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LLC; AEQUITAS COMMERCIAL FINANCE, LLC; AEQUITAS
CAPITAL MANAGEMENT, INC.; AEQUITAS INVESTMENT
MANAGEMENT, LLC

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

PORTLAND DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

AEQUITAS MANAGEMENT, LLC;

No. 3:16-cv-00438-PK

DECLARATION OF BRAD FOSTER IN
SUPPORT OF RECEIVER'S MOTION FOR
ORDERS: (1) SCHEDULING A HEARING TO
APPROVE SALE OF ASSETS; (2) APPROVING
SILVERMINE MEDIA HOLDINGS, LLC, AS
STALKING HORSE BIDDER; (3) APPROVING



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

Defendants.

BREAK-UP FEE; (4) APPROVING BIDDING
PROCEDURES; and (5) APPROVING SALE OF
ASSETS FREE AND CLEAR OF ALL LIENS,
CLAIMS, ENCUMBRANCES AND INTERESTS

I, Brad Foster, declare as follows:

1. I am a Managing Director, Corporate Finance, at FTI Consulting, Inc. (“FTI”).

FTI was retained by Ronald Greenspan, the duly appointed receiver (“Receiver”) for the Receivership Entity.¹ Pursuant to the Order Authorizing Brad Foster and Larissa Gotguelf to Act on Behalf of the Receiver [Dkt. 245], I make this declaration in support of the Receiver’s Motion for Orders: (1) Scheduling a Hearing to Approve Sale of Assets; (2) Approving Silvermine Media Holdings, LLC, as Stalking Horse Bidder; (3) Approving Break-Up Fee; (4) Approving Bidding Procedures; and (5) Approving Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Interests (the “Motion”).

2. On March 16, 2016, pursuant to the Stipulated Interim Order Appointing Receiver, Mr. Greenspan was appointed as Receiver for the Receivership Entity on an interim basis (the “Interim Receivership Order”). [Dkt. 30]. On April 14, 2016, pursuant to the Order Appointing Receiver, Mr. Greenspan was appointed as Receiver for the Receivership Entity on a final basis (the “Final Receivership Order”) [Dkt. 156].

3. Pursuant to the Interim Receivership Order and the Final Receivership Order the Receiver has, among other things, undertaken to determine the nature, location and value of all Receivership Property. Receivership Property includes Aequitas Partner Fund, LLC’s (“APF”) ownership of 100% of the membership interests in Synchronex, LLC (the “Membership”).

¹ Capitalized terms not otherwise defined in this declaration shall have the meanings ascribed to them in the Motion or the Final Receivership Order, as applicable.

Interests”).

4. Receivership Property also includes certain loans held by Aequitas Holdings, LLC (“AHL”), and Aequitas Corporate Lending, LLC (“ACL”), ACL holds the lenders’ interest in the following secured loans to Synchronex, LLC (“Company”): (a) a loan or loans in the aggregate principal amount of \$2,926,198 (the “2009 Loan”) made pursuant to a Business Loan Agreement dated May 13, 2009 between the Company and Aequitas Hybrid Fund, LLC (as assigned, and together with any related documents and amendments thereto, the “2009 Loan Agreement”); and (b) a loan or loans in the aggregate principal amount of \$1,100,000 (the “2014 Loan”) made pursuant to a Business Loan Agreement dated January 14, 2014 between the Company and Aequitas Commercial Finance, LLC (“ACF”) (as assigned, together with any related documents and amendments thereto, the “2014 Loan Agreement”). The 2009 Loan, 2009 Loan Agreement, 2014 Loan, and 2014 Loan Agreement are referred to collectively as the “ACL Loans.”

5. On January 31, 2017, AHL entered into a Revolving Secured Demand Note (the “2017 Loan Agreement”) with the Company pursuant to which the Company is entitled to borrow up to \$100,000 and pursuant to which \$75,000 is currently borrowed thereunder (the total amount payable under the 2017 Loan Agreement being referred to herein as the “2017 Loan”). The 2017 Loan and 2017 Loan Agreement are referred to collectively as the “AHL Loan.”

6. The Receiver, on behalf of each of AHL, ACL, ACF, APF, and Aequitas Management, LLC (“AML”), (AHL, AML, ACL and APF each a “Seller Entity,” and collectively the “Seller Entities”), has entered a Purchase Agreement dated as of April 9, 2018, subject to approval of this Court, with Silvermine Media Holdings, LLC (“Stalking Horse Bidder” or “Purchaser”), which provides the terms for sale (“Sale”) of the Seller Entities’ (a) membership interests in Company, and (b) their lenders’ interests in certain loans to Company (together, the “Assigned Interests”, as defined in the Purchase Agreement). The Stalking Horse

Bidder is prepared to close the Sale, subject to the terms of the Purchase Agreement, including this Court's approval of the Sale terms, the Bidding Procedures (defined below) and Break-Up Fee. A true copy of the Purchase Agreement is attached as Exhibit 1.

7. Silvermine Media Holdings, LLC, is a specialty investment partnership focused in the communications, technology, and alternative energy sectors.

8. The Purchase Agreement is the result of extensive exposure of Synchronex to the market. Since March 2016 Synchronex has pursued potential acquirers. Over 20 companies were contacted, of which 13 had initial discussions and an executive overview. Of that group, 11 signed non-disclosure agreements and had further discussions. Eight (8) of those companies were provided financial information and vice proceeded with in-depth presentations. A deadline of April 14, 2017, was established for submission of indications of interest, and only one company, ePublishing, did so. The parties entered an exclusivity agreement, but that agreement expired in July 2017. Ultimately, the Receiver reached agreement with Purchaser on the terms set forth in the Purchase Agreement.

9. The Receiver seeks also authority to implement bidding and auction procedures to ensure that the Receivership Entity will obtain the best return possible for the Assigned Interests. Therefore the Receiver requests that the Court enter a Bid Procedures Order approving the procedures (the "Bidding Procedures") in connection with the Purchase Agreement and the proposed Sale to the Stalking Horse Bidder. The Bidding Procedures are detailed in the proposed Bid Procedures Order submitted herewith.

10. Pursuant to the Purchase Agreement the material terms of the Sale will include the following:

- (a) Property to be Sold: the Assigned Interests (as defined in the Purchase Agreement), including the Membership Interests, the ACL Loans, and the AHL Loan.

(b) Owners of the Assigned Interests:

Receivership Entity	Assigned Interest
Aequitas Partner Fund, LLC	100% of the membership interests in Synchronex, LLC
Aequitas Corporate Lending LLC	2009 Loan
Aequitas Corporate Lending LLC	2014 Loan
Aequitas Holdings LLC	2017 Loan

- (c) Purchase Price: \$150,000, subject to a purchase price adjustment as set forth in Sections 2 and 8 of the Purchase Agreement
- (d) Principal Conditions to Purchaser's Obligation to Close: The conditions to the Purchaser's obligation to close the Sale are set forth in Section 5 of the Purchase Agreement, and include (a) the NewsCycle Agreement shall be in full force and effect, (b) the Purchaser shall have entered into agreements with Michael Pirello and Ronald Pirello amending their existing employment agreements, and (c) the Final Sale Order shall be entered, effective, and non-appealable.
- (e) Purchaser: Silvermine Media Holdings, LLC.
- (f) Buyer's Relation to Receivership Entity or Receiver: None.
- (g) Higher and Better Offers. The Purchase Agreement will be subject to the submission by third parties of higher or better offers as set forth in the Bid Procedures Order. In order for other bidders to submit a Qualified Alternative Bid the bid must, among other requirements, be an all cash offer that is not less than \$60,000 more than the Stalking Horse Bidder's offer, or \$210,000. The minimum overbid is \$10,000 more than the break-up fee of \$50,000 (the "Break-Up Fee"), and therefore will still yield not

less than \$10,000 in additional net sale proceeds for the Receivership Entity.

- (h) Closing Deadline: June 15, 2018.
- (i) The Stalking Horse Bidder's offer is not subject to any finance or due diligence conditions.
- (j) Limited representations and warranties, with standard covenants, indemnities and closing conditions for the purchase of the Assigned Interests.

11. The Purchase Price represents fair value for the Assigned Interests. The proposed Sale delivers substantial value to the Receivership Entity, and its creditors and equity owners, including:

- (a) Estimated recovery of \$150,000 for the Receivership Entity and its stakeholders;
- (b) Substantial savings in not incurring the costs of an investment banker; and
- (c) The auction and overbid component of the proposed Sale ensure that the \$150,000 purchase price for the Assigned Interests is the market rate. If competitive bids are received, the benefit to the Receivership Entity and its creditors and investors will only increase.

12. The negotiations over the terms of the Sale were arm's-length and will be subject to the competitive process outlined below. The Receiver and his representatives participated personally in those negotiations. The Receiver believes that Purchaser has at all times acted in good faith in connection with the sales process. The Purchase Agreement was proposed and negotiated in good faith after arm's-length bargaining by the parties. The negotiation of the Purchase Agreement was extensive and protracted. All of the material terms of the proposed Sale are disclosed. No side agreements exist between or among any party to the transaction, and

there is no relationship between the Seller and Purchaser.

13. Purchaser will be designated as the “Stalking Horse” bidder for thirty (30) calendar days after the date of entry of the Bid Procedures Order (the Notice Period, defined below).

14. During the Notice Period, the Purchase Agreement is subject to the submission by third parties of higher or better offers as set forth in the Bid Procedures Order. In order for an alternative bid to be a Qualified Alternative Bid, the bid must, among other things: (a) be made not later than 12:00 Noon Pacific Time on the last day of the Notice Period, (b) be in an amount that is not less than \$210,000, to be paid in cash (but which may be made subject to a purchase price adjustment), (c) provide for the purchase of all of the Assigned Interests on substantially the same or better terms (as determined in the Receiver’s sole discretion) as those set forth in the Purchase Agreement, and (d) include proof, reasonably satisfactory to the Receiver in his sole discretion, of the bidder’s ability to close.

15. If (a) the Receiver accepts a Qualified Alternative Bid and the Qualified Alternative Bid transaction closes, or (b) the Purchaser terminates the Purchase Agreement as a result of a material breach by any Seller Entity of the Purchase Agreement, then Purchaser will be entitled to payment of \$50,000 in cash (the “Break-Up Fee”). The Break-Up Fee shall be due within five (5) days following the earlier to occur of the closing of the sale of the Assigned Interests to a third party bidder and the receipt by the Seller Entities of a written notice of breach that entitles the Purchaser to payment of the Break-Up Fee that is not contested in good faith by the Receiver on behalf of any of the Seller Entities.

16. The Receiver shall be entitled to solicit additional offers for the Assigned Interests from prospective bidders (each, an “Alternative Bid”) for 30 calendar days following the date of entry of the Bid Procedures Order (the “Notice Period”) and, subject to the receipt from the prospective bidders of appropriate confidentiality agreements, provide necessary and requested

due diligence to such prospective bidders. The Receiver proposes the following terms and procedures to govern the submission of Alternative Bids for the Assigned Interests:

- (i) Alternative Bid Deadline. Each Alternative Bid must be provided to the Receiver not later than 12:00 Noon Pacific Time on the date that the Notice Period expires (the "Bid Deadline").
- (ii) Qualified Alternative Bid. The Receiver will consider an Alternative Bid only if the Alternative Bid is a "Qualified Alternative Bid." Without limiting or altering the terms of the Purchase Agreement, to be a Qualified Alternative Bid, an Alternative Bid must:
 - a. identify the proponent of the Alternative Bid and an officer or representative who is duly authorized in all respects to appear, act on behalf of, and legally bind such proponent (an "Authorized Representative");
 - b. provide for the purchase of all of the Assigned Interests, and shall otherwise be on substantially the same or better terms as those set forth in the Purchase Agreement, in the Receiver's sole discretion; provided, however, that an Alternative Bid shall not provide for the payment of a break-up fee or overbid protections because no bidders other than the Stalking Horse Bidder will be entitled to receive a break-up fee and/or any reimbursement of expenses or transaction costs;
 - c. be accompanied by an executed purchase and sale agreement in the form substantially the same as the Purchase Agreement, except that the structure may be changed so long as the cash delivered to the Seller Entities at closing is not less than \$210,000 (subject to any applicable purchase price adjustment), inclusive of the Break-Up Fee;
 - d. be a firm offer and not contain any contingencies other than those contained in the Purchase Agreement, to the validity, effectiveness or binding nature of the offer, including without limitation, contingencies for financing, due diligence or inspection;
 - e. be accompanied by a cash deposit of not less than \$50,000 and financial information for the prospective bidder, including but not limited to financial statements including the prospective bidder's balance sheet or such other information sufficient to enable the

Receiver to determine such bidder's creditworthiness and ability to pay the purchase price and close a sale; provided, however, determination that the bidder has met this qualification shall be in the sole discretion of the Receiver;

- f. be open and irrevocable through the conclusion of hearing for entry of a Final Sale Order unless (i) extended by agreement of the parties or the terms of these Bidding Procedures, or (ii) the Qualified Alternative Bid is designated a Back-Up Bid, which shall then remain open until twenty (20) calendar days following the date that the Final Sale Order becomes a non-appealable order.

17. If the Receiver receives one or more Qualified Alternative Bids, the Receiver shall conduct an auction (the "Auction") at the offices of Schwabe, Williamson & Wyatt, 1211 SW Fifth Avenue, Suite 1900, Portland, OR 97204 at 10:00 a.m. (Pacific time) on the fifth (5th) business day following the expiration of the Notice Period, or such later time and date and/or such other place as the Receiver shall notify all bidders who have submitted Qualified Alternative Bids (together, "Qualified Alternative Bidders") and the Stalking Horse Bidder. The following procedures will apply to the Auction:

- (i) Only the following parties and their counsel shall be permitted to attend the Auction: the Stalking Horse Bidder, Qualified Alternative Bidders, and the Receiver. Only the Stalking Horse Bidder and Qualified Alternative Bidders, including through their counsel, shall be permitted to make any additional bids ("Subsequent Bids") at the Auction.
- (ii) All Qualified Alternative Bidders that desire to participate in the Auction shall have their Authorized Representatives physically present for all bidding, each with the understanding that the true identity of each Qualified Alternative Bidder shall be fully disclosed to all other Qualified Alternative Bidders and that all material terms, including but not limited to the amount, of each bid will be fully disclosed to all other bidders throughout the entire Auction.
- (iii) The Receiver will give the Stalking Horse Bidder, all other Qualified Alternative Bidders, and their counsel a copy of the highest and best Qualified Alternative Bid received and copies of all other Qualified Alternative Bids prior to the start of the Auction. In addition, the Receiver will inform the Stalking Horse Bidder and each Qualified Alternative

Bidder who has expressed its intent to participate in the Auction of the identity of all Qualified Alternative Bidders that may participate in the Auction.

- (iv) Prior to the start of the Auction the Authorized Representative of the Stalking Horse Bidder and each Qualified Alternative Bidder shall certify, in writing or on the record, as follows:
 - (a) Each bid it makes at the Auction shall, if accepted by the Receiver, constitute a binding and legally enforceable contract of the bidder to timely close a purchase of the Assigned Interests according to the terms of the bid in the event an order of the Court is entered approving a sale based upon such bid.
 - (b) No bids made by the Stalking Horse Bidder or a Qualified Alternative Bidder, whether before or during the Auction, shall be subject to any conditions or contingencies related to due diligence, financing, or any other further approval other than the Authorized Representative present at the Auction.
 - (c) The Authorized Representative present for the Stalking Horse Bidder or a Qualified Alternative Bidder at the Auction has the full power and authority to act on behalf of and to legally bind the Stalking Horse Bidder or such Qualified Alternative Bidder for any bids made, and any agreements entered into at or in connection with the Auction.
 - (d) The Stalking Horse Bidder and each Qualified Alternative Bidder that participates in the Auction shall authorize the Receiver to conditionally accept such bidder's second-highest bid at the Auction as a back—up to the Successful Bid, which shall become binding upon and enforceable against such bidder in the event that the Successful Bid is approved by the Court, but such Successful Bidder fails or otherwise refuses to close its purchase of the Assigned Interests for any reason other than a material failure of performance by the Seller.
 - (e) That the Stalking Horse Bidder and each Qualified Alternative Bidder has at all times proceeded in good faith in submitting its bids, and has not engaged in any collusion with any other person or bidder with respect to the Auction and related proceedings.

18. The Receiver shall have reasonable discretion with respect to the conduct of the

Auction. Among other things, the Receiver may announce at the Auction additional procedural rules that he determines to be reasonable under the circumstances (e.g. the amount of time allotted to make subsequent alternative bids) for conducting the Auction so long as such additional rules are not materially inconsistent with the Bidding Procedures and the terms, deadlines, and intent of the Purchase Agreement.

- (i) At the Auction, bidding shall begin with the highest and best Qualified Alternative Bid (the “Initial Overbidder”). The Receiver will identify the Initial Overbidder at the beginning of the Auction. Any subsequent bids must be at least \$10,000 more than the immediately preceding bid and each such increment (including the initial increment over the Purchase Price) must be payable in cash (“Minimum Subsequent Overbid Amount”). In any of its subsequent bids, the Stalking Horse Bidder shall be entitled to credit bid up to the sum of the Break-Up Fee, provided that the Stalking Horse Bidder shall recover the sum of the Break-Up Fee directly from, and only from, the cash paid by the Successful Bidder in the event that the Court enters a sale order authorizing a sale of the Assigned Interests to a buyer other than the Stalking Horse Bidder.
- (ii) The Auction, at the discretion of the Receiver, shall be recorded by stenographer or other reliable means of preserving the record of the Auction proceedings, and shall continue in one or more rounds of “open cry,” or publically announced bidding and shall conclude after each participating bidder has had the opportunity, within any time period specified by the Receiver, to submit an additional Subsequent Bid with full knowledge of the then-existing highest bid.
- (iii) For the purpose of evaluating the value of the consideration provided by each Subsequent Bid (including any Subsequent Bid by the Stalking Horse Bidder), the value shall be the net cash consideration payable to the Seller after giving effect to the Break-Up Fee that may be payable to the Stalking Horse Bidder under the Purchase Agreement and the Bid Procedures Order.
- (iv) At the conclusion of the bidding, the Receiver shall announce his determination (pursuant to the following paragraph) as to the bidder (the “Successful Bidder”) submitting the highest and best bid (the “Successful Bid”), which shall be submitted to the Court for approval at the Final Hearing. The Stalking Horse Bidder shall be deemed a party-in-interest

with standing to appear and be heard in connection with any motions, objections, hearings, or other proceedings related to this Motion, the Purchase Agreement, the Auction, and any Qualified Alternative Bid, Subsequent Bid, or the Successful Bid.

- (v) In determining the Successful Bid to submit to the Court for approval, the Receiver, in his sole discretion and in consultation with his professionals, shall determine whether a Qualified Alternative Bid constitutes a higher and better offer than the bid of the Stalking Horse Bidder. In making that determination, the Receiver may consider any and all factors associated with all Qualified Alternative Bids and Qualified Alternative Bidders, including but not limited to factors such as the likelihood and ability of the proposed buyer(s) to immediately consummate and close the proposed transactions, other timing issues, employment issues, overall value of the Qualified Alternative Bids, and any other material factors.
- (vi) The Court shall set a deadline in the Bid Procedures Order for filing objections to the Motion or entry of the Final Sale Order (the “Objection Deadline”). Any objections to the Motion or entry of the Final Sale Order that are not filed with the Court by the Objection Deadline shall be deemed irrevocably waived and withdrawn.
- (vii) If the Receiver does not timely receive any Qualified Alternative Bids, the Receiver shall forthwith cancel the Auction and Final Hearing, and promptly present the Final Sale Order for entry by the Court.
- (viii) If, following the entry of the Final Sale Order approving a sale to the Successful Bidder, such Successful Bidder fails or otherwise refuses to consummate such sale, then the next highest or best bid shall be deemed as the back-up bid (the “Back-Up Bid” and, such bidder, the “Back-Up Bidder”) and the Seller will be obligated to effectuate a sale to the Back-Up Bidder subject to the terms of the Back-Up Bid without further order of the Court. The Back-Up Bid shall remain open until twenty (20) calendar days following the date that the Final Sale Order becomes a non-appealable order. All Qualified Alternative Bids (other than the Successful Bid and the Back-Up Bid) shall be deemed rejected by the Receiver on and as of the date of entry of the Final Sale Order by the Court.

19. The proposed Bidding Procedures are in the best interest of the Receivership Entity, and its creditors and investors. The Bidding Procedures are designed to strike a balance between inviting competing bids and enabling the Receiver to close a sale with the Stalking

Horse Bidder within a reasonable time frame.

20. The Break-Up Fee is supported by the Stalking Horse Bidder incurring and paying the legal and business expenses associated with the significant negotiating and drafting efforts to reach the Purchase Agreement. Purchaser also communicated in the negotiation process that it was not willing to move forward with negotiations if a break-up fee was not part of the agreement.

21. The Break-Up Fee was an integral part of the Stalking Horse Bidder's offer. In fact, the Stalking Horse Bidder's offer to purchase the Assigned Interests was and remains conditioned on the Court's approval of the Break-Up Fee. The Receiver submits that the Stalking Horse Bidder should be reasonably reimbursed for its willingness to assume the role of the "stalking horse" as it is the only party ready and willing to serve in such role for all of the Assigned Interests. Accordingly, the Receiver respectfully submits that this Court should authorize and approve the Bidding Procedures, including the Break-Up Fee.

22. The Bidding Procedures are fair, reasonable and necessary to promote the highest and best sale price, without imposing undue obstacles to the competitive bid process. Further, a receiver often employs bidding protections in order to encourage the making of an original offer subject to higher and/or better offers and ultimately to increase value.

23. Purchaser has no known relation to the Receiver or the Receivership Entity.

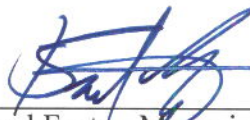
24. Pursuant to the Final Receivership Order, the Sale of the Assigned Interests shall be free and clear of any and all Liens. In connection with the closing of the Sale and the satisfaction of the conditions contemplated therein, all Liens as of the date of the closing of the Sale shall be released as against the Assigned Interests, and shall attach to the proceeds of Sale to the same extent, validity, and priority as they attached to the Assigned Interests.

25. To the best of the Receiver's knowledge, after diligent investigation, there are no Liens against the Assigned Interests, other than the following: the security interest of Terrell

Group Management LLC ("TGM") in substantially all of the assets of ACL, including the ACL Loans. Following the Sale of the Assigned Interests, (a) TGM shall hold a replacement security interest in the proceeds of the ACL Loans (the "Loan Proceeds") to the same extent, validity, perfection and priority that it holds a security interest in the ACL Loans, (b) the Receiver shall deposit Loan Proceeds in a segregated, non-interest bearing bank deposit account, and (c) the Receiver shall not withdraw or use the Loan Proceeds for any purpose other than payment of TGM's claims without either TGM's consent or further order of this Court.

I declare under penalty of perjury under the laws of the state of Oregon that the foregoing statements and those contained in the attached exhibits, are true and correct to the best of my knowledge, information and belief.

Dated this 12th day of April, 2018.



Brad Foster, Managing Director, Corporate Finance
FTI Consulting, Inc.
On behalf of the Receiver, Ronald F. Greenspan

EXHIBIT 1

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the “**Agreement**”), dated as of April 9, 2018 is made, entered into and agreed between and among Aequitas Holdings, LLC (“**AHL**”), an Oregon limited liability company, Aequitas Management, LLC (“**AML**”), an Oregon limited liability company, Aequitas Corporate Lending, LLC (“**ACL**”), an Oregon limited liability company, Aequitas Commercial Finance, LLC (“**ACF**”), an Oregon limited liability company, Aequitas Partner Fund, LLC (“**APF**”), an Oregon limited liability company, (AHL, AML, ACL and APF each a “**Seller Entity**” and collectively the “**Seller Entities**”) and Silvermine Media Holdings, LLC (“**Purchaser**”), a Connecticut limited liability company with a place of business at 38 Cartbridge Road, Weston, Connecticut 06883, and solely with respect to Sections 9 and 10, Michael Pirello.

RECITALS

WHEREAS, Synchronex, LLC, a Delaware limited liability Company (the “**Company**”) conducts a business related to the provision of digital pay meter and similar services to newspapers and other publishers (the “**Business**”);

WHEREAS, APF owns 100% of the membership interests in the Company (the “**Membership Interests**”);

WHEREAS, AML owns 100% of the membership interests in APF Holdings, LLC, an Oregon limited liability company that owns 100% of the membership interests in APF;

WHEREAS, ACL holds the lenders’ interest in the following secured loans to the Company: (i) a loan or loans in the aggregate principal amount of \$2,926,198 (the “**2009 Loan**”) made pursuant to a Business Loan Agreement dated May 13, 2009 between the Company and Aequitas Hybrid Fund, LLC (as assigned, and together with any related documents and amendments thereto, the “**2009 Loan Agreement**”); and (ii) a loan or loans in the aggregate principal amount of \$1,100,000 (the “**2014 Loan**”) made pursuant to a Business Loan Agreement dated January 14, 2014 between the Company and ACF (as assigned, together with any related documents and amendments thereto, the “**2014 Loan Agreement**”);

WHEREAS, the 2009 Loan and the 2014 Loan are referred to herein collectively as the “**ACL Loans**” and the 2009 Loan Agreement and the 2014 Loan Agreement are referred to collectively herein as the “**ACL Loan Agreements**”;

WHEREAS, on March 10, 2016, the Securities and Exchange Commission filed an action captioned SEC v. Aequitas Management, LLC et al. (Case No. 3:16-cv-00438-PK) alleging defendants violated the federal securities laws (the “**Action**”);

WHEREAS, On April 14, 2016, the United States District Court for the District of Oregon (the “**Court**”) entered a Final Order Appointing Receiver (the “**Final Receiver Order**”), appointing Ronald Greenspan as receiver (the “**Receiver**”) of the entity defendants named in the Action, and certain of their subsidiaries, and/or majority-owned affiliates;

WHEREAS, On January 31, 2017, AHL entered into a Revolving Secured Demand Note (the “**2017 Loan Agreement**”) with the Company pursuant to which the Company is entitled to borrow up to \$100,000 and pursuant to which \$75,000 is currently borrowed thereunder (the total amount payable under the 2017 Loan Agreement being referred to herein as the “**2017 Loan**”);

WHEREAS, the ACL Loan Agreements and the 2017 Loan Agreement are referred to herein as the “**Debt Documents**” and the total obligations payable by the Company pursuant to the Debt Documents is referred to herein as the “**Secured Obligations**”);

WHEREAS, the Seller Entities are subject to the powers of the Receiver, as set forth in the Final Receiver Order;

WHEREAS, the Company has significant liabilities and other obligations that necessitate a restructuring of the Business and the Company is not subject to the powers of the Receiver; and

WHEREAS, the Company and Seller Entities wish to sell the Business to the Purchaser or an affiliate of Purchaser pursuant to a sale of the Assigned Interest (as defined herein) on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the above Recitals, which are incorporated herein by reference, and the mutual promises and other considerations as set forth herein, the Seller Entities and the Purchaser agree as follows:

1. Sale and Assignment of the Secured Obligations and Membership Interests. The Seller Entities agree to sell, grant, convey, transfers, and assign to Purchaser, and the Purchaser agrees to buy, the entire right, title and interest of each Seller Entity in and to any portion of the the Secured Obligations, Debt Documents and Membership Interests owned by such Seller Entity, including without limitation, all of the rights, interests, benefits, privileges, security interests and assignments owned, held, accruing and to accrue to, and for the benefit of Seller Entities relating to the Secured Obligations, the Debt Documents and the Membership Interests, including, without limitation the 2009 Loan, the 2014 Loan, the 2017 Loan and all other instruments and claims related to the Secured Obligations (together, the “**Assigned Interests**”), to have and to hold for the sole and exclusive use and benefit of Purchaser, its successors and assigns, free and clear of any mortgage, lien, pledge, option, charge, claim, defect in title, security interest, community property interest, equitable interest, restriction on transferability, voting, receipt of income or exercise of any other attribute of ownership or encumbrance of any kind in respect thereof (a “**Lien**”), on the terms and conditions set forth herein. Each Seller Entity shall provide to the Purchaser the originals, or if originals are not available, copies of each of the documents evidencing the Assigned Interest and any portion thereof, including, without limitation the Company’s operating agreement, the Debt Documents, any notices of default, confessions of judgment or default or similar documents, the calculations of the current amount of the Assigned Interest and support therefor, the date-stamped UCC and other filings evidencing the perfection of the Liens securing the Secured Obligations. In addition, at Purchaser’s reasonable request, each Seller Entity shall promptly take such actions and execute and deliver to Purchaser such other documents as Purchaser may reasonably request to effect, confirm or vest more securely in Purchaser all rights and interests contemplated by this Agreement, including, without limitation,

executing and filing a UCC-3 amendment statement effectuating the assignment contemplated herein. Without limiting the generality of the foregoing sentence, each Seller Entity shall cooperate with and assist Purchaser in order to fully transfer and assign the Assigned Interest to Purchaser.

2. Purchase Price and Closing Date.

a. Closing Date. The closing date of the transaction contemplated herein (the "Closing Date") shall be as provided in the final, non-appealable order of the Court in form and substance satisfactory to the the Purchaser, the Receiver and the Seller Entities (the "Final Sale Order") approving the purchase and sale provided herein and the transfer of the Assigned Interest to purchaser free and clear of any Lien.

b. Purchase Price. Subject to adjustment as provided in Section 8 hereof, the Purchaser shall pay to the Seller Entities, in accordance with written instructions provided by AHL, the aggregate sum of USD\$150,000 (ONE HUNDRED AND FIFTY THOUSAND DOLLARS) for the Assigned Interest, payable (i) 50% (USD \$75,000 SEVENTY FIVE THOUSAND DOLLARS) on the Closing Date and (ii) 50% (USD \$75,000 SEVENTY FIVE THOUSAND DOLLARS) on the Final Payment Date, as provided in such Section 8.

3. Representations and Warranties of Seller. Each Seller Entity represents and warrants to Purchaser that:

a. Each Seller Entity has full power and authority to execute, deliver and perform its obligations under this Agreement;

b. Such Seller Entity is the lawful owner and holder of the portion of the Assigned Interest reflected on **Exhibit A** hereto, free and clear of any Liens, including, without limitation, setoffs of any kind or nature.

c. Such Seller Entity has not heretofore sold, assigned, pledged, or in any manner encumbered, or transferred its rights to or interests in the Assigned Interest or any portion thereof, except to Purchaser hereunder, and such Seller Entity has not done, and shall not do, anything that might prevent the Purchaser from or limit the Purchaser from receiving the entire Assigned Interest.

d. To such Seller Entity's knowledge, there are no offsets or defenses that have been or may be asserted by or on behalf of the Company or any other party to reduce the amount of the Secured Obligations and that the Secured Obligations are valid, undisputed, liquidated, non-contingent secured claim against the Company and that no payment or other distribution has been received by or on behalf of any Seller Entity in full or partial satisfaction of the Secured Obligations;

e. Such Seller Entity will assist Purchaser in vesting in Purchaser exclusive title in and to the Assigned Interest and will execute and deliver to Purchaser any and all additional papers which may be reasonably requested by Purchaser to vest title in Purchaser in the Assigned

Interest and will otherwise fully carry out the terms of this Agreement.

f. Such Seller Entity holds no claim, asset or other interest related to the Company, the Business or Mssrs. Michael Pirello or Ronald Pirello other than the Assigned Interest and the liens and related obligations listed on Schedule 3(f); and

g. In the case of a Seller Entity that holds a portion of the Secured Obligations, such Seller Entity represents that such Secured Obligation owned by the Seller Entity are secured by a Lien, which Liens are, to the knowledge of such Seller Entity, perfected and valid liens upon, and security interests in, all of the Company's assets.

4. Representations and Warranties of the Purchaser. Purchaser hereby represents and warrants to the Seller Entities:

a. Purchaser has made its decision to purchase the Assigned Interest based upon its own independent evaluation and has not relied upon any oral or written statement made by any officer, employee, agent or other representative of any Seller Entity except as expressly set forth herein.

b. With the exception of any arrangements that may exist between the Seller Entities and management of the Company, Purchaser has not dealt with any person who may be entitled to any commission or compensation in connection with the sale contemplated by this Agreement for which any Seller Entity will be responsible.

5. Condition Precedent for Purchaser. The obligation of Purchaser to consummate the transactions contemplated herein is subject to the satisfaction of (or waiver by Purchaser of) the following conditions on or prior to June 15, 2018:

a. That certain Reseller Agreement dated August 20, 2012 between the Company and Digital Technology International, LLC (the "NewsCycle Agreement") shall be in full force and effect and Purchaser shall, in Purchaser's sole discretion, be satisfied with the terms of any proposed amendment to the NewsCycle Agreement governing the Business subsequent to the Closing.

b. The Purchaser shall have entered into an agreement with each of Mr. Michael Pirello and Mr. Ronald Pirello amending their existing employment agreements in a manner satisfactory to Purchaser (which agreements may be entered into concurrent with the execution of this Agreement).

c. The Final Sale Order shall be entered and effective on or prior to the Closing Date and it shall be a condition of Purchaser's obligations hereunder that such Final Sale Order shall have become non-appealable.

d. The Balance Sheet for the Company attached as Exhibit B (the "Company Balance Sheet") fairly presents the assets and liabilities of the Company as of the date reflected therein.

e. The representations of the Seller Entities shall be true as of the Closing Date, and the Seller Entities shall have complied with all covenants, agreements and other terms hereof as of the Closing Date.

f. There shall have been no material adverse change to the Business, the Company, the Company Balance Sheet or the Assigned Interest as of the date of this Agreement or the Closing Date as compared to the date of the Company Balance Sheet and the Purchaser shall be satisfied in its sole discretion with each of the foregoing.

6. Court Approval; Bid Procedures. As soon as practicable, the Seller Entities and Purchaser shall cooperate, in good faith, to obtain the entry by the Court of an order (the “**Bid Procedures Order**”) that shall incorporate the bid procedures and the other protections in substantially the form set forth in **Exhibit C**. Purchaser acknowledges and understands that the Seller Entities will seek Court approval of the terms and conditions of this Agreement, and such approval will be sought subject to an auction process subject to the Bid Procedures Order, including the Breakup Fee (as defined in Exhibit C). The Seller acknowledges that Purchaser has expended considerable resources and time in connection with the transactions contemplated by this Agreement and, but for the Breakup Fee and the other protections afforded by the Bid Procedures Order and Breakup Fee provisions set forth in Exhibit C, Purchaser would not be willing to devote such resources and time or to enter into this Agreement. Company shall promptly provide Purchaser with the proposed final drafts of the Bid Procedures Order, the Final Sale Order and all other documents, motions, orders, or pleadings that the Seller Entities, the Receiver or any affiliate of either thereof proposes to file with the Court relating to the approval of this Agreement or the consummation of the transactions contemplated hereby, and each Seller Entity and the Receiver shall provide Purchaser and its counsel with a reasonable opportunity to review and comment on such documents, motions, orders, or pleadings. The Bid Procedures Order shall provide that the auction contemplated thereby shall be scheduled no more than forty (40) days following entry of the Bid Procedures Order. In the event of any inconsistency between the terms of this Agreement and the Bid Procedures Order, the terms of the Bid Procedures Order shall control. In the event that the final Bid Procedures Order is not satisfactory to the Purchaser in Purchaser’s sole discretion, the Purchaser may terminate this Purchase Agreement, without any obligation to the Seller Entities or any other person by delivery of written notice to the Seller Entities within five (5) days of the Seller Entities’ delivery of a copy of such final Bid Procedures Order to Purchaser.

7. Additional Post-Closing Date Obligations. The parties hereto covenant, represent and agree that in the event that the Closing Date occurs as contemplated by this Agreement, on and after the Closing Date, no Seller Entity shall take any action that would adversely affect the rights or interests of the Purchaser in, to and in connection with the Assigned Interest, including, without limitation, the Purchaser’s position as a fully perfected, secured creditor of the Company and/or the Purchaser’s rights to payment on account of the Secured Obligations or Purchaser’s ability to exercise voting or other rights in respect of the Membership Interest. No Seller Entity shall at any time compromise or settle the Assigned Interest or change or waive any of the Assigned Interest or consent to any reduction in the amount thereof. Each Seller Entity agrees to forward to Purchaser, as soon as practicable but in no event later than two (2) business days of receipt, all

notices received from the Company or any third party with respect to the Assigned Interest and to take such further action with respect to the Assigned Interest as Purchaser may from time to time reasonably request. Each Seller Entity further agrees that if such Seller Entity receives any distributions on account of the Assigned Interest, whether in the form of cash, securities, instruments or any other property, the aforementioned shall constitute property of the Purchaser to which the Purchaser has an absolute right. Each Seller Entity shall hold such property in trust and will deliver to Purchaser any such property in the same form received, together with any endorsements or documents necessary to transfer such property to Purchaser within two (2) business days of receipt in the case of cash and five (5) business days in the case of securities.

8. Purchase Price Adjustment. Not later than sixty (60) days following the Closing Date, the Purchaser shall prepare and deliver to the Seller Entities a balance sheet for the Company (the “**Closing Balance Sheet**”) that shall (a) be prepared in accordance with generally accepted accounting principles consistently applied with the Company Balance Sheet and (b) fairly present the assets and liabilities of the Company as of the date reflected therein. In the event of any Loss, Purchaser may (1) notify the Seller Entities thereof, together with reasonable detail, on or prior to ninety (90) days following the Closing Date (the “Final Payment Date”) and (2) reduce the portion of the purchase price payable on the Final Payment Date, by an amount equal to any such Losses up to, but not exceeding, an amount equal to \$75,000 (*SEVENTY FIVE THOUSAND DOLLARS*). As used herein, the term “Loss” shall mean any loss, cost, damage or claim of any kind, including reasonable attorney’s fees related to (A) a breach by any Seller Entity of a representation, warranty or covenant herein or (B) any excess of (x) the total liabilities for the Company (excluding liabilities in respect of the Secured Obligations transferred to Purchaser hereunder) less the total current assets of the Company as reflected on the Closing Balance Sheet over (y) the total liabilities for the Company (excluding liabilities in respect of the Secured Obligations transferred to Purchaser hereunder) less the total current assets of the Company as reflected on the Company Balance Sheet (such Loss, a “**Balance Sheet Adjustment**”).

9. Standstill and Indemnity of Michael Pirello. Michael Pirello, in his capacity as officer and employee of the Company, agrees not to take, or cause the Company to take any actions (i) outside of the ordinary course of business (excluding, however, transition planning activities (including up to \$10,000 of out of pocket expense to third parties) and other actions that Mr. Pirello determines in his reasonable business judgment to be necessary or appropriate to preserve the value of the Company or its assets) or (ii) that would cause the Seller Entities to breach a representation, warranty or covenant in this Agreement. Mr. Pirello represents that (a) Company Balance Sheet has been prepared in accordance with generally accepted accounting principles consistently applied, and fairly presents the assets and liabilities of the Company as of the date reflected therein, and (b) there have been no material adverse change to the Business, the Company or the Company Balance Sheet as of the date of this Agreement as compared to the date of the Company Balance Sheet. Mr. Pirello agrees to personally indemnify the Seller Entities for losses related to a breach by Mr. Pirello of his representations, warranties and covenants contained in this Section 9 and any Balance Sheet Adjustment to the extent directly attributable to such breach by Mr. Pirello. Mr. Pirello acknowledges that he is receiving personal benefit from the transactions contemplated by this Agreement and is providing the indemnity in this Section 9 in consideration for such benefit.

10. General Provisions.

a. This Agreement, the exhibits hereto and the documents delivered pursuant hereto shall constitute the entire agreement and understanding of the parties. The parties hereto acknowledge that they have each been represented by legal counsel in connection with this Agreement. This Agreement supersedes any and all prior understandings, agreements or discussions between the Parties. The covenants, representations and other provisions contained herein shall survive the execution of this Agreement.

b. This Agreement may be amended only by a written instrument subsequently executed by the parties hereto.

c. No waiver of any provision or condition of this Agreement by any party shall be valid unless in writing signed by such party. No such waiver shall be taken as a waiver of any other or similar provision or of any future event, act or default.

d. This Agreement shall be governed in all respects by the laws of the state of Oregon, without regard to provisions related to conflicts of laws. The parties agree that the Court will be the exclusive venue for any dispute concerning the subject matter of this Agreement; *provided however* that the parties shall seek to resolve any dispute related to the purchase price adjustment provisions of Section 8 through good faith negotiation during the forty-five (45) day period following the delivery of the Closing Balance Sheet.

e. In the event of any litigation between Purchaser, the Company, the Receiver or any Seller Entity in connection with this Agreement or any document or instrument delivered in connection with this Agreement, the prevailing party therein shall be entitled to recover from the nonprevailing party therein the amount of reasonable attorney's fees and other costs and expenses incurred by the prevailing party in connection with such litigation.

f. Notice hereunder shall be given as follows, to such other address as provided in writing:

If to any Seller Entity or the Receiver, to:

Aequitas Holdings, LLC
5300 Meadows Road
Lake Oswego, OR 97035
Attn: Ronald Greenspan, Receiver

If to Purchaser, to:
Silvermine Media Holdings, LLC
38 Cartbridge Road
Weston, Connecticut 06883
Attention: Richard Shorten
Telephone (203) 966-3896
Facsimile: (203) 487-4499
Email: rshorten@silverminecapital.com

If to Mike Pirello, to:
371 NE Gilman Blvd.
Suite 250
Issaquah WA 9802
Email: mpirello@snycronex.com

g. The terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by, the successors and assigns of the parties hereto.

h. All representations and warranties of each Seller Entity and the Purchaser and contained herein shall survive the Closing Date and the closing under this Agreement.

i. Paragraph titles or captions contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of the Agreement or the intent of any provision.

j. Each of the parties shall take such other actions and execute such other documents as may be reasonably necessary to effectuate this Agreement and the undertakings made herein, provided such actions and/or documents shall not increase the liabilities or obligations of such party.

k. This Agreement shall not be suspended, waived, terminated, amended or modified in any manner except in a writing signed by all parties to be bound.

l. The parties hereto agree to be responsible for and to bear their own costs, expenses and attorneys' fees incurred in connection with the negotiation related to and preparation of this Agreement and not to seek from each other reimbursement of any such costs, expenses or attorneys' fees.

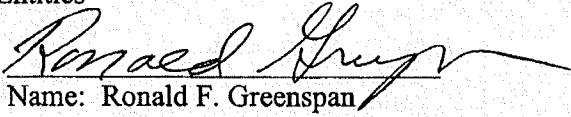
m. This Agreement may be executed in multiple counterparts, which together shall constitute one and the same instrument. Each counterpart may be delivered by email as a .pdf

attachment or facsimile transmission, and an emailed or faxed signature shall have the same force and effect as an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

AEQUITAS HOLDINGS, LLC
AEQUITAS MANAGEMENT, LLC
AEQUITAS CORPORATE LENDING, LLC
AEQUITAS COMMERCIAL FINANCE, LLC
AEQUITAS PARTNER FUND, LLC,

Seller Entities

By: 
Name: Ronald F. Greenspan
Title: Receiver

Silvermine Media Holdings, LLC,
Purchaser

By: _____
Name: _____
Title: _____

Michael Pirello, individually

attachment or facsimile transmission, and an emailed or faxed signature shall have the same force and effect as an original signature.

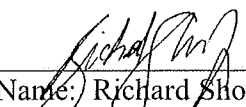
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

AEQUITAS HOLDINGS, LLC
AEQUITAS MANAGEMENT, LLC
AEQUITAS CORPORATE LENDING, LLC
AEQUITAS COMMERCIAL FINANCE, LLC
AEQUITAS PARTNER FUND, LLC,

Seller Entities

By: _____
Name: Ronald F. Greenspan
Title: Receiver

Silvermine Media Holdings, LLC,
Purchaser

By:  _____
Name: Richard Shorten
Title: Managing Member

Michael Pirello, individually

attachment or facsimile transmission, and an emailed or faxed signature shall have the same force and effect as an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

AEQUITAS HOLDINGS, LLC
AEQUITAS MANAGEMENT, LLC
AEQUITAS CORPORATE LENDING, LLC
AEQUITAS COMMERCIAL FINANCE, LLC
AEQUITAS PARTNER FUND, LLC,

Seller Entities

By: _____
Name: Ronald F. Greenspan
Title: Receiver

Silvermine Media Holdings, LLC,
Purchaser

By: _____
Name:
Title:

Michael Pirello, individually

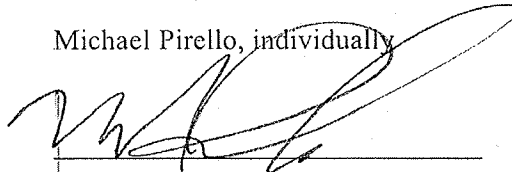
A handwritten signature in black ink, appearing to be 'M. Pirello', written over a horizontal line.

EXHIBIT A**Secured Obligations and Membership Interests**

<u>Seller Entity</u>	<u>Assigned Interest</u>	<u>Original Owner</u>	<u>Principal Amount</u>
Aequitas Partner Fund, LLC	100% of membership interests in Synchronex, LLC	N/A	N/A
Aequitas Corporate Lending, LLC	2009 Loan	Aequitas Hybrid Fund, LLC	\$2,926,198
Aequitas Corporate Lending, LLC	2014 Loan	Aequitas Corporate Finance, LLC	\$1,000,000
Aequitas Holdings, LLC	2017 Loan	N/A	\$75,000

Exhibit B

Company Balance Sheet

<u>Synchronex, LLC</u>		<u>Feb 28, 18</u>
ASSETS		
Current Assets		
Checking/Savings		1,274.57
Accounts Receivable		142,749.73
Total Current Assets		144,024.30
Fixed Assets (Net)		7,500.00
Other Assets		
Security Deposit		4,593.00
Goodwill		476,000.00
Total Other Assets		480,593.00
TOTAL ASSETS		632,117.30
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		559,782.03
Other Current Liabilities		
Deferred Maintenance Revenue		119,805.81
Payroll Payable		538.33
Payroll Tax Payable		336,442.27
401(k) Payable		5,292.93
Total Other Current Liabilities		462,079.34
Current Liabilities to Aequitas		
Secured Note Obligations		1,150,448.24
Accrued Interest on Secured Obligations		1,151,369.98
Total Current Liabilities to Aequitas Funds		2,301,818.22
Total Current Liabilities		3,323,679.59
Long Term Liabilities		
Secured Obligations to Aequitas Funds (Long Term)		2,275,239.07
Total Long Term Liabilities		2,275,239.07
Total Liabilities		5,598,918.66
Equity		
Opening Balance Equity		-1,720.00
Paid In Capital		200,000.00
Retained Earnings		-5,080,843.67
Net Income		-84,237.69
Total Equity		-4,966,801.36
TOTAL LIABILITIES & EQUITY		632,117.30

Exhibit C

Bidding Procedures and Break-Up Fee

1. The Receiver¹ shall be entitled to solicit additional offers for the Assigned Interest from prospective bidders (each, an “Alternative Bid”) for thirty (30) calendar days following the date of entry of the Bid Procedures Order (the “Notice Period”) and, subject to the receipt from the prospective bidders of appropriate confidentiality agreements, provide necessary and requested due diligence to such prospective bidders. The Receiver will propose the following terms and procedures to govern the submission of Alternative Bids for the Assigned Interest:

- (i) Alternative Bid Deadline. Each Alternative Bid must be provided to the Receiver not later than 12:00 Noon Pacific Time on the date that the Notice Period expires (the “Bid Deadline”).
- (ii) Qualified Alternative Bid. The Receiver will consider an Alternative Bid only if the Alternative Bid is a “Qualified Alternative Bid.” Without limiting or altering the terms of the Purchase Agreement, to be a Qualified Alternative Bid, an Alternative Bid must:
 - a. identify the proponent of the Alternative Bid and an officer or representative who is duly authorized in all respects to appear, act on behalf of, and legally bind such proponent (an “Authorized Representative”);
 - b. provide for the purchase of all of the Assigned Interest, and shall otherwise be on substantially the same or better terms as those set forth in the Purchase Agreement, in the Receiver’s sole discretion; provided, however, that an Alternative Bid shall not provide for the payment of a breakup fee or overbid protections because no bidders other than the Stalking Horse Bidder will be entitled to receive a breakup fee and/or any reimbursement of expenses or transaction costs;

¹ Capitalized terms not otherwise defined in these Bidding Procedures and Breakup Fee provisions shall have the meanings ascribed to them in the Receiver’s Motion for Orders: (1) Scheduling Hearing to Approve Sale of Assets; (2) Approving Stalking Horse Bidder; (3) Approving Break-Up Fee; (4) Approving Bidding Procedures; and (5) Approving the Sale of Assets Free and Clear of All Liens, Claim, Encumbrances and Interests (the “Motion”). [Dkt. ____].

- c. be accompanied by an executed purchase and sale agreement in the form substantially the same as the Purchase Agreement, except that the structure may be changed so long as the cash delivered to the Seller Entities at closing is not less than \$210,000, inclusive of the Break-Up Fee;
- d. be a firm offer and not contain any contingencies other than those contained in the Purchase Agreement, to the validity, effectiveness or binding nature of the offer, including without limitation, contingencies for financing, due diligence or inspection;
- e. be accompanied by a cash deposit of not less than \$50,000 and financial information for the prospective bidder, including but not limited to financial statements including the prospective bidder's balance sheet or such other information sufficient to enable the Receiver to determine such bidder's creditworthiness and ability to pay the purchase price and close a sale; provided, however, determination that the bidder has met this qualification shall be in the sole discretion of the Receiver;
- f. be open and irrevocable through the conclusion of the hearing for entry of a Final Sale Order unless (i) extended by agreement of the parties or the terms of these Bidding Procedures, or (ii) the Qualified Alternative Bid is designated a Back-Up Bid, which shall then remain open until twenty (20) calendar days following the date that the Final Sale Order becomes a non-appealable order.

2. If the Receiver receives one or more Qualified Alternative Bids, the Receiver shall conduct an auction (the "Auction") at the offices of Schwabe, Williamson & Wyatt, 1211 SW Fifth Avenue, Suite 1900, Portland, OR 97204 at 10:00 a.m. (Pacific time) on the fifth (5th) business day following the expiration of the Notice Period, or such later time and date and/or such other place as the Receiver shall notify all bidders who have submitted Qualified Alternative Bids (together, "Qualified Alternative Bidders") and the Stalking Horse Bidder. The following procedures will apply to the Auction:

- (i) Only the following parties and their counsel shall be permitted to attend the Auction: the Stalking Horse Bidder, Qualified Alternative Bidders, and the Receiver. Only the Stalking Horse Bidder and Qualified Alternative Bidders, including through their counsel, shall be permitted to make any additional bids ("Subsequent Bids") at the Auction.
- (ii) All Qualified Alternative Bidders that desire to participate in the Auction

shall have their Authorized Representatives physically present for all bidding, each with the understanding that the true identity of each Qualified Alternative Bidder shall be fully disclosed to all other Qualified Alternative Bidders and that all material terms, including but not limited to the amount, of each bid will be fully disclosed to all other bidders throughout the entire Auction.

- (iii) The Receiver will give the Stalking Horse Bidder, all other Qualified Alternative Bidders, and their counsel a copy of the highest and best Qualified Alternative Bid received and copies of all other Qualified Alternative Bids prior to the start of the Auction. In addition, the Receiver will inform the Stalking Horse Bidder and each Qualified Alternative Bidder who has expressed its intent to participate in the Auction of the identity of all Qualified Alternative Bidders that may participate in the Auction.
- (iv) Prior to the start of the Auction the Authorized Representative of the Stalking Horse Bidder and each Qualified Alternative Bidder shall certify, in writing or on the record, as follows:
 - (a) Each bid it makes at the Auction shall, if accepted by the Receiver, constitute a binding and legally enforceable contract of the bidder to timely close a purchase of the Assigned Interests according to the terms of the bid in the event an order of the Court is entered approving a sale based upon such bid.
 - (b) No bids made by the Stalking Horse Bidder or a Qualified Alternative Bidder, whether before or during the Auction, shall be subject to any conditions or contingencies related to due diligence, financing, or any other further approval other than the Authorized Representative present at the Auction.
 - (c) The Authorized Representative present for the Stalking Horse Bidder or a Qualified Alternative Bidder at the Auction has the full power and authority to act on behalf of and to legally bind the Stalking Horse Bidder or such Qualified Alternative Bidder for any bids made, and any agreements entered into at or in connection with the Auction.
 - (d) The Stalking Horse Bidder and each Qualified Alternative Bidder that participates in the Auction shall authorize the Receiver to conditionally accept such bidder's second-highest bid at the Auction as a back—up to the Successful Bid, which shall become binding upon and enforceable against such bidder in the event that the Successful Bid is approved by the Court, but such Successful Bidder fails or otherwise refuses to close its purchase of the

Assigned Interests for any reason other than a material failure of performance by the Seller.

- (e) That the Stalking Horse Bidder and each Qualified Alternative Bidder has at all times proceeded in good faith in submitting its bids, and has not engaged in any collusion with any other person or bidder with respect to the Auction and related proceedings.

3. The Receiver shall have reasonable discretion with respect to the conduct of the Auction. Among other things, the Receiver may announce at the Auction additional procedural rules that he determines to be reasonable under the circumstances (e.g. the amount of time allotted to make subsequent alternative bids) for conducting the Auction so long as such additional rules are not materially inconsistent with the Bidding Procedures and the terms, deadlines, and intent of the Purchase Agreement.

- (i) At the Auction, bidding shall begin with the highest and best Qualified Alternative Bid (the "Initial Overbidder"). The Receiver will identify the Initial Overbidder at the beginning of the Auction. Any subsequent bids must be at least \$10,000 more than the immediately preceding bid and each such increment (including the initial increment over the Purchase Price) must be payable in cash ("Minimum Subsequent Overbid Amount"). In any of its subsequent bids, the Stalking Horse Bidder shall be entitled to credit bid up to the sum of the Breakup Fee, provided that the Stalking Horse Bidder shall recover the sum of the Breakup Fee directly from, and only from, the cash paid by the Successful Bidder in the event that the Court enters a sale order authorizing a sale of the Assigned Interests to a buyer other than the Stalking Horse Bidder.
- (ii) The Auction, at the discretion of the Receiver, shall be recorded by stenographer or other reliable means of preserving the record of the Auction proceedings, and shall continue in one or more rounds of "open cry," or publically announced bidding and shall conclude after each participating bidder has had the opportunity, within any time period specified by the Receiver, to submit an additional Subsequent Bid with full knowledge of the then-existing highest bid.
- (iii) For the purpose of evaluating the value of the consideration provided by each Subsequent Bid (including any Subsequent Bid by the Stalking Horse Bidder), the value shall be the net cash consideration payable to the Seller after giving effect to the Breakup Fee that may be payable to the Stalking

Horse Bidder under the Purchase Agreement and the Bid Procedures Order.

- (iv) At the conclusion of the bidding, the Receiver shall announce his determination (pursuant to the following paragraph) as to the bidder (the "Successful Bidder") submitting the highest and best bid (the "Successful Bid"), which shall be submitted to the Court for approval at the Final Hearing. The Stalking Horse Bidder shall be deemed a party-in-interest with standing to appear and be heard in connection with any motions, objections, hearings, or other proceedings related to the Motion, the Purchase Agreement, the Auction, and any Qualified Alternative Bid, Subsequent Bid, or the Successful Bid.
- (v) In determining the Successful Bid to submit to the Court for approval, the Receiver, in his sole discretion and in consultation with his professionals, shall determine whether a Qualified Alternative Bid constitutes a higher and better offer than the bid of the Stalking Horse Bidder. In making that determination, the Receiver may consider any and all factors associated with all Qualified Alternative Bids and Qualified Alternative Bidders, including but not limited to factors such as the likelihood and ability of the proposed Purchaser(s) to immediately consummate and close the proposed transactions, other timing issues, employment issues, overall value of the Qualified Alternative Bids, and any other material factors.
- (vi) The Court shall set a deadline in the Bid Procedures Order for filing objections to the Motion or entry of the Final Sale Order (the "Objection Deadline"). Any objections to the Motion or entry of the Final Sale Order that are not filed with the Court by the Objection Deadline shall be deemed irrevocably waived and withdrawn.
- (vii) If the Receiver does not timely receive any Qualified Alternative Bids, the Receiver shall forthwith cancel the Auction and Final Hearing, and promptly present the Final Sale Order for entry by the Court.
- (viii) If, following the entry of the Final Sale Order approving a sale to the Successful Bidder, such Successful Bidder fails or otherwise refuses to consummate such sale, then the next highest or best bid shall be deemed as the back-up bid (the "Back-Up Bid") and, such bidder, the "Back-Up Bidder") and the Seller will be obligated to effectuate a sale to the Back-Up Bidder subject to the terms of the Back-Up Bid without further order of the Court. The Back-Up Bid shall remain open until twenty (20) calendar days following the date that the Final Sale Order becomes a non-appealable order. All Qualified Alternative Bids (other than the Successful Bid and the Back-Up Bid) shall be deemed rejected by the Receiver on and as of the date of entry of the Final Sale Order by the Court.

4. If (i) the Receiver accepts a Qualified Alternative Bid and the Qualified Alternative Bid transaction closes, or (ii) the Purchaser terminates the Purchase Agreement as a result of a material breach by any Seller Entity of the Purchase Agreement, then Purchaser will be entitled to payment of \$50,000 in cash (the "Breakup Fee"). The Breakup Fee shall be due within five (5) days following the earlier to occur of the closing of the sale of the Assigned Interest to a third party bidder and the receipt by the Seller Entities of a written notice of breach that entitles the Purchaser to payment of the Breakup Fee and is not contested in good faith by the Receiver on behalf of any of the Seller Entities.

Schedule 3(f)

Certain Claims

Promissory Note dated March 1, 2011 issued by Ronald Pirello and related Deed of Trust also dated March 1, 2011

Claims related to the personal guarantee provided by Ronald Pirello and Mike Pirello and the release of such guarantee.