



WESTREC MARINAS

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September 15, 2022

Michael J. Galvin
Director of Waterfront & Commercial Real Estate
The Port of Los Angeles
425 S. Palos Verdes Street
San Pedro, CA 90733-0151

Dear Mike:

I would like to update you on the current status of Westrec Marina Management, Inc., as it relates to our contract to manage the Cabrillo Way Marina for the Port of Los Angeles. Westrec has been a partner with the Port of Los Angeles since 1998 and has been pleased to be part of the amazing growth and development of the Waterfront that the Port leadership has initiated over the years.

As you recall our founder and chairman of the board, Michael Sachs, unexpectedly passed away on April 11, 2019. Since that time the trustees of the Sachs Family trust have been working to sell the assets of the trust for the beneficiaries. The sale of Westrec Marina Management, Inc., will be final on December 31, 2022. Effective January 1, 2023, the new owners will be Suntex Marina Investors. The new Management Company will be Westrec SMI OPCO, LLC which is an indirect wholly owned subsidiary of Suntex Marina Investors LLC. Our senior management team will remain in place along with all of our employees in the field to ensure continuity to our management clients throughout the United States. I will continue as President, Jeff Ellis as CFO and Ruth Black as VP of finance. All our accounting team that has worked with the Port staff over the years, as well as the team operating the marina, will continue in place in the new company. This change was necessitated by the untimely passing of Mr. Sachs. The new structure will allow us to continue our obligations to our clients throughout the United States and specifically the Port of Los Angeles, with the same management team that is currently in place.

Suntex Marinas was the perfect fit for our management team due to their long-term involvement in owning and operating marinas as well as their similar corporate culture of providing superior customer service to their boaters.

I have attached detailed financial and background information on Suntex Marina Investors for your review. You may recall that Suntex Marina Investors was thoroughly vetted by your accounting department as one of the qualified bidders for the Cabrillo Way Marina redevelopment project in 2019.

Our contract with the Port of Los Angeles to manage the Cabrillo Way Marina does not allow the assignment of the contract to a new entity. I would like to request that you consider a one-

time exemption to allow for the current contract to be assigned to Westrec SMI OPCO, LLC. This will allow for a continuity of management and continued service to the boating customers and the visiting public.

Bryan Redmond the CEO of Suntex Marina Investors has offered to meet with you and members of the Port staff if needed to help facilitate this assignment.

Please let me know if you will require any further information related to this request.

Regards,

A handwritten signature in black ink, appearing to read 'William W. Anderson', with a long horizontal flourish extending to the right.

William W. Anderson
Westrec Marina Management, Inc.
President

Attachments



To: Michael Galvin, Director of Waterfront & Commercial Real Estate
The Port of Los Angeles

From: Tom Tipton, Chief Financial Officer

CC: Bill Anderson, Chris Petty and Brian DeVoss

Date: September 15, 2022

Re: Financial Cover Letter

Summary

In March of 2021 Suntex Marina Investors, LLC (“SMI” or “the Company”) completed a \$1.2 billion recapitalization of the business. Since that time, the Company has acquired approximately \$579 million of new marina assets, bringing the Company’s cost value to \$1.9 billion. As of today, the Company has approximately \$10 million of cash on its balance sheet and the ability to borrow approximately \$344 million additional funds on its credit facility. The Company projects generating approximately \$56 million of cash from operations in 2022. The Company’s equity and debt partners are prepared to increase their funding to support further growth of the Company’s business through acquisition, development and improvement of the Company’s marinas.

Overview

SMI is an owner, operator, manager and developer of high-quality coastal and inland marina properties located throughout the United States. The founders of SMI have been investing in and managing marinas since 1995 and this experience lead them to form SMI on February 26, 2015, for the purposes of acquiring direct or indirect interests in marina properties. SMI began operations on July 31, 2015, and internalized the management platform of Suntex Waterfront Advisors LLC (operating since 2009). As of today, SMI owns, manages and operates 67 marinas. The primary businesses are (i) the leasing of wet slips and dry storage for boats and smaller yachts and (ii) boat rentals and rental club memberships, but many marinas also provide other complementary services including retail sales, service, food and beverage and commercial leasing.

SMI is the operating partnership in a Real Estate Investment Trust (“REIT”) ownership structure. As such, the Company’s mission is to deploy capital through its real estate investments in marinas to provide a meaningful return on that investment for its investors. The Company intentionally does not hold

significant amounts of cash on its balance sheet. Instead, the Company re-invests its cash generated by the business in acquisitions of marinas, high yield capital projects on its existing marinas and marina developments. Additionally, the Company manages its credit facility to minimize the cash held on the balance sheet at any given time by repaying debt when cash is high and borrowing when cash is low.

Like most REITs, SMI does not prepare a classified balance sheet because current asset and current liability analysis is not the typical means to measure a REIT's financial health. Instead, it is important to understand the Company's real estate assets, as rents from these real estate assets represent 76% of our net operating income and in most cases, these rents do not appear in accounts receivable at any month end as they are billed and collected in short order. Additionally, these real estate assets increase in value over time and this value increase does not get reflected on the Company's balance sheet. As a result, the Company prepares a Net Asset Value ("NAV") calculation on an annual basis to calculate the value of the Company's assets. SMI's NAV has increased on average 12% per year since it began preparing these calculations in 2018.

The Company is backed by several sophisticated investment funds. The largest is Centerbridge Partners, L.P. Centerbridge Partners, L.P. is a private investment management firm employing a flexible approach across investment disciplines—from private equity to private credit and related strategies, and real estate—in an effort to develop the most attractive opportunities for their investors. The Firm was founded in 2005 and has over \$30 billion in capital under management with offices in New York and London.

The Company has a \$1.5 billion credit facility with some of the largest financial institutions in the world, including Bank of America, JP Morgan Chase, Wells Fargo, Bank of Montreal and US Bank. The structure of the credit facility is to provide lending based on the value of the Company's real estate assets. The Company can borrow up to 60% of the bank ascribed value of these assets. Today, the Company's amount outstanding under the credit facility is \$784 million representing approximately 41% of the bank ascribed value of its real estate assets. As a result, the Company may borrow an additional \$344 million today if needed. The primary liquidity performance metric used in the credit facility to measure the Company's ability to pay its obligations is the Fixed Charge Coverage Ratio. The Company has never breached this covenant at any point since inception of the credit facility in 2019.

Ability to Purchase and Operate Additional Marinas

Today the Company has approximately \$10 million cash on its balance sheet and the ability to borrow an additional \$344 million from its credit facility. Additionally, as part of the Company's on-going acquisition and growth activities investors provided an additional \$170 million in capital in December of 2021 and \$80 million in May of 2022, and will continue to provide capital to support the business and its growth as necessary. Historically the Company's investors have funded approximately 40% to 50% of acquisitions with equity.

Key Financial Performance Metrics*
(in thousands)

	2021	2020	2019
Revenue	\$202,253	\$155,245	\$146,607
Property NOI	\$85,636	\$71,376	\$65,540
Adjusted EBITDA	\$64,837	\$54,493	36,939
Cash flow from operations	\$26,761	\$22,098	\$16,446
Cash	\$85,641	\$15,878	\$13,128
Net Real Estate Assets	\$988,264	\$765,241	\$778,405
Total Assets	\$1,140,436	\$807,632	\$819,131

*Refer to definitions in the exhibit to this letter

Exhibit – Definitions of Key Financial and Liquidity Performance Metrics

NET OPERATING INCOME FROM PROPERTY OPERATIONS (Property NOI): The Company defines NOI as revenue generated from its properties in accordance with GAAP, excluding the recognition of above and below market lease amortization. This revenue is reduced by cost of revenue, personnel related expenses, property tax, franchise tax, legal expenses, and operating expenses, but excludes depreciation and amortization, gain or loss on sale of assets, interest expense, acquisition related expenses, initial start-up costs to transition a property after acquisition, income tax expense, amortization of intangible leaseholds and noncontrollable costs.

ADJUSTED EBITDA: The Company defines Adjusted EBITDA as without duplication, the sum of (a) Consolidated Net Income determined in accordance with GAAP, plus (b) the following but only to the extent included in the calculation of such Consolidated Net Income: (i) amortization and depreciation expense, (ii) other non-cash charges, (iii) interest expense, (iv) provision for taxes and (v) minority interest expense attributable to non-Wholly-Owned Subsidiaries; but excluding, in any event, (1) extraordinary gains and losses and related tax effects thereon, (2) non-cash impairment charges, (3) non-cash stock or option based compensation, (4) other non-cash gains and losses and related tax effects thereon, and (5) fees, expenses and costs related to the acquisitions, in each case to the extent that same reduce Consolidated Net Income for such period and are not permitted to be capitalized pursuant to GAAP.

CASH FLOW FROM OPERATIONS: The Company defines Cash flow from operations as its sources and uses of cash from its ongoing business activities, including net income (loss) adjusted for non-cash items and changes in the Company's working capital.

CASH: The Company's cash consists of cash in bank accounts, cash on hand, and money market fund accounts.

NET REAL ESTATE ASSETS: The Company's Net Real Estate Assets are presented in accordance with U.S. GAAP and consist of real estate, boats, furniture, fixtures, and equipment, and acquired lease intangibles presented at historical cost, net of depreciation, amortization and impairments.

TOTAL ASSETS: The Company's Total Assets include the Net Real Estate Assets, Cash and Restricted Assets, Accounts Receivable, Inventories, Goodwill, Prepaid Expenses and Other Assets.

SUNTEX MARINA INVESTORS LLC
CONSOLIDATED BALANCE SHEETS
(in thousands)

	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Assets			
Investments in real estate:			
Land	\$ 128,330	\$ 14,165	\$ 14,165
Land improvements	38,732	31,162	29,758
Buildings	99,417	59,537	58,687
Docks	273,088	217,588	206,224
Construction in progress	19,150	21,971	10,471
Boats, furniture, fixtures and equipment	61,082	46,205	47,993
	<u>619,799</u>	<u>390,628</u>	<u>367,298</u>
Accumulated depreciation and amortization	(96,946)	(75,480)	(54,667)
	<u>522,853</u>	<u>315,148</u>	<u>312,631</u>
Acquired lease intangibles, net	465,411	450,093	465,774
Net real estate investments	<u>988,264</u>	<u>765,241</u>	<u>778,405</u>
Cash and cash equivalents	85,641	15,878	13,128
Restricted cash	547	376	825
Investment in unconsolidated entities	800	800	800
Accounts receivable, net	2,282	2,051	3,580
Inventories	3,756	2,578	2,809
Notes receivable, net	2,021	—	1,799
Earnest money in escrow	35,194	2,200	200
Prepaid expenses and other assets, net	10,598	8,349	6,457
Goodwill	11,333	9,044	9,044
Assets held for sale	—	1,115	2,084
Total Assets	<u>\$ 1,140,436</u>	<u>\$ 807,632</u>	<u>\$ 819,131</u>
Liabilities and Equity			
Liabilities:			
Series A redeemable preferred units, net	\$ 353,219	\$ 124,770	\$ 121,714
Term loan credit facility, net	512,451	343,163	341,340
Borrowings under the revolving credit facility	—	95,000	80,000
Capital leases and equipment loans	251	313	377
Acquisition liabilities	862	3,267	2,577
Accrued expenses and accounts payable	25,095	16,763	18,727
Acquired below-market lease intangibles, net	1,562	1,635	2,182
Deferred revenue	7,989	6,698	6,102
Accrued interest payable	30	33	951
Security deposits	6,755	5,024	4,212
Liabilities related to assets held for sale	—	—	586
Total Liabilities	<u>908,214</u>	<u>596,666</u>	<u>578,768</u>
Mezzanine Equity - Series A Profit Units	5,417	—	—
Equity:			
Common units	226,213	—	—
Class A units	—	204,267	233,682
Class B units	—	6,002	6,002
Class C units	—	285	285
Noncontrolling interest	592	412	394
Total Equity	<u>226,805</u>	<u>210,966</u>	<u>240,363</u>
Total Liabilities and Equity	<u>\$ 1,140,436</u>	<u>\$ 807,632</u>	<u>\$ 819,131</u>

SUNTEX MARINA INVESTORS LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	For the Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Revenue			
Storage and leases	\$ 102,642	\$ 87,611	\$ 69,070
Boat rentals	21,085	21,076	15,886
Service	10,155	8,524	11,882
Fuel	27,332	16,825	17,904
Food and beverage	30,770	12,698	22,757
Other	10,269	8,511	9,108
Total revenue	202,253	155,245	146,607
Cost of revenue			
Boat rental	3,082	2,571	2,240
Service	4,141	3,563	5,807
Fuel	18,999	9,797	12,051
Food and beverage	9,115	3,524	6,448
Other	6,865	6,399	5,282
Total cost of revenue	42,202	25,854	31,828
Gross profit	160,051	129,391	114,779
Expenses			
Property operating expenses	93,454	75,528	72,238
General and administrative expenses	14,012	9,253	10,951
Transaction costs	4,416	4,676	1,229
Acquisition and pursuit costs	4,119	1,112	482
Storm damage expenses, net of insurance proceeds	(2,028)	(6,812)	4,232
Depreciation and amortization	29,612	33,020	25,311
Interest and related amortization	53,307	28,393	19,348
Adjustment of acquisition liabilities	720	1,890	(318)
Impairment of buildings, docks and equipment	81	509	5,868
Total expenses	197,693	147,569	139,341
Other income or loss			
Loss on extinguishment of debt	(16,347)	—	14,822
Unrealized gain related to investment in unconsolidated entities	—	—	6,526
Loss on sale of marina properties	—	(548)	(3,986)
Loss on disposal of boats, furniture, fixtures and equipment	(1,256)	(3,106)	(1,459)
Litigation settlements, net of insurance proceeds	13	173	(300)
Total other loss	(17,590)	(3,481)	15,603
Net loss before income taxes	(55,232)	(21,659)	(8,959)
Income tax expense	(53)	(50)	(23)
Net loss	(55,285)	(21,709)	(8,982)
Net income attributable to noncontrolling interest-preferred			(1,582)
Net income attributable to noncontrolling interest	(280)	(266)	(229)
Net loss attributable to SMI common unitholders	\$ (55,565)	\$ (21,975)	\$ (10,793)

SUNTEX MARINA INVESTORS LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended		
	December 31, 2021	December 31, 2020	December 31, 2019
Cash flows from operating activities:			
Net loss	\$ (55,285)	\$ (21,709)	\$ (8,982)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	29,829	33,235	25,311
Amortization of in-place leases	10,047	9,515	3,293
Amortization of original issue discount	1,195	—	—
Amortization of debt issuance costs	2,983	2,249	1,410
Debt issuance costs	277	—	—
Issuance of Class A units as compensation	—	4	50
Amortization of loan discount	70	94	94
Adjustment of acquisition liabilities	720	1,890	(318)
Provision for bad debts	91	901	171
Impairment of buildings, boats, docks and equipment	81	509	5,868
Proceeds from insurance	(2,348)	(8,336)	(1,333)
Loss on disposal of boats, furniture, fixtures and equipment	1,256	3,106	1,459
Loss on sale of marina properties	—	548	(14,822)
Loss on extinguishment of debt	16,347	—	3,986
Series A Preferred Units distributions paid-in-kind	13,561	2,658	1,503
Mark-to-market of interest rate swap	—	—	(306)
Amortization of Class B compensation expense	—	—	991
Unrealized gain related to investment in unconsolidated entities	—	—	(6,526)
Deferred income taxes	—	—	37
Changes in assets and liabilities:			
Due from affiliates	—	—	448
Interest receivable	—	—	(151)
Accounts receivable	(628)	602	(792)
Inventories	(1,166)	243	963
Prepaid expenses and other assets	(1,715)	(2,517)	28
Accrued expenses and accounts payable	9,112	(1,693)	3,566
Deferred revenue	1,280	756	335
Accrued interest payable	(3)	(918)	122
Security deposits	1,057	961	41
Net cash provided by operating activities	<u>26,761</u>	<u>22,098</u>	<u>16,446</u>
Cash flows from investing activities:			
Real estate acquisitions, net of cash acquired	(228,899)	—	(289,400)
Purchases of buildings, boats, docks and equipment	(36,981)	(36,741)	(16,537)
Real estate sales, net of disposal costs	—	1,460	45,067
Earnest money in escrow	(35,194)	(2,000)	633
Issuance of notes receivable	(2,000)	—	(450)
Repayment of notes receivable	—	1,799	67
Proceeds from sale of boats, furniture, fixtures and equipment	2,618	1,505	787
Proceeds from insurance	2,348	8,336	1,333
Net cash used in investing activities	<u>(298,108)</u>	<u>(25,641)</u>	<u>(258,500)</u>
Cash flows from financing activities:			
Payments related to Recapitalization, net	(416,375)	—	—
Proceeds from issuance of common units at Recapitalization	289,870	—	—
Proceeds from issuance of Class 1-B units	270,000	—	—
Proceeds from issuance of Series A units, net of original issue discount	290,812	—	—
Repayment of Preferred Series A units	(141,446)	—	—
Distributions to SMI REIT	(268)	—	—
Distributions to Class A holders	—	(7,844)	—
Proceeds from refinancing of term loan credit facility	525,000	—	—
Proceeds from senior revolving credit facility	174,164	15,000	80,000
Repayments of term loan credit facility	(350,000)	—	—
Repayments of senior revolving credit facility	(269,164)	—	—
Payment of debt issuance cost	(11,263)	—	(10,384)
Equity issuance cost	(18,406)	—	—
Principal payments	(62)	(64)	(294,274)
Proceeds from issuance of Preferred Class A units	—	—	121,275
Distributions to preferred shareholders	—	—	(1,284)
Proceeds from senior debt facility	—	—	350,000
New mortgage proceeds	—	—	4,717
Debt extinguishment fees	—	—	(1,790)
Distributions to noncontrolling interests	(100)	(248)	(80)
Payments for acquisition liabilities	(1,481)	(1,000)	(1,015)
Net cash provided by financing activities	<u>341,281</u>	<u>5,844</u>	<u>247,165</u>
Net change in cash, cash equivalents, and restricted cash	<u>69,934</u>	<u>2,301</u>	<u>5,111</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>16,254</u>	<u>13,953</u>	<u>8,842</u>
Cash, cash equivalents and restricted cash, end of period	<u><u>\$ 86,188</u></u>	<u><u>\$ 16,254</u></u>	<u><u>\$ 13,953</u></u>
Cash paid during the period for: Interest	\$ 35,741	\$ 24,894	\$ 14,694