LEEWARD
CAPITAL MANAGEMENT

Monetize Intangible Assets

Leeward's Sale-to-Service™ delivers a low-cost, covenant-free, non-dilutive source of capital for liquidity events, management and shareholder buyouts, family ownership transitions, acquisitions and growth offering an alternative to higher-cost debt and minority equity.

Sale-to-Service™

The U.S. has moved from an industrial economy reliant on physical assets to a service economy reliant on intangible assets, assets often described as a company's "know-how" or informal intellectual property. These intangible assets contribute to a company's enterprise value but have little to no value on a company's balance sheet. Leeward's Sale-to-Service™ ("S2S"), a transaction that is similar to a sale-leaseback of physical assets, can deliver between 30% and 60% of a company's enterprise by monetizing a company's server-based intangible assets.

Mission Critical Systems & Data

S2S candidates have mission-critical systems, processes or data that are essential to the company's business model. These assets can be heavily customized well-known ERP systems like SAP and Oracle or internally developed systems which have been built and enhanced over years and are proprietary to the business. If the company would be challenged to replace its systems over the course of one to three months, then the business is likely a fit for Leeward's S2S. Proprietary data can also be a fit for an S2S even if the company's systems are not mission critical.

Transaction Types

Leeward's S2S is well suited for owners concerned about the cost and risk of higher-cost debt and for owners who do not want an equity partner in their business. Leeward supports closely held or related party transactions when traditional debt or equity solutions are not a fit or are simply too expensive.

- Liquidity Events
- Shareholder Buyouts
- Management Buyouts
- Family Ownership Transitions
- Strategic M&A
- Independent Sponsor Transactions
- Growth Capital in Select Circumstances

Industry Focus

Leeward is industry agnostic and S2S candidates can be found in all sectors, including some light manufacturing and asset-heavy businesses. However, these industries have a high concentration of asset-light businesses with mission-critical systems or data that are a fit for Leeward's S2S.

- Business Services
- Financial Services
- Healthcare Services
- Media & Telecom
- Transportation & Logistics
- E-commerce & Digital Marketing

Investment Criteria

Investment Size: $10 million to $100 million or greater

EBITDA: $5 million to $50 million

EBITDA Margin: Ideally 10% or higher

Location: U.S. Only

Excluded Categories

C-Corporations: Entities taxed as C-corporations are generally not a fit for an S2S.

SaaS Businesses: If the company's revenue is largely license income, an S2S is not an fit.

Pure Debt Recapitalization: If proceeds are used to exclusively payoff existing debt, an S2S is not an fit.

2301 Cedar Springs Road #200, Dallas, Texas 75201 | *Phone* (469) 284-5166 | *Toll Free* (855) 201-1907 | info@leewardcapitalmgt.com | www.leewardcapitalmgt.com

LEEWARD CAPITAL MANAGEMENT

Capital for the Service Economy

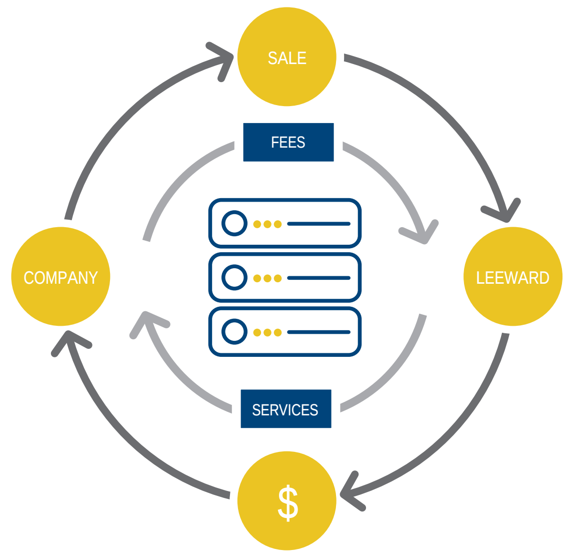
Leeward's Sale-to-Service™ is the Sale-Leaseback for the Service Economy.

Transaction Structure

A Sale-to-Service™ ("S2S") is similar to a sale-leaseback of physical assets like real estate or equipment. Like a sale-leaseback, there is a purchase and sale agreement to acquire the company's systems and data. However, unlike a sale-leaseback where the seller enters into a lease, Leeward enters into a services agreement with the seller.

The S2S structure does not impact the operations of the business and S2S fees, which are operating expense, are contingent on service levels.

S2S agreements are generally between three to six years and customers can terminate the agreement, generally after eighteen to twenty-four months, for a fee. The company may then exercise a fair market value repurchase option of the assets or extend the service agreement for up to fifteen years.



Capital Comparison

Attribute	Unitranche/Mezzanine	Sale-to-Service™	Equity
After-tax Cost	5% - 12%	2% - 6% *(1)*	20% - 30%
Availability of Funds	2.5x - 5x EBITDA	2.5x - 5.5x EBITDA	4x - 12x EBITDA
Covenants	Modest to Strict	No Convenants	None
Exit	Sale or Refinance	Maturity or Early Termination	Sale
Cash Flow Demands	Modest	Comparable to 1% Per-month Amortization	None
Board Rights	Various	None	Board Representation

1) After-tax cost decreases with early termination

Frequently Asked Questions

- **What does Leeward's evaluation process look like?**
  Leeward's evaluation is similar in approach and timing to a traditional credit process and also includes an evaluation of the company's systems and data.

- **How does an S2S work alongside other lenders?**
  An S2S can coexist alongside a third-party asset-based loan. If the transaction requires a cash flow loan, however, Leeward will generally also provide the cash flow facility offering the customer a complete capital solution.

- **What is the difference between formal and informal IP?**
  Intangible value comes generally in two categories, formal intellectual property like copyrights, trademarks, and patents, and informal intellectual property. Informal IP also referred to as "know-how", includes a company's workforce, supplier and customer relationships and its systems, processes, and data. Server-based informal IP, specifically a company's systems, processes, and data, generally has little to no value on a company's balance sheet but can comprise a large part of a company's enterprise value.