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ENDEAVOUR INVESTOR WATCH

ENDEAVOUR'S HUMAN AND ENVIRONMENTAL
TOLL AND WHY IT WILL COST YOU

Introduction

Endeavour Capital, a private equity firm with **more than \$2 billion in assets** under management,¹ has invested in companies and industries whose business practices raise serious ethical questions, some of which have faced increasing public criticism in recent years.

These investments raise questions about Endeavour's commitment to investors to build companies that benefit "all stakeholders, not just shareholders".

With offices in Seattle, Portland, Los Angeles and Denver, Endeavour Capital has won business from a number of public employee pension funds in Western states, including the Oregon Public Employees Retirement Fund, the Washington State Investment Board, the University of Washington, the Idaho Public Employees Retirement System and the Colorado Fire and Police Pension Association.²

Let's examine some of Endeavour's investments, and the impacts they have:

¹ Endeavour Capital, "Endeavour Capital Closes \$775M Fund," BusinessWire (Jan 6, 2015). <https://www.businesswire.com/news/home/20150106005313/en/Endeavour-Capital-Closes-775M-Fund>

² Fire & Police Pension Association of Colorado, Comprehensive Annual Financial Report (2016). <http://www.fppaco.org/PDF/annual-reports/16.annual.report.pdf>; Washington State Investment Board Portfolio Overview by Strategy March 31, 2017. <http://www.sib.wa.gov/financial/pdfs/quarterly/ir033117.pdf>; Colorado University of Washington HB1640 Private Investment Disclosure Requirement As of September 30, 2017 <https://finance.uw.edu/treasury/sites/default/files/HB1640%20Private%20Investment%20Disclosure%20Requirement%20as%20of%20September%2030%2C%202017.pdf>; Public Employee Retirement System of Idaho Private Equity Performance Summary By Investment As of June 30, 2017. <https://www.persiweb.idaho.gov/Documents/Investments/PerformanceReports/2017AlternativeInvestmentReport.pdf>;

Ethically Compromised Bail Investments

Endeavour Capital invests in Aladdin Bail Bonds, the largest bail bonds company in the country.³ According to estimates, Aladdin is backing at least a billion dollars in bail products.⁴

Bail bonding is an **ethically troubled and racist practice** – only used in the U.S. and Philippines.⁵ One large-scale study found that African American and Latino individuals were twice as likely as whites to be held on bail because they were unable to pay the bond amounts imposed.⁶ More than one-third of people in local jails are unable to make bail, **trapping them in the system.**⁷

Even people found innocent not long after being arrested, like Carlos Valiente of San Francisco (see below) still often end up owing money to Aladdin.⁸

In one case, a construction worker in San Francisco, Carlos Valiente, was arrested, and bail set for \$70,000. He called the number on a flyer at the jail and reached Aladdin Bail Bonds. Valiente reported that they asked questions like, “How much money do you have on you?”, “How much do you make?”, and “How much can you get right now.” **Even though Valiente’s case was dismissed and his bail forgiven, he ended up still owing Aladdin more than \$6,000.**

³ “The Aladdin Group,” Endeavour Capital website (Accessed February 6, 2018). <https://endeavourcapital.com/ec/the-aladdin-group/>

⁴ Color of Change and ACLU Campaign for Smart Justice, *Selling Off Our Freedom: How insurance corporations have taken over our bail system.* (May 2017), p. 22. https://www.aclu.org/sites/default/files/field_document/059_bail_report_2_1.pdf

⁵ Mike Papantonio, “The U.S. Bail System Has Become A Huge Money Making Racket,” Ring of Fire Network (July 22, 2017). <https://trofire.com/2017/07/22/u-s-bail-system-become-huge-money-making-racket-americas-lawyer/>

⁶ Cynthia E. Jones, “Give us Free”: *Addressing Racial Disparities in Bail Determinations*, LEGISLATION AND PUBLIC POLICY [Vol. 16:919] (2013), pp. 941-942. <http://nyujlpp.org/wp-content/uploads/2014/01/Jones-Give-Us-Free-16nyujlpp919.pdf>

⁷ Bernadette Rabuy and Daniel Kopf, “Detaining the Poor: How money bail perpetuates an endless cycle of poverty and jail time,” Prison Policy Initiative (May 2016), p. 1. <https://www.prisonpolicy.org/reports/incomejails.html>; *Felony Defendants in Large Urban Counties, 2009 - Statistical Tables*, U.S. Department of Justice Office of Justice Programs, Bureau of Justice Statistics. (December 2013), p. 15. <https://www.bjs.gov/content/pub/pdf/fdluc09.pdf>

⁸ *A California Snapshot to Selling Off Our Freedom: How Insurance Corporations Have Taken Over Our Bail System*, ACLU of California (May 2017). https://www.aclusandiego.org/wp-content/uploads/2017/05/ACLU_CA_1_pager_COC_bail_report.pdf

As a May 2017 report from the ACLU Campaign for Smart Justice and Color of Change explains, the **“bail industry has corrupted our constitutional freedoms for profit.”**⁹

*Like payday lenders that prey on families in crisis, bail companies **profit from an imbalance of knowledge, power, and a lack of options** that can trap families into cycles of debt so that even though they are not jailed, they are not free...for-profit bail companies keep the premium they've collected—even when charges are dropped or an arrest is deemed wrongful—**collecting millions from innocent people.***¹⁰

Aladdin's Glassdoor reviews from current and former employees allege issues ranging from mismanagement to racism to claims that the company “encourages you to **lie to clients [and] to fleece those in need.**”¹¹

“They're innocent until proven guilty, but the bail system assumes they're guilty.” — Judge W. Kent Hamlin Superior Court of Fresno County, California⁹

Aladdin Plays a Central Role in Blocking Reform

Because of bail bonding's questionable ethics, community leaders are trying to eliminate or improve the commercial bail bonding industry. The American Bail Coalition has often led the way in opposing positive reforms related to bail in our communities. In Oregon,¹² California,¹³ Nevada,¹⁴ and Washington,¹⁵ Aladdin has stood side-by-side with the ABC to advocate for industry concerns.

⁹ Color of Change and ACLU Campaign for Smart Justice, *Selling Off Our Freedom: How insurance corporations have taken over our bail system*. (May 2017), p.1. https://www.aclu.org/sites/default/files/field_document/059_bail_report_2_1.pdf

¹⁰ Color of Change and ACLU Campaign for Smart Justice, *Selling Off Our Freedom: How insurance corporations have taken over our bail system*. (May 2017), p. 6. https://www.aclu.org/sites/default/files/field_document/059_bail_report_2_1.pdf

¹¹ Aladdin Bail Bonds reviews, Glassdoor (Last accessed Feb 7, 2018). (Accessed Feb 7, 2018).

<https://www.glassdoor.com/Reviews/Employee-Review-Aladdin-Bail-Bonds-RVW17742500.htm>

¹² Cliff Collins, “The Question of Commercial Bail: Bail Industry Wants Oregon to Return to a System it Once Rejected,” Oregon State Bar Bulletin (October 2014). <https://www.osbar.org/publications/bulletin/14oct/bailbonds.html>

¹³ Golden State Bail Agents Association, *Equal Justice for All: A Public Policy response to Santa Clara County's Bail and Release Work Group – Consensus Report on Optimal Pretrial Justice* (Aug. 12, 2016), p. 25.

<https://sccgov.iqm2.com/Citizens/FileOpen.aspx?Type=4&ID=153963&MeetingID=7200>

¹⁴ Megan Messerly and Riley Snider, “Connecting the Dots: Opening up the nexus between lobbyists, campaign donors, The Nevada Independent (Feb. 19, 2017). <https://thenevadaindependent.com/article/connecting-dots-opening-up-nexus-lobbyists-campaign-donors>

¹⁵ American Bail Coalition, Facebook post (July 6, 2016).

<https://www.facebook.com/AmericanBailCoalition/photos/pb.1507689979455306.-2207520000.1470804871./2059709244253374/?type=3>

The former President of the American Bail Coalition served on the National Private Enterprise Board of Directors of the controversy-plagued American Legislative Exchange Council.¹⁶ ALEC has, in turn, partnered to support the for-profit bail industry, and, according to the ABC's newsletter, "During its two decade involvement with ALEC, ABC has written 12 model bills fortifying the commercial bail industry."¹⁷

Aladdin Agents Face Scrutiny

In 2015, Aladdin was the focus on an investigation, along with six other companies, by the California Department of Insurance and the Santa Clara County District Attorney's office. As a result of the "Operation Bail Out" investigation, **30 bail bonds agents were booked into jail.**¹⁸

California Insurance Commissioner Dave Jones said at the time, "Complaints against bail agents for unfair business practices and alleged illegal activity have been increasing steadily."¹⁹

Aladdin Bail Bonds was also the subject of a class action lawsuit alleging that the company **illegally withdrew funds from people's bank accounts.** A settlement was reached in the case in 2016.²⁰

In March 2015, a bounty hunter hired by Aladdin killed a man who had skipped a court date on a drug charge in Idaho.²¹

¹⁶ American Bail Coalition Newsletter (October 2010), pp.13. http://www.asc-usi.com/userfiles/BailResources/ABC_Newsletter%20V1.pdf

¹⁷ Ibid; For general background on ALEC, see: Andrew Prokup, "How ALEC helps conservatives and businesses turn state election wins into new laws," Vox (May 27, 2015). <https://www.vox.com/2014/11/17/7186057/american-legislative-exchange-council>

¹⁸ Amy Larson, "30 Calif. bail bonds agents arrested in 'Operation Bail Out'" KSBW (Sept 1,2015). <http://www.ksbw.com/article/30-calif-bail-bonds-agents-arrested-in-operation-bail-out/1057491>

¹⁹ Chelcey Adami, "Monterey County bail agent arrested in operation," The Californian (Sept. 1, 2015). <http://www.thecalifornian.com/story/news/crime/2015/09/01/monterey-county-bail-agent-arrested-operation/71531588/>

²⁰ Settlement agreement (Nov 7, 2016, accessed Feb. 15, 2018).

http://www.twojinnclassaction.com/media/828451/settlement-agreement-and-release_nov_7_2016_.pdf

²¹ John Sowell, "For bounty hunters, Idaho is still the Wild West" Idaho Statesman (May 21, 2015). <http://www.idahostatesman.com/news/local/crime/article40860006.html>

High-Risk Student Lending

Endeavour invested in Beaverton, Oregon financial services company Genesis Financial Solutions in 2012.²² Genesis claims it operates the largest subprime credit program in the country, financing more than 600,000 “less-than-perfect” consumers who have been turned down by prime banks.²³

Genesis Financial Services provided servicing and debt collection for the now defunct for-profit education provider Corinthian Colleges which ran Everest Institute, Wyotech, and Heald College.²⁴ According to the Oregonian, Genesis “originated and serviced Corinthian's in-house student loans since 2008”.²⁵

The Consumer Financial Protection Bureau sued Corinthian in 2014 for what they described as the company’s “**illegal predatory lending scheme.**”²⁶ The CFPB noted that Corinthian “used **illegal debt collection tactics** to strong-arm students into paying back those loans while still in school.”

Incredibly, according to the federal government,
60% of the Genesis loans went into default.²⁷

Federal law requires that no more than 90% of for-profit tuition comes from federal loans and grants. Because Corinthian couldn’t raise the 10% from other sources (such as employers, scholarships, and state or local funding), they placed the burden on their students.

Then, when federal loan amounts were increased sufficiently to cover the full cost of their programs, they raised tuition.

²² Endeavour Capital, “Genesis Financial Solutions,” (Accessed Feb 15, 2018). <https://endeavourcapital.com/ec/genesis-financial-solutions/>

²³ Genesis Financial Solutions, About Us. Accessed 2/5/2018 via http://www.genesis-fs.com/about-us?hs_preview=xQUuEgox-5357362683

²⁴ “Former Corinthian Colleges to pay over \$1B for defrauding students.” Daniel Funke. USA Today. March 25, 2016. Accessed 2/5/2018 via <http://college.usatoday.com/2016/03/25/former-corinthian-colleges-to-pay-over-1b-for-defrauding-students/>

²⁵ “Corinthian, giant for-profit college with 900 local students, accused of running predatory student loan program.” Jeff Manning. The Oregonian/Oregon Live. Nov 20, 2014. Accessed 2/5/2018 via http://www.oregonlive.com/education/index.ssf/2014/11/post_19.html

²⁶ “CFPB Sues For-Profit Corinthian Colleges for Predatory Lending Scheme.” Consumer Financial Protection Bureau. Sep 16, 2014. Accessed 2/5/2018 via <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-for-profit-corinthian-colleges-for-predatory-lending-scheme/>

According to the Oregonian, “Corinthian admitted to stock analysts in February 2011 that it increased tuition 11 percent in part to comply with the 90-10 rule. **Students would have to turn to Genesis to cover the cost.**”²⁷

Since most Corinthian students were low-income and ineligible for other financing, they had no choice but to turn to predatory private loans.

²⁷ Corinthian, giant for-profit college with 900 local students, accused of running predatory student loan program.” Jeff Manning. The Oregonian/Oregon Live. Nov 20, 2014. Accessed 2/5/2018 via http://www.oregonlive.com/education/index.ssf/2014/11/post_19.html

Air Pollution and Controversial Oil Extraction

Endeavour invested in the Esco Corporation in 2014.²⁸ Esco is a designer and manufacturer of products for equipment in the mining, construction and oil and gas industries.

Located just six blocks from a recently closed Esco plant, Chapman Elementary School in Northwest Portland was in the **bottom 2% of all schools in the nation** for hazardous industrial air pollutants, according to a 2008 USA Today study.²⁹

In response to this upsetting finding, Portland residents founded Neighbors for Clean Air. They argued that “the most visible industrial polluter, Esco Corporation, should reduce or control its hazardous air pollution.”³⁰

In 2017, the Willamette Week reported that “In its final year of operation, Esco, located on the edge of a densely populated residential neighborhood just six blocks from Chapman Elementary School, **emitted 328,000 tons of pollutants, including 54 pounds of lead.**”³¹

Although the Portland plant is now closed, Endeavour remains an investor and Esco announced plans to move the air-polluting work to Esco factories in Mississippi and in Taiyuan, China.³²

Esco also **produces supplies for Canada’s oil sands extraction project** where, according to a 2010 Oregonian article, “gigantic shovel machines claw out tarry glop, loading 400-ton truckloads for processing into crude oil.”³³

²⁸ <https://endeavourcapital.com/ec/esco-corporation/> accessed 2/5/2014.

²⁹ “Northwest Portland neighbors push and work with Esco to reduce pollution.” Scott Learn. The Oregonian. March 17, 2012. Accessed 2/5/2014 via http://www.oregonlive.com/environment/index.ssf/2012/03/pollution_gets_northwest_portl.html

³⁰ Neighbors for clean air, accessed 2/5/2018 via <http://www.whatsinourair.org/who-we-are/our-history/>

³¹ “New Federal Lawsuit Alleges Gov. Kate Brown Unfairly Targeted a Portland Glass Factory for Political Gain”. Willamette Week. Nigel Jaquiss. Accessed 2/5/2018 via <http://www.wweek.com/news/2017/12/12/new-federal-lawsuit-alleges-gov-kate-brown-unfairly-targeted-a-portland-glass-factory-for-political-gain/>

³² “Esco Corp. seeks to demolish shuttered foundry in NW Portland.” Elliot Njus. Oregon Live. May 12, 2017. Accessed 2/5/2017 via http://www.oregonlive.com/business/index.ssf/2017/05/esco_corp_seeks_to_demolish_sh.html

³³ “Heavy-equipment maker Esco thriving in green industry Portland.” Richard Read. Oregon Live. Oct 30, 2010. Accessed 2/5/2017 via http://www.oregonlive.com/business/index.ssf/2010/10/heavy_equipment_maker_esco_thr.html

The article also quoted an Esco executive saying, “We made a lot of investment in the oil sands to become the predominant supplier of wear parts. It’s going to be a \$50 million business before too long.”³⁴

Oil sands, which are also known as tar sands, are a sludgy deposit of sand, clay, water, and sticky, black bitumen (used to make synthetic oil) that lies beneath the earth. Extracting and converting oil sands into usable fuel is a hugely expensive energy- and water-intensive endeavor that involves strip mining giant swaths of land and creating loads of toxic waste and air and water pollution.³⁵

³⁴ Ibid.

³⁵ “Oilsands ponds full of 340 billion gallons of toxic sludge spur fears of environmental catastrophe.” Kevin Orland. Financial Post. Jan 16, 2018. Accessed 2/5/2018 via <http://business.financialpost.com/commodities/energy/340-billion-gallons-of-sludge-spur-environmental-fears-in-canada>

Gambling with Workers' Rights

Endeavour invested in the Port Logistics Group in 2014.³⁶ Port Logistics Group is a large logistics group in the United States, distributing containers to warehouses throughout the U.S.³⁷

In 2017, Port Logistics Group reached a settlement in a class action case involving multiple alleged violations of California wage and hour law, including **late or unrecorded meal periods, rest break violations and unpaid overtime**. The company paid **\$4.575 million** as part of the settlement.³⁸

Questionable Labor Relations Practices

Endeavour Capital invested in New Seasons in 2009.³⁹ In 2017, the Oregonian reported Endeavour owned a roughly 60% stake in the company.⁴⁰

In 2017, when workers at New Seasons formed New Seasons Workers United to advocate for improved working conditions, the company hired Cruz & Associates, a consulting firm well-known for its work on behalf of the Trump Las Vegas hotel and other employers charged with illegally retaliating against workers.⁴¹

³⁶ "Port Logistics Group." Endeavor Capital. Accessed 2/5/2018 via <https://endeavourcapital.com/ec/port-logistics-group/>

³⁷ "Port Logistics Group Acquired by Endeavour Capital and Management." Port Logistics Group. PR Newswire. 3/6/2014. Accessed 2/6/2018 via <https://www.prnewswire.com/news-releases/port-logistics-group-acquired-by-endeavour-capital-and-management-248752361.html>

³⁸ Settlement can be found on Port Logistics website here: "Hernandez, et al. v. DSJ West, Inc. dba Port Logistics Group, et al." Hernandez v DSJ Settlement Administrator, c/oRust Consulting INC -5723, updated 1/4/2018. Accessed 2/5/2018 via <http://www.portlogisticsettles.com/mainpage/Home.aspx>

³⁹ "New Seasons Market." Endeavor Capital. Accessed 2/5/2018 via <https://endeavourcapital.com/ec/new-seasons-market/>

⁴⁰ "New Seasons workers move to unionize." Anna Marum. The Oregonian. Updated 11/1/2017. Accessed 2/5/2018 via http://www.oregonlive.com/business/index.ssf/2017/10/new_seasons_unionize.html.

⁴¹ "New Seasons Market hires the same union busting firm Donald Trump used to fight workers at his Las Vegas hotels." Katie Shepard. Willamette Week. 12/6/2017. Accessed 2/5/2018 via <http://www.wweek.com/news/business/2017/12/06/new-seasons-market-hires-the-same-union-busting-firm-donald-trump-used-to-fight-workers-at-his-las-vegas-hotels/>

The National Labor Relations Board issued three separate unfair labor practice complaints against the Trump Las Vegas, a Cruz & Associates client, for **allegedly firing and threatening to fire union supporters, suspending employees, interrogating and intimidating employees.**⁴²

Conway Freight also hired Cruz & Associates to block unionization of their employees. In that case, a judge with the NLRB found that a Cruz & Associates representative's "actions indicated a **willingness to resort to physical violence** to protect his interests" and that given the context of the unionization campaign, "this conduct was reasonably construed as a threat."⁴³ The judge also found that the Cruz & Associates representative **filed false criminal charges** against a pro-union employee at the company.⁴⁴

In December 2017, New Seasons Workers United filed a complaint with B Lab, the organization that New Seasons often touts as having "certified" it as a B-Corporation. In the complaint, the workers argued that "New Seasons Market **worked to undermine our fundamental rights**, as employees, to come together and to engage in productive, solution-oriented dialogue with the company." The complaint cited multiple examples of when leaders in the New Seasons Workers United campaign were later fired by the company.⁴⁵

At the time the complaint was filed, one New Seasons employee spoke out:

*"They (New Seasons) are willing to drop who knows how much on Cruz & Associates. They're willing to spend a ton of money to keep workers from organizing and collectively speaking up. **The company has chosen to spend their money on union busting versus actually living up to their branding as an employee friendly, sustainable business.**"⁴⁷*

⁴² "Trump Hotel Las Vegas agrees to \$11,200 settlement after treating employees unfairly." Bethany Khan. Culinary Union Workers Local 226. 7/21/2016. Accessed 2/5/2018 via <http://www.culinaryunion226.org/news/press/trump-hotel-las-vegas-agrees-to-11200-settlement-after-treating-employees-unfairly>

⁴³ Con-way Freight, Inc. v. Jaime Romero; Juan Placencia; and IBT Local 63. 21-CA-135683. NLRB JD(SF)45-15. Accessed on 2/5/2018 via https://teamster.org/sites/teamster.org/files/111915_administrativelawjudgesdecision.pdf

⁴⁴ ibd.

⁴⁵ "New Seasons employees continue push to unionize, file complaint against the company." Jon Bell. Portland Business Journal. 12/7/2017. Accessed 2/6/2018 via <https://www.bizjournals.com/portland/news/2017/12/07/new-seasons-employees-continue-push-to-unionize/.html>

Leadership Buckles Under Pressure

On February 6, 2018, Endeavour Capital’s failure of leadership and poor execution of its’ New Seasons Market business strategy came into full display. Not only did it effectively halt expansion into Northern California, but it also ousted CEO, Wendy Collie.

New Seasons drastically cut back on growth plans in California to “redirect resources to support our core business,” and “fund improvements for existing stores.”⁴⁶ In doing so, New Seasons will shutter the Sunnyvale store⁴⁷ only six months after it opened.⁴⁸ It abandoned its commitment to open a store in Carmel because “this location simply doesn’t fit our future strategic goals.”⁴⁹ New Seasons deemed the Hayes Valley store in San Francisco “unfeasible [sic]”⁵⁰ due to “construction delays and significant cost increases, as well as the operational complexity of this project.” The company rejected plans to open the Emeryville store on account of, “increased construction and operating costs in addition to lower and slower sales than expected in our NSM NorCal stores.”⁵¹

After serving as New Seasons CEO for five years, Wendy Collie abruptly resigned in a so-called “flattening of the leadership structure.”⁵² Her co-president successors will be New Seasons Chief People Officer, Kristi McFarland, and CFO Forrest Hoffmaster.

⁴⁶ “New Seasons Market Shifts Strategy to Strengthen the Neighborhood Grocer,” press release, February 6, 2018, on New Seasons website, <https://www.newseasonsmarket.com/wp-content/uploads/2018/02/NSM-Press-Release-2.6.18.pdf>, accessed February 6, 2018.

⁴⁷ “New Seasons Market Shifts Strategy to Strengthen the Neighborhood Grocer,” press release, February 6, 2018, on New Seasons website, <https://www.newseasonsmarket.com/wp-content/uploads/2018/02/NSM-Press-Release-2.6.18.pdf>, accessed February 6, 2018.

⁴⁸ “New Seasons Market: Portland-based Grocery Chain Backs Out of Hayes Valley Lease.” Sarah Fritsche. San Francisco Chronicle. January, 19, 2018. Accessed 1/19/18 via <https://www.sfchronicle.com/food/article/New-Seasons-Market-Portland-based-grocery-chain-12508495.php>.

⁴⁹ “Email Suggests New Seasons Will Slow Pace of New Stores, Remains Committed to Seattle Locations.” Marc Stiles. Puget Sound Business Journal. January 30, 2018. Accessed 1/30/18 via <https://www.bizjournals.com/seattle/news/2018/01/30/new-seasons-slow-pace-new-stores-seattle-bay-area.html>

⁵⁰ Wendy Collie, “From Wendy: New Store Strategy Update,” email message to New Seasons Staff, December 7, 2018.

⁵¹ “Email Suggests New Seasons Will Slow Pace of New Stores, Remains Committed to Seattle Locations.” Marc Stiles. Puget Sound Business Journal. January 30, 2018. Accessed 1/30/18 via

<https://www.bizjournals.com/seattle/news/2018/01/30/new-seasons-slow-pace-new-stores-seattle-bay-area.html>

⁵² “New Seasons Market Shifts Strategy to Strengthen the Neighborhood Grocer,” press release, February 6, 2018, on New Seasons website, <https://www.newseasonsmarket.com/wp-content/uploads/2018/02/NSM-Press-Release-2.6.18.pdf>, accessed February 6, 2018.

Retail commentators did not praise this shakeup as an indicator of New Seasons' strong leadership. Respected retail analyst Kevin Coupe deemed the new management structure a temporary and unsustainable form of management hierarchy, "as Endeavour seeks an exit ramp."⁵³ Further, Coupe argues that New Seasons must now increase "the value of the company" without a boost from aggressive store expansion, while "investing in digital initiatives, which only... hurts profitability."⁵⁴

⁵³ "New Seasons Gets Change at the Top as Private Equity Blinks." Kevin Coupe. Morning New Beat. February 7, 2017. Accessed 2/17/18 via <http://www.morningnewsbeat.com/News/Detail/53807/2018-02-07/e>

⁵⁴ "New Seasons Gets Change at the Top as Private Equity Blinks." Kevin Coupe. Morning New Beat. February 7, 2017. Accessed 2/17/18 via <http://www.morningnewsbeat.com/News/Detail/53807/2018-02-07/e>

Negative Press on Alleged Healthcare Fraud

Endeavour invested in Portland-based health care start-up Zoom+Care starting in 2014. Zoom+Care offers on-demand urgent care, primary, and specialty care and formerly operated a health insurance company, the Zoom+Health Inc. Endeavour is Zoom's largest outside investor, investing \$61 million since 2014.⁵⁵

In October 2017, the Oregon Department of Consumer and Business Services (DCBS) issued \$285,000 in civil penalties to Zoom+Care's two founders and parent company, Zoom Management Inc (ZMI). The civil penalties were issued as part of a settlement which established that Zoom's insurance company had "violated the insurance code by filing financial statements that included a \$3 million surplus note, for which it had never received the funds."⁵⁶ ZMI was required to pay the failed Zoom Health Plan \$2.1 million to resolve member claims and company liabilities.⁵⁷

The problems with financial reporting at Zoom+Health had surfaced in April 2017, when the DCBS took Zoom Health Plan into receivership due to a "material difference between what was in their financial statement and their actual financial condition."⁵⁸ DCBS subsequently filed a lawsuit against Zoom's founders and parent company, Zoom Management Inc (ZMI), to recover \$3 million in cash for Zoom Health Plan.⁵⁹

⁵⁵ Elizabeth Hayes, "Investor says Zoom needs cash 'badly,' seeks court-appointed receiver," Portland Business Journal (Sept 25, 2017). <https://www.bizjournals.com/portland/news/2017/09/25/investor-says-zoom-needs-cash-badly-seeks-court.html>

⁵⁶ "David Sanders, Albert DiPiero, and Zoom fined \$285,000 for violating Oregon insurance law," Oregon Division of Financial Regulation (October 10, 2017). <http://dfr.oregon.gov/news/Pages/20171010-zoom-health-fined.aspx>

⁵⁷ "David Sanders, Albert DiPiero, and Zoom fined \$285,000 for violating Oregon insurance law," Oregon Division of Financial Regulation (October 10, 2017). <http://dfr.oregon.gov/news/Pages/20171010-zoom-health-fined.aspx>

⁵⁸ Elizabeth Hayes, "State finds discrepancies in Zoom insurance's financial reporting," Portland Business Journal (April 24, 2017). <https://www.bizjournals.com/portland/news/2017/04/24/amid-financial-discrepancies-zoom-healthplan-goes.html>

⁵⁹ Elizabeth Hayes, "Breaking: State sues Zoom to recover \$3M for the health plan," Portland Business Journal (April 25, 2017). <https://www.bizjournals.com/portland/news/2017/04/25/breakingstate-sues-zoom-to-recover-3m-for-the.html>; State of Oregon v. Zoom Health Plan, Case No. 17CV1967, filed April 25, 2017 in the Circuit Court of the State of Oregon for the County of Marion. <http://dfr.oregon.gov/business/resources/Documents/dcbs-vs-zoom-17CV16957.pdf>

*For additional details and underlying documents relating **to the collapse of Zoom Health Plan and subsequent litigation**, see the Information on Zoom Health Plan web page at the Oregon Division of Financial Regulation.⁶⁰*

In June 2017, Axios reported that the FBI was investigating Zoom Health Plan for allegations that Zoom “retroactively falsified medical claims to avoid paying to an Affordable Care Act program called risk adjustment.”⁶⁰ Axios also described Zoom+Care as “on the brink of a meltdown”.

In September 2017, the co-founders of Zoom+Care were in a public dispute with Endeavour principal Stephen Babson over what they characterized as a “takeover attempt by financiers.”⁶¹

The public fight drew negative media coverage in the Pacific Northwest. In a public statement, Zoom’s co-founders called Babson’s statements about the company “misleading” and said that a lawsuit filed by Babson and Endeavour was “based on incomplete, misleading and false allegations.”⁶²

They added, “Their intent is clear - rather than negotiate, they are seeking to use the courts to gain control of Zoom and maximize the profits of their venture fund...it’s simply the worst case of 'pirate venture capital.’” The founders also accused Endeavour of being “financial manipulators.”⁶³ The parties later reconciled and the lawsuits were dropped.⁶⁴

⁶⁰ Bob Herman, “Exclusive: FBI is investigating an Oregon health care startup,” Axios (Jun 12). <https://www.axios.com/exclusive-fbi-is-investigating-an-oregon-health-care-startup-1513302887-6c1a4ecb-d6fe-4cb4-930d-ba1ecc126d34.html>

⁶¹ “Co-Founders of ZOOM CARE Astonished at Take Over Attempt by Endeavor Capital,” The Lund Report (Sept 26, 2017). <https://www.thelundreport.org/content/co-founders-zoom-care-astonished-take-over-attempt-endeavor-capital>

⁶² Elizabeth Hayes, “Zoom founders fire back after 'takeover attempt' by Endeavour,” Puget Sound Business Journal (Sept 26, 2017). <https://www.bizjournals.com/seattle/news/2017/09/26/zoom-founders-fire-back-takeover-attemptendeavour.html>

⁶³ “Co-Founders of ZOOM CARE Astonished at Take Over Attempt by Endeavor Capital,” The Lund Report (Sept 26, 2017). <https://www.thelundreport.org/content/co-founders-zoom-care-astonished-take-over-attempt-endeavor-capital>

⁶⁴ Jeff Manning, “ZoomCare settles differences with investor, will get another \$25 mil-lion,” The Oregonian (Oct. 5, 2017). [Accessed via Nexis]



Endeavour Investor Watch is a campaign by the United Food and Commercial Workers (UFCW) Local 555 to raise awareness about the ethical implications and potential legal liabilities within Endeavour Capital's investment portfolio. Endeavour Investor Watch provides information so that all stakeholders may make informed decisions.