HERMES CAPITAL PARTNERS

Corporate Sale-Leaseback Finance White Paper

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Sale-Leaseback Finance

Sale-leaseback finance allows corporations to use and control essential real estate without tying-up vast sums of debt and equity capital in an illiquid asset class. A sale-leaseback essentially monetizes a company's real estate assets, freeing up capital to invest in its higher-returning core business, or pay a dividend to shareholders. It can also be a lucrative option for buying back corporate stock, paying down debt, financing growth, an acquisition, or simply reallocating capital into more productive uses.

Corporate operating real estate sale-leaseback is an alternative form of finance that allows corporate property owners to sell property and immediately lease it back from an acquiring investor, unlocking idle capital that can then be deployed in more productive ways; a properly structured and executed a sale-leaseback will:

- Provide full market value for operating real estate assets.
- Monetize idle corporate capital locked in an illiquid asset class
- Provide longer-term capital than available from traditional debt (from 10 to 25 years)
- Provide debt comparable cost of financing (substantially less than the cost of equity)

For corporate owners and sponsors seeking to return capital to investors, sale-leaseback finance can provide appropriate and all but immediate funding. As a form of finance sale-leaseback transactions offer an alternative that allows corporations to monetize otherwise illiquid capital tied up in real estate holdings, while retaining use and control of the property, and redeploying the capital to other uses. As a funding vehicle, sale-leaseback offers access to flexible, relatively low cost, long term capital.

How It Works

In a typical sale-leaseback transaction an owner sells its owner-occupied building(s) to an investor in exchange for a (generally long-term) lease commitment by the owner.

To most corporate users of commercial / industrial real estate, control and use of a property is all that is required; actual direct ownership of the property isn't always necessary to achieve those goals. With a sale leaseback users can control and use properties without actually owning them. To that end, many corporate property owners choose to execute sale leaseback transactions and enter into lease arrangements on their properties; converting illiquid assets into cash, while still retaining use of the property.

Deal structure matters in these transactions, and can be used to create and enhance value. A corporate sale-leaseback essentially separates the operating company, from its operating real estate facility (or facilities); typically reallocating risk, eliminating debt, and monetizing stagnant equity. Sale-leaseback finance is essentially a multifaceted transaction that provides several options for value creation; for instance, the greater the responsibility the lessees assumes under the lease, the higher the attainable sale price the corporate seller / lessee will generally receive from the investor.

Sale-leaseback finance offers economic benefits that are simply not available with conventional and traditional finance, such as maturity term. Typical sale-leaseback leases have initial terms of 15 to 25 years with several options to extend the lease; some leases allow extensions for up to an additional 50 years. Additionally, fixed rental payments under the lease allow the lessee to lock in operating costs (with normal CPI adjustments) for the term. The warranties and representations in sale-leasebacks are aligned with those expected in a long-term, triple-net lease, with robust tenant control. From an operational standpoint, the seller/lessee retains nearly full control over the property. That provides much greater rights related to business operations, alterations to the property, or changes in use and occupancy

Sale-leaseback finance not only monetizes stagnant and idle capital, it crystallizes value and captures the arbitrage differential between the valuation of the corporation (generally based on an EBITDA multiple), and the separate and distinct valuation of the operating corporate real estate (generally based on a higher EBITDA multiple). It is pertinent to underscore that with cap rates at current lows, sale-leaseback of profitably operating corporate property is almost always accretive to shareholder value. It is also significant to note that a sale-leaseback can also be used to actually enhance operating performance, while reducing risk; lease payments fixed for the base lease term (and beyond) can often be at significant discount to market rents, while the residual value of the subject property is immediately optimized and realized; avoiding residual risk if the property should later be deemed no longer necessary.

Current Economic Environment

Low interest rates are creating an increasingly compelling argument for sale-leaseback finance; while the transactions are often viewed as an alternative form of finance, generally attractive to non-rated or below-investment-grade companies seeking capital, sale-leaseback finance is used across the spectrum - from "A" rated public companies to smaller mid-size firms. The low-interest-rate environment, coupled with strong investor demand for quality properties is helping to further fuel activity in the space. Today's "perfect storm" of low interest rates, stock market uncertainty, and a flood of institutional investors has created an atmosphere that clearly favors sellers. Astute corporate properties' owners are taking advantage of this demand and getting strong valuations, flexible lease structures, and low lease rates.

The economy is expected to maintain its longest expansion in history this year, albeit at a slower pace as intensifying headwinds from weaker global growth and trade tensions weigh on momentum. Key risks to the economy stem from the prolonged trade tensions, together with high corporate debt levels. These risks combined with the prospect of rising interest rates have prompted corporate sellers contemplating sale-leasebacks to lock in long-term financing at today's low rates. It should be noted however that although low interest rates are creating favorable pricing, there is no "one-size-fits-all" in the sale-leaseback arena. Investor demand and pricing vary widely, depending on tenant credit, location, and the quality of the real estate. Notwithstanding, corporate sponsors and property owners considering a sale-leaseback to lock in low cost capital may want to act quickly, in order to capitalize on what could be peak pricing.

Property Type and Valuation

Sale-leasebacks can be used for a range of property types; typical examples are long-term NNN single-tenant leased properties, including but not limited to Office Buildings, Industrial Buildings, Warehouses, Research & Development Facilities, and Special Purpose Buildings. Appraisal, local market research, comparable lease and sale data, location, and accessibility analysis are just a few areas which will are considered during due diligence of these property types. Hermes Capital Partners works closely with the institutional lender / investors with whom the firm partners, and uses an informed and disciplined approach to conduct this due diligence in an efficient and timely manner.

The Investor will evaluate the tenant's credit strength using analysis similar to that used by lending institutions and corporate acquirers, and take into consideration the long term marketability of the subject real estate (should it ever become vacant). The size and shape of the building will also play in the functionality equation during the underwriting of the property and transaction. It is pertinent to note that sale leaseback real estate is typically valued at 100% of Fair Market Value (FMV), as determined by independent appraisal. It is significant to further underscore that cap rates for most major property types continued to trend downward through calendar year 2018, and ended the year near (or even below) their lows a decade ago. Accordingly, with cap rates at such lows, sale-leaseback finance provides favorably priced, long-term capital, and a tool to hedge against uncertainties, such as rising interest rates.

Lease Structure

The lease agreement at the core of a sale-leaseback arrangement can have any terms and conditions negotiated between buyer/landlord and seller/tenant. If a company needs flexibility around a particular critical point or issue related to its business or operations, there are no underwriting restrictions binding the parties, leaving them free to find a reasonable commercial solution. In a sale-leaseback lease negotiation, one goal of both parties is that the company's operations continue uninterrupted following the sale-leaseback, as the landlord's interest is truly to see the tenant thrive as a business; which benefits the property and the landlord's assurance that the tenant will perform its lease obligations.

The overall alignment of interests creates a win-win dynamic in the negotiation, where landlord and tenant can work together to achieve both parties' goals in the lease agreement. For the optimal outcome, the initial lease term should span at least 15 years, as longer-term leases create more value. It is pertinent to note that:

- Most investors will require a lease term of at least 15 years; a 20-year lease is preferred for companies with poorer credit or for real estate in secondary or tertiary markets. Renewal options of 20+ years, in 5-year terms, are common.
- Leases are generally structured as absolute triple-net leases, which mean that the tenant retains complete operational control of the property and is responsible for all building repairs and maintenance, insurance, real estate taxes, etc. The only contact with the sale-leaseback investor is for lease/rental payments.
- In the current market, initial cap rates for investment grade credits are usually 6-7% or better, BB credits are typically in the 7-8.5% range, and B and below credits often fall between 8-12%.
- In addition to the company's credit, the location, quality and age of the real estate, as well as the term of the lease, will also affect pricing.

Lease structures are generally triple net (NNN), with the tenant responsible for all expenses, particularly taxes, insurance, and operating expenses. The lease will include rental increases which can be on a yearly basis or in five-year increments. A long-term, 'hands-off' lease from the investor provides the tenant similar control over the property as was the case when the tenant owned the property. To further increase value, sponsors and corporate sellers should consider assuming all capital expenses - roof and structure, for instance - especially for longer leases. With lease terms of 15-20 years and extension options that can increase the total term to 50+ years, a sale-leaseback creates a long-term solution for a company's operating real estate assets.

Taxation

Because corporate real property involved in a sale-leaseback is typically held for use in the corporation's trade or business, it generally qualifies for capital gain treatment. Under Section 1231 of the Internal Revenue Code (IRC), if the property is held for the long-term holding period, gain on the sale, with some exceptions, will be taxable as long-term capital gain to the extent that the gain exceeds the losses in the same year from the sale of other Section 1231 property. Section 1031 of the Tax Code allows corporate sellers of real estate properties the ability to defer capital gains taxes (and depreciation recapture).

By utilizing an IRC Section 1031 tax-deferred exchange in combination with a sale-leaseback, seller/lessees may defer most or all of their federal, and in most cases state, capital gain and depreciation recapture income tax liability on sale of the subject property (given that certain criteria are met). The combined transaction allows a taxpayer to use the sale-leaseback structure to (i) sell property, (ii) retain beneficial use of the property, (iii) generate proceeds from the sale of the property, and, (iv) under certain judicious structures, defer recognition of capital gain (and depreciation recapture related) tax liabilities, without necessity of acquiring a replacement property.

Prior to 2018, business owners could deduct all interest expenses related to the purchase of a building; now companies with annual gross receipts of more than $25 million can deduct no more than thirty percent (30%) of earnings before taxes, depreciation and amortization. This effectively limits the ability of financial sponsors and corporate owners to use the traditional debt levels to which they have become accustomed. Corporate property owners who previously enjoyed large benefits from interest deductibility, have lost that benefit; which makes fee ownership of property, with related debt on the books, no longer as attractive. Comparatively, lessees are able to write off the total lease payment as an expense for tax purposes. As direct property owners, the interest expense and depreciation were the only tax deductions available; without which a sale leaseback may offer greater tax advantage.

On this subject, it is important to emphasize that the prospective tax and accounting benefits of any sale-leaseback should be duly reviewed and discussed with competent tax and accounting counsel at the outset of the transaction. Accordingly, the foregoing is not and should not be deemed as a substitute for legal, financial and/or tax counsel and is not intended, written, or presented as such, and may not be used by any taxpayer for the purpose of (i) avoiding taxes and/or penalties that may be imposed by any governmental taxing authority or agency under the Internal Revenue Code of 1986, as amended, or (ii) promoting or recommending to another party any transaction or matter addressed herein.

New Accounting Standards

Sale-leaseback accounting addresses whether the asset is de-recognized (removed) from the seller's balance sheet, whether any profit or loss is recognized on the sale, and how the leaseback is capitalized on the seller/lessee's balance sheet. Under FAS 13 and ASC 840, if the present value of the leaseback is ten percent (10%) or less of the asset's fair market value at the time of the sale, any profit resulting from the sale can be recognized completely, and the leaseback will remain off the lessee's balance sheet; because the resulting leaseback would be treated as an "operating lease".[1] For leasebacks equal to or greater than ninety percent (90%) or more of the asset's fair market value at the time of the sale, the asset would remain on the lessee's balance sheet, with no gain reported, and any net proceeds from the sale treated as a loan from the buyer/lessor to the seller/lessee.

Furthermore, still obtaining under FAS 13 and ASC 840, sale-leasebacks of operating real estate (and integral equipment) includes an added caveat; if the leaseback includes any form of fixed price purchase option for the seller/lessee, the transaction is deemed *not* a sale-leaseback, for accounting purposes, but instead will (again) be deemed as loan from the buyer/lessor to the seller lessee.[2] Under such prerequisites, even if a sale is valid for legal and tax purposes, the subject property shall remain on the balance sheet of the seller/lessee, with the sale essentially treated as a financing.[3]

Relatedly, the FASB has also promulgated new lease accounting standards (ASC 842) that are effective for fiscal years after December 15, 2018.[4] Under the new leasing standards (for lessees), leases are to be classified as either financing or operating. Pertaining specifically to sale-leaseback transactions, in order to recognize the transaction (for accounting purposes), it must also qualify as a "sale" under the FASB's new revenue recognition standards (ASC 606). The key provision of the new revenue recognition standard for "sales treatment" is essentially that there must be (i) commercial substance, (ii) the sale must result in a complete change of control from the seller/lessee to the buyer/lessor, and (iii) there must not be substantive repurchase options tied to the agreement.

A transaction that does not qualify for sales recognition (for accounting purposes) would, again, be deemed a financing arrangement, with the seller/lessee retaining the asset on its books, even though it no longer legally owns the asset; the sale proceeds would accordingly be deemed a financing obligation on the balance sheet of the seller/lessee. It should be noted that for calendar year reporters "revenue recognition" under the standard went into effect in 2018 for public companies, and 2019 for private companies.[5] The new leasing standards are already in effect for public companies reporting at calendar-year end 2019; privately held companies are facing a 2020 adoption deadline.[6]

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[1] If the leaseback is greater than 10% and less than 90%, a gain could be recognized to the extent it exceeded the present value of the leaseback, while the leaseback remains off the balance sheet (because it would be reported as an operating lease). In essence any gain that is less than or equal to the PV of the leaseback is deferred and amortized over the lease term. The gain would be recognized as a reduction to offset the future rental expense.

[2] Under ASC 840 (the old/current leasing guidance), operating leases were not recorded on the balance sheet of the lessee. In revising the standard, one of the goals of the FASB was to make sure these obligations were recorded by entities on the balance sheet in order to more clearly and effectively make these obligations known to users of the financial statements. Therefore, under ASC 842, the new leasing standard requires additional assets and liabilities to be recorded.

[3] The FASB's position was based on what was then known as *FAS 66 "Accounting for Sales of Real Estate*" which highlighted the numerous unique ways in which real estate sale transactions are structured. Additionally, the FASB noted that many such real estate transactions resulted in the seller/lessee repurchasing the asset, thus supporting their view that the sale-leaseback was merely a form of financing.

[4] According to U.S. GAAP, lessees will need to book a right-of-use (ROU) asset and the related lease liability for all leases, regardless of classification, which is now operating or financing under the new standard.

[5] ASU 2014-09, Revenue from Contracts with Customers) issued May 28, 2014

[6] ASU 2016-02 (Leases) issued February 25, 2016

Deleveraging

High corporate leverage has not gone unnoticed by the rating agencies, who have been downgrading companies at a pace not seen since 2009. Now may be the most opportune time in years to consider a sale/ leaseback of corporate owned real estate. Cap rates are at historic lows and are likely to remain low even as rates begin to climb (the spread between cap rates and interest rates is still above peak lows, offering room for spread compression to off-set rising interest rates). It is however pertinent to note that because ASC 842 requires lessees to recognize most leases (with exception of short-term leases) on their balance sheets, sale-leaseback transactions no longer provide seller-lessees with off–balance sheet financing. As a result, sale-leaseback transactions have lost some of their luster and appeal, but nonetheless remain an attractive option and source for paying down excessive debt levels.

The cost of capital in a sale/leaseback is exceptionally attractive in the current market, as pricing for quality assets has returned to its 2006 peak. Cap rates are at or near historic lows, and for most corporate stewards, locking in inexpensive capital via a sale/leaseback is simply a smart move. Comparatively, corporate borrowing requires full principal repayment, while sale/ leaseback finance provides positive leverage, as only a portion of the capital is recovered during the term of leaseback. This arithmetic results in a costs of capital often well below corporate costs of debt (plus principal repayment) over matching maturity terms. Sale-leaseback finance also improves key financial metrics such as the current-ratio, return-on equity, and other performance measurements. When combined with pay-down of excessive debt levels, sale-leaseback finance not only deleverages, but can increase earnings-per-share.

Dividend Recapitalization

Dividend recapitalization is typically a type of leveraged recapitalization that involves issuing new debt by a private company, that is later used to pay a special dividend to shareholders. The effects of this form of "leveraged dividend recapitalization" directly impacts the company's capital structure, increasing leverage and reducing both the book and market value of the company's equity. More fully stated, when a company incurs new indebtedness in order to pay a [special] dividend to private investors or shareholders, it not only increases leverage, but in a very real sense decreases the fair market valuation of the company.

Accordingly, while leveraged dividend recapitalization transactions can have significant benefits for companies and financial sponsors, they are not without their risks. Corporate and bankruptcy laws each address several ways in which the risk underlying leveraged dividend recapitalization transactions might leave a company insolvent. For instance, if a company's financial performance deteriorates post-transaction, to the point of insolvency, the dividend recapitalization could very well be "set aside", under the fraudulent conveyance provisions of the Federal Bankruptcy Code, as well as general state laws pertaining to the Uniform Fraudulent Conveyance Act.

Sale-leaseback finance, in contrast, improves key financial ratios such as return-on-assets, return-on equity and other performance metrics, enhancing corporate value. Indeed, for many corporate sponsors and private owners alike, use of sale-leaseback finance has become a preferred way to recapitalize non-rated lower middle-market companies that may have trouble accessing capital markets. The current market and economic environments have combined to create a perfect opportunity for sale-leaseback funded dividend recapitalizations, both by financial sponsors, privately held corporate shareholders, and well-capitalized lower middle market publicly traded companies; presenting a viable alternative to increased debt levels, or selling equity to take money out of the company.

Credit Rating

The importance of a company's corporate credit profile cannot be under emphasized, it directly impacts a company's costs and access to capital. Banks, credit companies, commercial lenders and alternative lender / investors alike generally develop entity-specific stand-alone credit profiles, based on a combination of historical financial and financial ratio analysis, and historical credit research and analysis. Credit ratings issued by the the three major independent rating agencies are similarly undergirded by a spectrum of creditworthiness indicators, essentially designed to portend a company's capacity to timely meet its financial obligations. In their simplest form, entity-specific credit profiles and agency credit ratings are informed opinions of a company's ability to service its debt obligations; opinions about credit risk (ranging from strong to vulnerable), and a company's prospects of default.[7]

Though credit risk measurement is particularly challenging to assess for lower middle market companies, prospective default risk is generally measured in specific ways; analyst often look at combined debt service coverage ratios (EBIT/principal + interest), market capitalization (market value of the company's outstanding shares), and so on, to assess risk. For example, the higher the combined debt service coverage ratio, the more earnings (before interest and taxes) available to pay-down company debt. The *entity-specific credit profiles* developed (and maintained) by commercial banks, credit companies, asset based lenders, and alternative lender / investors, and the *credit ratings* issued (and updated) by the three main independent rating agencies, each derive such forward looking opinions in assessing credit and default risks; though each may use varying forms of financial modeling, forecast and ratio analysis.

There are essentially eleven financial ratios typically used in assessing a company's creditworthiness (and related default risks); three of them are associated with interest coverage, and three of them measure profitability; the remaining five of them are related to the use, payment and service of debt obligations.[8] While sale-leaseback finance may be structured in a variety of ways, the transactions typically result in an increase in the seller / lessee's current ratio (the ratio of current assets to current liabilities), which serves as an indicator of a company's ability to service its short-term debt obligations, and is among the ratios widely used to determine creditworthiness. Through planning and astute structure, sale-leaseback finance can not only help improve *entity-specific credit profiles*, but when combined with judicious debt reduction, can also be a mechanism to enhance *credit ratings.*

Increasing Shareholder Value

Under appropriate circumstances, a company can generally create shareholder value by selling operating corporate commercial / industrial real estate at a relatively higher cash flow multiple than that used to value the company. For example, if a company enters into a sale-leaseback transaction at a 9% cap rate, that is equivalent to selling part of the company at 11x cash flow; if the overall company is valued at less than 11x EBITDA, the sale-leaseback is immediately accretive to shareholder value. Stated differently, as a mechanism to enhance shareholder value, operating facility sale-leaseback creates an accretive arbitrage between (i) the generally lower EBITDA multiples (often 6x to 8x) applicable to business valuation, and (ii) the higher EBITDA based cash flow multiples (typically 12x to 14x) achievable from the sale of operating corporate real estate; culminating in increased shareholder value.

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7 Credit ratings are predominantly provided by three main independent rating agencies, namely; Standard & Poor's (S&P), Moody's Investor Services (Moody's), and Fitch IBCA (Fitch), although there are others. Although the agencies adopt different rating scales, there is equivalence across the scales which facilitates comparison such that a Baa1 rating (for example) from Moody's is equivalent to a BBB+ rating from S&P and BBB+ from Fitch.

8 S&P (2008)

SUMMATION

Sale-leaseback finance allows corporations to use and control essential real estate without employing vast sums of debt and equity capital into what is essentially an illiquid asset class; it allows a corporation (or company) to unlock idle equity, raise capital to invest in their core business, reduce excess debt, and / or pay a special dividend to shareholders. Sale-leasebacks also allow the user to get one hundred percent (100%) of their capital out of the subject real estate, compared to a bank or conventional mortgage where (maximum) seventy-five percent (75%) Loan-to-Value (LTV) ratios are more the norm today.

Corporate operating property / facility sale-leaseback is a form of finance that not only more efficiently matches true facilities costs to related revenues, but when structured properly, more effectively and efficiently employs operating commercial and industrial real estate facilities as financing vehicles; corporations have traditionally focused on and managed the *use* and *unique utility* of these facilities, rather than the *use, unique utility* and *optimal inherent value* of the facilities. Accordingly, with the economy expected to slow as trade tensions and high corporate debt levels weigh on momentum, sober assessments of the benefits of sale-leaseback transactions to both better align efficiencies, and as a source of low cost (long-term) capital, are prompting astute corporate ownership groups to adopt a more of a use/value oriented philosophy regarding their operating real estate holdings.

After sober assessment of (i) the *business use duration* (defined by the timeframe in which a company will require use) of a specified operating commercial / industrial property, and (ii) the facility's remaining useful life; corporate ownership groups interested in further evaluating or pursuing sale-leaseback finance should then gain a clear understanding of *leasehold fee ownership* versus *fee simple ownership*; the value of the asset and benefits of a prospective sale-leaseback transaction can then be evaluated in the context of current market conditions.[9] The success of a sale-leaseback lies in working with professionals with expertise in the field; success is based in large part on matching the property and investment with institutional investors willing to pay the maximum for the investment. To accomplish this, the economics of a prospective transaction must be carefully evaluated and structured.

It is important to work with an experienced team of investment bankers to structure a transaction that fits and meets the company's unique and specific circumstances. Sale-leaseback finance should be viewed as a tool that can be adapted to many different situations; it is accordingly essential that a firm have access to a wide variety of well capitalized institutional sale-leaseback investors. These transactions can typically be completed fairly quickly due to the attractiveness of the approach and asset class to investors. If the transaction has been well structured and the asking price is at market, the time to close could be as fast as ninety (90) days; an even shorter timeframe is possible if the prospective seller/lessee is responsive to the buyer/investor's sue diligence needs. Thus, an astute investment banker active in the field needs expertise in financial modeling and projection, pertinent taxation and tax planning; transaction and deal structure, and negotiation of triple-net sale-leaseback leases, and related final agreements.

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[9] According to the Dictionary of Real Estate Appraisal, the definition of "fee simple" is: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the government powers of taxation, eminent domain, police power, and escheat. The leased fee interest, which is typically used in the industry, is equivalent to the fee simple interest of a property that is leased to others. This view is based on the premise that a fee simple leased property contains two sets of property rights components, one being the real property interest (the fee simple interest) and the other a personal property interest (the lease contract).

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Hermes Capital Partners

Corporate Sale Leaseback Finance Program

INTRODUCTION:	It is generally recognized that corporate real estate is often the second or third largest asset on the balance sheet; it is also generally recognized that it is usually also the second or third largest expense associated with operating the business When higher rates of return can be generated from the core corporate businesses, than from owning real estate, the tactic being utilized is to monetize the illiquid real estate holdings through the use of sale-leaseback finance; which allows the company to redeploy the previously pent-up capital into their core businesses.
SPONSORS:	Privately held and publically traded middle market (domestic) corporations and related corporate real estate investment entities.
PROPERTY TYPES:	Sale-leaseback finance can be used for a range of property types, including such properties as: • General-purpose Office Buildings • Industrial Buildings and Campuses • Warehouse and Retail Buildings • Research & Development Facilities • Special Purpose Buildings • Hotels and Hospitality Buildings and Facilities • Hospitals and Healthcare Facilities • Assisted Living and Skilled Nursing Facilities • Data Centers
LOCATIONS:	Domestic US market.
SIZE:	$2.0 million to $250.0 million (larger amounts by exception)
TYPES OF REAL ESTATE LEASES:	NNN
LEASE TERMS:	15 – 25 years (longer term subject to underwriting)

Hermes Capital Partners (HCP) has deep background and expertise in structuring and closing sale-leaseback finance transactions for lower middle market companies seeking long term funding, federal and state income tax deferral (without necessity of acquiring replacement property), recapitalization, debt reduction, and expansion. HCP works closely with the institutional lender / investors with whom the firm partners, and uses a disciplined approach to conduct due diligence in a timely manner. While this is neither an offer to sell nor solicitation to procure the services described herein, if, after review of the foregoing, the reader is interested in further exploring the potentials, we would welcome the opportunity to provide a “dry run” feasibility study; there is no cost or obligation for this service. (www.hermescapital.partners)