Antonia Hover

From: Office of Commissioner La Rosa
Sent: Wednesday, July 21, 2021 8:55 AM
To: Commissioner Correspondence
Subject: FW: Elliott Letter to Duke Energy
Attachments: Elliott's Letter to Board of Directors of Duke Energy_07192021.pdf

Please place the email below and attachment in docket 20210000.

Thank you,

Cristina Slaton

EXECUTIVE ASSISTANT TO COMMISSIONER LA ROSA
PHONE ~ 850.413.6018
CSLATON@PSC.STATE.FL.US

From: Brian Gunderson <bGunderson@elliottmgmt.com>
Sent: Monday, July 19, 2021 12:49 PM
To: Office of Commissioner La Rosa <Commissioner.LaRosa@psc.state.fl.us>
Subject: Elliott Letter to Duke Energy

Dear Commissioner,

I'd like to share with you the attached letter Elliott Investment Management sent to the Board of Directors of Duke Energy today.

We are committed to working closely with regulators and other stakeholders to answer any questions about our proposals. If you would like more information, I would be happy to arrange a briefing for you or the commission staff with our investment team.

Sincerely,

Brian Gunderson

Brian Gunderson
Elliott Management (DC) Corporation
Direct: +1 (212) 478-2325

ELLIOTT

Elliott Investment Management L.P.
Phillips Point, East Tower
777 South Flagler Drive, Suite 1000, West Palm Beach, FL 33401

July 19, 2021

The Board of Directors
Duke Energy Corporation
550 South Tryon Street
Charlotte, North Carolina 28202

Dear Members of the Board:

We are writing to you again on behalf of Elliott Associates, L.P. and Elliott International, L.P. (collectively, "Elliott" or "we") in our capacity as one of the largest investors in Duke Energy Corporation ("Duke", the "Company" or "You").

Since making public our views on Duke on May 17, we have received an outpouring of feedback from fellow investors, stakeholders, research analysts, current and former industry executives and top industry advisors. Based on the feedback provided by these parties — many of them recognized experts in the regulated utility sector who possess deep knowledge of the Company — there is broad agreement that Duke owns one of the highest quality collections of premium utility businesses propelled by tailwinds from constructive regulation, positive demographic trends and significant investment opportunities. **However, there is also broad agreement that a series of execution missteps has led to the erosion of value in what was once a premium utility company.**

These missteps — and the prolonged underperformance they have occasioned — have occurred under the oversight of the current management and Board. And the feedback we have received has expressed that while there is significant scope for improvement at Duke, the Company's history of inconsistent execution has engendered broad skepticism that Duke's current management team and Board can appropriately manage the Company's sprawling footprint and deliver long-term shareholder value consistent with the value of its businesses. In particular, Duke's under-management of its businesses in Florida and the Midwest suggests that alternatives should be explored to determine whether operating utilities in Florida, Indiana, Ohio and Kentucky out of Charlotte by Duke's current management team and Board is truly the best outcome for investors and customers.

The feedback we received falls into the following three categories:

(1) Duke's poor track record of delivering on commitments has driven substantial underperformance and continued skepticism about management's ability to create value for shareholders.

(2) Duke can meaningfully improve operations and execution, and questions remain as to whether current Duke leadership is capable of maximizing the value of, and should continue to manage, its businesses outside of the core Carolinas footprint.

(3) Investors have significant doubts that the interests of Duke's management and Board are aligned with those of shareholders and other stakeholders, and they support Board-level reforms and a process to evaluate the best path forward.

While our purpose today is not to counter each and every point of Duke's press release from May 17 — which mischaracterized our dialogue with Duke, misled regarding our track record in the utility industry and misinformed regarding our proposal — we must note that the feedback we have received has also included significant concerns about the manner in which Duke has chosen to respond to our recommendations. Shareholders were generally troubled by the Company's aggressive and hostile response that, according to newspaper reports, included a smear campaign involving carbon-copy phony op-eds, among other tactics. Shareholders generally expect management teams and Boards to have an open mind toward proposals like the ones we put forward, which are intended to improve Duke's value proposition and operations. Unfortunately, instead of engaging with these proposals in good faith, Duke's management team and Board have been more focused on justifying the status quo and making excuses for why now is not the right time for an unbiased and thoughtful review.

While we hope to re-establish a constructive dialogue, we believe that now is an appropriate time to publicly provide an update on our views and demand action from Duke's management and Board on the key issues identified by investors.

(1) Duke's poor track record of delivering on commitments has driven substantial underperformance and continued skepticism about management's ability to create value for shareholders.

Since the release of our letter, and the Company's response to it, the feedback we have received from those who follow Duke closely and care about its future has consistently reflected a lack of confidence in management's ability to execute. This inability to execute has had clear and direct consequences for Duke's financial performance and on its share price, leaving investors in Duke — including Duke's own employees, who own stock through their employee savings plans — significantly worse off than they would be had the Company executed at a higher level. Duke has generated anemic EPS growth and poor returns for shareholders as a result of avoidable operational, investment and strategic setbacks.

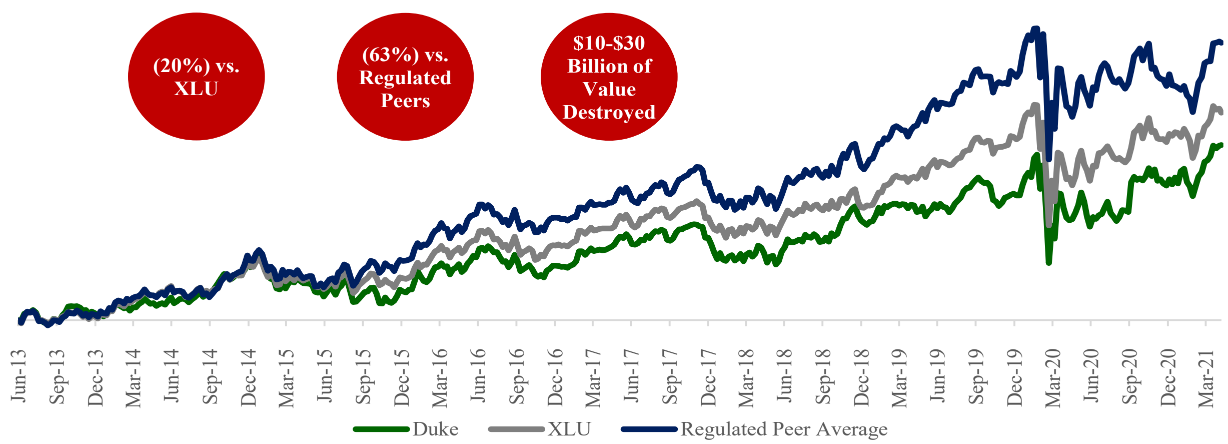
Under the leadership of the current management team, the Company has grown EPS by approximately 2% annually[1] since 2013 despite guiding to 4% to 6% EPS growth over this period. Because of the Company's inability to execute, Duke's stock has underperformed the XLU by 20%[2] and the regulated utility peer group ("Regulated Peers")[3] by 63%. This performance ranks in the 36th percentile of the XLU and is second-worst among Regulated Peers.

This underperformance has translated into real consequences for shareholders — had Duke just performed in-line with these averages, it would have created \$10 billion to \$30 billion of

[1] Represents the EPS growth rate from 2013 to 2021 based on the midpoint of Duke's 2021 EPS guidance.
[2] Unless otherwise noted, all return calculations are as of May 7, 2021, the last trading day prior to reports of Elliott's stake in Duke, thereby excluding Elliott's favorable effect on the share price.
[3] Regulated utility peer group includes SO, D, AEP, XEL, WEC, ES, AEE, CMS, EVRG, and LNT.

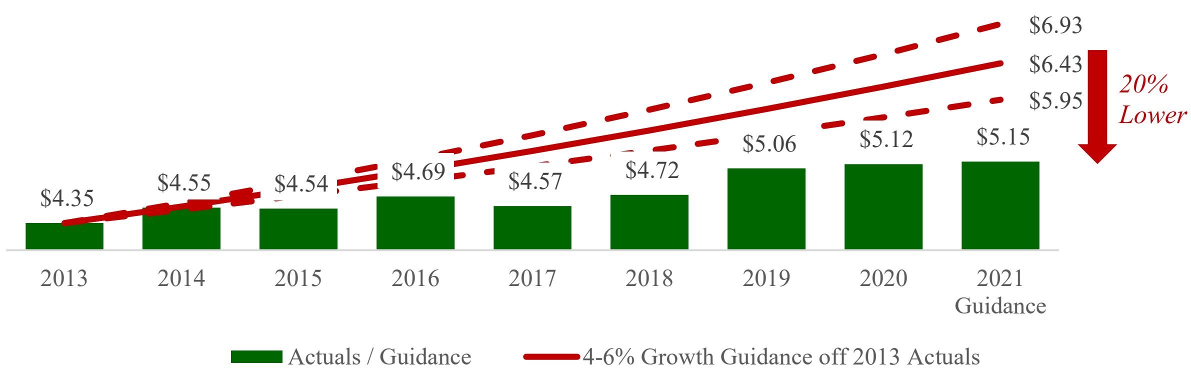
additional shareholder value. Given this disappointing record, investors are skeptical that the same leadership at Duke will deliver better outcomes going forward.

Total Shareholder Return During Current Management's Tenure



Source: Bloomberg.

EPS Growth During Current Management's Tenure



Source: Company Disclosure.

One investor summarized the overhang from Duke's operational and strategic missteps as follows:

> *"On a no-names basis, if you lined this up relative to a company like Xcel, any value investor would obviously prefer Duke because the valuation is so much lower.* ***If one thought that good execution was achievable by this management team, you could get to a much higher value.*** *[But] they've grown earnings at 2% when they promised [4% to 6%] so that hasn't happened."*

Notably, Duke's response to our May 17 letter does not seek to defend the Company's long-term record. Nor does it reflect a thoughtful, leadership-oriented approach to recognizing that its performance could be improved. Rather, Duke's May 17 press release attempts to argue that its performance has been "strong" based on the stock's 7% outperformance over the last 12 months, which reduces to only 3% when excluding the outperformance that occurred starting on May 10, when rumors of Elliott's stake in the Company drove increased buying.

This 3% unaffected outperformance over 12 months after years of subpar returns and self-inflicted setbacks hardly supports Duke's claim that it is "performing at a high level." Nor does it signal a lack of opportunities for incremental value creation; to the contrary, our conversations with other investors and analysts have underscored a widespread belief that Duke's current business plan does not reflect the Company's full potential. However, instead of trying to understand the causes of the Company's poor long-term performance and examining all avenues to create sustainable value, current management and the Board have sought to defend and entrench themselves, arguing that their track record has actually been good and that the Company's performance is reaching an inflection point.

Unfortunately, investors have heard this story before. Duke's management team has repeatedly promised improved results in the past, and so far it has failed to deliver each time.

- 2013: *"By resolving these issues, we have positioned Duke Energy as a low-risk, highly regulated utility operating in constructive regulatory environments. We have the* ***financial strength and flexibility to consistently deliver on our commitments*** *and grow the business."*
- 2014: *"These [financial] objectives [for 2014 and beyond] have remained consistent over time, and we have an established track record of achieving each of these objectives.* ***We are on track to achieve our 2014 revised guidance range and our long-term adjusted earnings growth objective.****"*
- 2015: *"We have an established track record of achieving those [financial] objectives and have a* ***strong plan in place to continue delivering attractive returns for our investors****."*
- 2016: *"Our portfolio of businesses is* ***well positioned to deliver strong, predictable earnings and cash flows*** *to our investors."*
- 2017: *"We bring many advantages to this conversation, including scale, constructive jurisdictions, a track record of execution, and importantly,* ***we are unencumbered by the challenges that we have successfully put behind us****."*
- 2018: *"We are positioned to deliver results for both customers and shareholders and are* ***confident in the plan we have for 2018 and beyond****."*
- 2019: *"Our scale, constructive service areas and* ***ability to execute make Duke Energy a solid long-term investment opportunity****."*
- 2020 (Before Reducing Guidance): *"The Duke portfolio, in place since late 2016, has* ***consistently performed well and is positioned for 2020 and beyond****."*

In light of these repeated, failed promises to do better, investors simply have no basis for believing that this time will be different.

(2) Duke can meaningfully improve operations and execution, and questions remain as to whether current Duke leadership is capable of maximizing the value of, and should continue to manage, its businesses outside of the core Carolinas footprint.

The share-price underperformance highlighted above is not happening for irrational or inexplicable reasons — rather, it reflects the market's skepticism of Duke's ability to execute. Our conversations with industry experts and highly respected current and former utility executives have supported the view that Duke's operations can be enhanced and Duke's portfolio should be further analyzed for opportunities to create value for shareholders and better position Duke to serve customers. The same strategies employed by Duke's high-performance peers in Florida and the Midwest could be applied to Duke's utilities, and we believe the fastest, clearest and highest confidence path to high grade these utilities is through separate, focused ownership. Our conversations have uncovered a wide range of perspectives on potential paths that Duke could pursue to unlock value, all of which warrant further independent exploration.

Poor Execution at Duke Energy Florida

Duke Energy Florida ("DEF") is perhaps the most glaring example of under-management. **Duke's customers in Florida pay by far the highest rates, yet experience the worst reliability and customer satisfaction, of any of Florida's large investor-owned utilities.** Duke's residential customers pay approximately 30% (roughly $500 per year)[4] more than their in-state counterparts, Florida Power & Light ("FPL") and Tampa Electric ("TECO"). At the same time, these customers receive a demonstrably inferior product.[5]

Our benchmarking analysis of DEF against FPL and TECO reveals a cost structure that is 40% to 120% higher.[6] This evidence directly contradicts Duke's claim that size and scale have benefited customers. The opportunity to materially improve Duke's operations in Florida has also been corroborated by several respected utility analysts and experts. As one analyst noted:

> *"Duke Energy Florida is actually particularly egregious ... That's the highest cost structure and that's the angle to watch here closely."*

Duke apparently does not believe that this subpar performance warrants further investigation or analysis and has justified DEF's status-quo underperformance with unsatisfactory excuses around why its operations are sufficiently "different" and should be exempt from benchmarking analyses. This is contradicted by Florida Public Service Commission reports that specifically identify operational best practices that are **not** employed at DEF.

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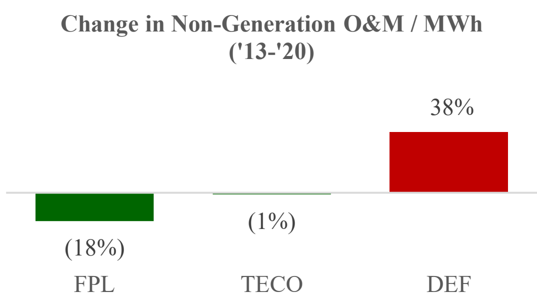
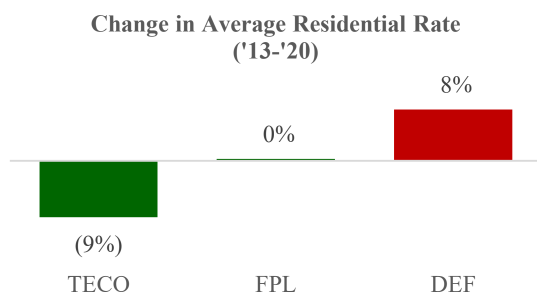
[4] Based on JEA's residential rate comparison data. Assumes monthly average residential electric consumption of 1,108 kWh consistent with the statewide average per EIA data.
[5] As measured by J.D. Power customer satisfaction ratings and EIA-reported reliability metrics.
[6] Based on 2019 non-generation O&M/MWh.

One example: A PSC report from March 2020 noted that FPL has used a drone inspection program extensively for five years to inspect its transmission system, which peers have observed is “fast, cost-effective and [reaches] areas that are difficult to access.”[7] However, it was noted in the same report that Duke Energy only “plans to pilot a drone Tower inspection in 2020 with a target of implementing this inspection in all jurisdictions starting in 2021.” Another example: FPL has planned to fully transition all of its transmission poles from wood to steel or concrete by 2022, which materially reduces the frequency of required inspections and improves reliability. DEF estimates that it will not achieve this same goal until 2050.

Meanwhile, as Duke’s total costs and rates have increased significantly more than its peers, reliability has deteriorated and customer satisfaction has remained among the worst in the Southeast[8] over the course of nearly a decade. This track record squarely belongs to Duke’s current management team and Board, which to the best of our knowledge has made no effort to lay out a clear plan explaining how Duke plans to improve its costs, reliability and customer service in Florida. **Duke’s customers and investors deserve a thorough, unbiased analysis of whether Duke Energy Florida’s operations can be optimized to lower operating costs, increase grid investment and enhance reliability.**

DEF Operational Performance Under Current Duke Management



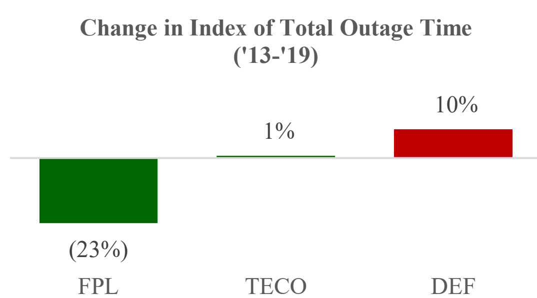


Source: FERC Form 1 Filings (Through SNL).

DEF Customer Outcomes Relative to Florida Peers Under Current Duke Management

JD Power Customer Satisfaction Ratings: DEF's Ranking of JD Power's Large South Peers		
2013	13th of 13	**Lowest of Peers**
2014	13th of 13	**Lowest of Peers**
2015	13th of 13	**Lowest of Peers**
2016	13th of 13	**Lowest of Peers**
2017	13th of 13	**Lowest of Peers**
2018	13th of 13	**Lowest of Peers**
2019	12th of 13	**Second-Lowest of Peers**
2020	11th of 12	**Second-Lowest of Peers**

Source: JD Power and EIA[9].



[7] “Review of Electric IOU Transmission Structure Inspection and Maintenance Procedures and Processes” by the Florida Public Service Commission Office of Auditing and Performance Analysis, March 2020.
[8] Based on JD Power rankings of South Large utilities.
[9] Change is based on the standard that each company reported to the EIA in the relevant years.

Poor Execution at Duke Energy Indiana

In our May 17 letter, we also argued that Duke Energy Indiana's ("DEI") growth rate lags that of its in-state peers, creating an opportunity to materially accelerate investment. This viewpoint was shared by a number of parties, including one analyst who observed that they "could have more" rate base growth at DEI and another who noted an "opportunity to accelerate growth in Indiana."

Alarmingly, at the May 2021 American Gas Association conference, **<u>Duke executives highlighted that the strategy of under-investing in Duke Energy Indiana is intentional, so that excess cash flows from the Indiana utility can be used to fund the growth of Duke's other subsidiaries.</u>** This strategy is further evidenced by the announced sale of a 19.9% stake in DEI to shore up Duke's balance sheet. We believe shareholders and customers agree that this approach for DEI is not value maximizing and the Company is on a much slower path of investment compared to Indiana peers.

Persistent Issues in the Carolinas

Even in its core Carolinas jurisdictions, Duke's execution has been inconsistent. Under the current management team and Board, Duke was a key sponsor of the Atlantic Coast Pipeline. Duke pushed forward with the Atlantic Coast Pipeline ("ACP") for seven years, despite numerous delays and significant improvements in the cost competitiveness of renewables, ultimately resulting in a $2 billion write-off for shareholders.

Similarly, Duke's mismanagement of coal ash, which also occurred under the direction of the current management team and Board, resulted in the spilling of more than 39,000 tons of toxic coal ash into the Dan River in what was widely viewed as an environmental catastrophe. This incident resulted in three Duke Energy subsidiaries pleading guilty to nine federal criminal counts of violating the Clean Water Act, including for polluting four major rivers in what was deemed the third largest coal-ash spill in U.S. history. Troublingly, this disaster was in part the result of Duke officials having ignored employees' warnings about the risk of a major spill from the Dan River pipe and the Company's admitted failure to spend $20,000 to use video to inspect the Dan River pipe. Although the judge ordered the Company to run full-page newspaper ads of apology in two national and three North Carolina newspapers, and Duke's CEO apologized on behalf of the Company, Duke's customers and shareholders were ultimately left stuck with the bill: In addition to meaningful fines and penalties, the Company's escalating coal ash remediation costs after the Dan River coal ash spill have resulted in customers bearing $7 billion to $8 billion of costs in addition to Duke's return entitlement, representing a burden of more than $1,700 per customer. One research analyst appropriately noted the impact of these coal ash costs on the regulatory construct in the Carolinas:

> *"I think the Carolinas used to be a premium jurisdiction, [but now] it's hard to invest there because of coal ash [and] the allowed ROE has gone from 10.5% to 9.5% over a number of years ...* ***<u>They've taken that from a premium jurisdiction to an average jurisdiction.</u>****"*

Portfolio Questions

Questions surrounding the optimal go-forward portfolio for Duke have been intertwined with these views on the potential for operational improvements. As we have outlined above, management and the Board have consistently struggled to deliver value from the current large, sprawling, non-contiguous collection of businesses, which is continuing to drive concerns around Duke's ability to achieve consistent results over the long term. As one large Duke shareholder noted:

> *"I get your argument that if these utilities can be run better, which they can be run better, they would deserve premium multiples… They should review the asset mix [and] should do something about it.* ***<u>Right now it's really not optimal, so hopefully they get it.</u>****"*

During the course of our conversations with shareholders and other parties, we have heard a number of ideas around potential portfolio actions. While we suggested one course of action in our May 17 letter, there are numerous viewpoints, and it is clear that this is fertile ground for investor interest. These questions require a more in-depth and structured evaluation of the optimal portfolio configuration to allow for true high operating performance at each of Duke's utilities. What is unquestionably the case is that, given the operational track record detailed above, shareholders do not trust Duke's current management and Board to undertake this evaluation without the benefit of fresh perspectives and a process that promotes independence and transparency — which is precisely what we have proposed.

<u>(3) Investors have significant doubts that the interests of Duke's management and Board are aligned with those of shareholders and other stakeholders, and they support Board-level reforms and a process to evaluate the best path forward.</u>

In addition to concerns about Duke's past performance and views that Duke's assets are undermanaged, several investors and other parties have expressed profound skepticism about the motives of Duke's management team and Board. In particular, there is concern that management and the Board's decisions are driven primarily by self-interest, with limited consideration of shareholders, customers and other stakeholders.

A selection of perspectives from these conversations is highlighted below:

> *"The reason they're big is to make sure that nobody like you bothers them or God forbid M&A that's not invited…* ***<u>They don't [care] about shareholders, they care about them[selves].</u>****" — Investor*

> *"Certainly* ***<u>management credibility has been a frequent challenge point from [investors]</u>*** *and there have been a lot of concerns." — Research Analyst*

> *"The management team is* ***<u>more concerned about pay when they talk about keeping it together than any other stakeholder</u>*** *of the utilities." — Former C-Level Utility Executive*

> *"Size and scale with Duke* ***<u>benefit only one constituent, and that's the management team and the Board.</u>****" — Former C-Level Utility Executive*

We believe these views are primarily responding to excessive compensation relative to the Company's poor performance, lack of effective independent oversight and a perceived misalignment of interests between management and shareholders.

- **Excessive Compensation**: The key beneficiary of the Company's "bigger is better" strategy has been neither shareholders nor customers, but rather Duke's executive management team. Duke's CEO was paid $14.5 million in 2020, which is among the highest in the utility sector and is approximately 116x the median compensation of Duke's employees. Given the clear relationship between executive compensation and company size (rather than total shareholder return) in the utility sector, Duke's management team has been a direct beneficiary of the Company's expansion — in fact, Duke justifies its executive compensation practices by looking to the compensation of executives at "similarly sized companies." Duke's pay for performance has received a "D" from Glass Lewis for the last two years, and an "F" for the three years before based on "the Company [paying] moderately more than its peers, but perform[ing] worse than its peers."

- **Positive Reinforcement for Poor Outcomes**: Duke has repeatedly rewarded poor outcomes with additional compensation and other perks for management. For example, after pleading guilty to criminal violations related to the Dan River coal ash spill in May 2015 and announcing the overpriced acquisition of Piedmont Natural Gas in October 2015, which resulted in more than $1 billion of day-one market cap destruction relative to a $4.9 billion purchase price, Duke awarded the CEO the previously independent chair title in December 2015. In 2018, Duke disclosed a one-time $7 million retention grant for the CEO based on "her history of strong performance," despite the Company underperforming the XLU by 15% during her tenure[10], cutting guidance twice over the prior three years and causing multiple large-scale environmental incidents (both the Dan River incident and the Ohio River oil spill, which occurred only six months later, where Duke spilled 9,000 gallons of diesel fuel into the Ohio River and resulted in another guilty plea).

- **Misalignment of Interests with Shareholders**: Beyond Duke's excessive compensation and incentives that reward size over performance, the behavior of Duke's management team suggests a lack of alignment with investors. For example, after the CEO highlighted that "we begin the year with significant momentum on [the] strategic, regulatory and stakeholder fronts, and I'm very optimistic about the future heading into 2021" on February 11, she sold ~$4 million of stock on February 25. As management promoted the value created under its status quo business plan after our May 17 letter, one of Duke's Board members and two C-suite executives sold stock on May 19 and May 20.

- **Lack of Effective Independent Oversight**: Contrary to best governance practices, Duke does not have an independent chair. Furthermore, Duke's lead independent director has served on the Board of Duke and its predecessors for more than 30 years, which the Company tried to conceal by changing its proxy disclosure starting in 2015. Duke's lead

[10] Based on TSR through March 8, 2018, the day prior to disclosure of the payments in Duke's proxy statement.

independent director has meaningfully exceeded Duke's recommended retirement age and tenure outlined in the Company's Principles for Corporate Governance, which has been justified for two years with vague claims that he is needed during a "time of transition for the Board to lend stability among the independent directors and to keep his long-term perspective as part of the mix of ideas." We struggle to understand how the lead independent director role could not be filled by a more qualified candidate that would hold Duke's management accountable. ISS expressed a similar view and observed that "given the company's recent performance, ongoing strategic transformation, and lengthy tenure of the current lead independent director, there is merit to the idea that the company and its shareholders could benefit from the strongest form of independent oversight with an independent chair." Approximately 35% of shareholders voted for the appointment of an independent chair at the most recent annual meeting.

Unfortunately, on top of all of the foregoing, Duke's dismissive and inaccurate responses to our May 17 letter and throughout our dialogue have only further reinforced perceptions that the Company's leadership prioritizes control and self-interest over the long-term interests of shareholders and stakeholders. This mindset has also been evident in our dialogue with the Company, which has been marked by defensiveness and a refusal to engage in good faith with our proposals.

Next Steps

The feedback we have received has reinforced our conviction that there is clear support for new Board-level perspectives and a full business review. Shareholders want fresh perspectives in Duke's boardroom and a credible structure and process that arrives at the right path forward for Duke.

However, our conversations with management have revealed an unwillingness to establish an independent structure and process to evaluate potential improvements to Duke's business. Rather, Duke contends that its current strategy is working, and it asserts, as it has every year of this CEO's tenure, that sustainable improvement in its share-price performance is just around the corner. Hope — for investors having short term memory or inexhaustible patience — is not a strategy.

To be in a position to hold Duke accountable if it once again fails to deliver on this promise, Duke's shareholders deserve a detailed and credible plan to address investor concerns, enhance the Board's independence, improve operational execution and attain a premium valuation. In each of these areas, Duke must address the following specific concerns:

- **Enhance the Board's Independence**: Duke must address investor concerns over the independence of the Board, particularly in light of the long tenure of the lead independent director, and ideally by heeding the proposal submitted at this year's annual meeting that Duke require its Board chair to be an independent director. Additionally, the Board must acknowledge and address the fact that despite nearly 40% of the value of Duke residing outside of the Carolinas, Duke's Board currently has no directors with credible public policy experience in or ties to Florida or Indiana.

- **<u>Improve Florida Operational Performance</u>**: Duke must provide updated targets and commitments for Duke Energy Florida that reflect the full operational and investment opportunity in that jurisdiction, and explain why Duke Energy Florida's ratepayers should accept lower-quality service than peers at higher prices.

- **<u>Increase Focus and Enhance Value in Indiana</u>**: Duke must accelerate growth in Indiana to enhance the value of Duke Energy Indiana. Alternatively, Duke should justify why the Company's strategy of utilizing Duke Energy Indiana as a source of cash flow to fund other jurisdictions is optimal for shareholders, as opposed to investing in the state, and why Duke's Indiana ratepayers should be funding investments that benefit constituents in other states.

- **<u>Attain a Premium Valuation</u>**: Given the universal view that Duke's underlying franchises in the Carolinas, Florida and the Midwest are among the highest quality in the utility industry, Duke must show investors how it intends to close its valuation gap to other utility holding companies with comparably favorable jurisdictions, growth rates and fleet transition opportunities.

As one of Duke's largest investors, we remain skeptical that the same structure and leadership team that have presided over a long history of operational and stock price underperformance are capable of delivering meaningfully better results in the areas above. Duke's assertions to the contrary will continue to ring hollow in the absence of specific commitments to which it can be held accountable. We look forward to seeing the Company's specific solutions to the issues raised above.

In the meantime, as long as Duke remains unwilling to address these issues in the manner that its stakeholders deserve, we intend to continue sharing our thoughts and perspectives on the Company's performance, fostering an active debate over the right path forward for Duke, and holding the Company accountable if it fails to improve.

Sincerely,

Jeff Rosenbaum | *Jesse Cohn*

Jeff Rosenbaum
Senior Portfolio Manager

Jesse Cohn
Managing Partner