies and private funds.

PineBridge has previously reviewed transactions with Mercury and believes that their thorough underwriting process and strong due diligence will be beneficial to the syndicate as a whole.




Very truly yours,

PineBridge Investments LLC

By: 
Name: Jay Quenville
Title: Senior Vice President

Accepted and Agreed this 17 January, 2018
[Compass]

By: 
Name: Anthony Maracine
Title: Partner



Schedule A

The "drogery"



Appendix A: Contact List

PineBridge Investments LLC

399 Park Avenue
4th Floor
New York, NY 10022

Business

Jay Quenville +1 (646) 857 8504

Legal

Courtney Posner +1 (646) 857-8611

Proskauer Rose LLP

One International Place
Boston, MA 02110

Howard Beber +1 (617) 526-9754

CERTIFICATE OF SERVICE

I hereby certify that on January 18, 2017, the foregoing document was served via CM/ECF Electronic Noticing on all parties currently registered to receive notice in this matter.

Dated: January 18, 2017

MOTSCHENBACHER & BLATTNER LLP

/s/ Nicholas J. Henderson

Nicholas J. Henderson, OSB No. 074027

117 SW Taylor Street, Suite 300

Portland, OR 97204

Telephone: (503) 417-0500

Facsimile: (503) 417-0501

E-mail: nhenderson@portlaw.com