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Subject: KUE

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Attachments: doc02675820141105130208.pdf

Teleconference of KUE partner meeting finished a little while ago. The attached, which I sent last week, is a good summary of the situation.

From today's meeting:

-deal in hand for the sale of the Intl operation in Singapore for net proceeds of \$108.2mil was announced at the meeting.

Also KUE has a signed term sheet, with a exclusivity period only until Dec 8th, for the sale of the Canadian Intl School which would net \$248mil. Combined \$357mil net proceeds after debt repayment is a bit below guidance I had been given of \$400mil and a bit will be held back in an escrow account. Guidance was for a late Dec or Jan distribution of proceeds which would be roughly \$5mil to us.

-Propco – mindset toward monetizing but sounded like there is no firm shape for a deal yet i.e. whether they will sell to a REIT or form a new RE company and lever. Property portfolio is a bit of flux reflecting disposition of centers closed by Opco over the past several years. KUE would like LPs to have option of two ways out – cash or equity in survivor.

As I indicated in the note, for extension to Oct 2016, Intl and Propco must be monetized by Oct 2015.

-Opco – core early childhood care centers are growing again – EBITDA est for 2014 is \$118mil, up from \$89mil in 2013. Plan shows goal of \$142mil in 2015 and \$162mil in 2016. Co suggested valuation at 10x EV/EBITDA seems appropriate given fact that public comp, Bright Horizons, trades at 15x EV/EBITDA but is supported by 14% ebitda margin compared to Opco at 9.3% currently and future forecast of 10%.

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