Lopez, Maria [COB]

From:	Dennis Winters <winterslawfirm@cs.com>
Sent:	Friday, August 21, 2026 4:52 PM
To:	COB_Response
Cc:	Fourth District; Foley, Katrina; Nguyen, Janet; Wagner, Donald; Sarmiento, Vicente
Subject:	Agenda Item 18, 8/25/2026 Board Meeting. Please add to Agenda doc. Thank you
Attachments:	2024 audited financial statement.pdf; 8DPHP_ Master Ground Lease Agr102818 (Redacted) COMPRESSED-1 236.pdf; 8DPHP_ Master Ground Lease Agr102818 (Redacted) COMPRESSED-1 237.pdf; 8DPHP_ Master Ground Lease Agr102818 (Redacted) COMPRESSED-1 225.pdf; 8DPHP_ Master Ground Lease Agr102818 (Redacted) COMPRESSED-1 159.pdf; WardLt2017.pdf

To Supervisor Chaffee and the Board,

Boaters/Slip Holders Fund this Reconstruction

This harbor was built, primarily, to provide a place for recreational boaters to store and use their boats. However boaters are being ignored in this process of approving new leases.

The Tidelands grant under which the County holds this property designated the purpose to which the tideland property was to be used, and limited what it could be used for:

That said lands shall be used by said county, and its successors;, only for the establishment, improvement and conduct of a harbor, and for the construction, maintenance and operation thereon of wharfs, docks, piers, slips, quays and other utilities, structures, facilities and appliances necessary or convenient for the promotion and accommodation of commerce and navigation, and for recreational use, public park, parking, highway, playground, and business incidental thereto.

The docks, piers and slips were the reason the marina was built; the commercial buildings and hotels are merely “business incidental thereto.” The 2018 Master Lease was not entered into because the commercial buildings and hotel were falling apart, it was entered into because the docks and slips were crumbling into the harbor needed replacement. Dana Point Harbor was constructed on a stretch of coast entrusted to the County of Orange by the State of California to build and operate a municipal recreational boat harbor, with strict rules governing its use. It is among a very small handful of west coast marinas in this regard. Consequently, there are protections around the affordability of the public harbor. In fact, the County could be penalized if the harbor generates excess revenue, and required to divert harbor funds to the State.

The bulk of the income received by the Partners comes from the boaters in general and from slip holders in particular. According to the 2024 Audited Financial Report from the Partners, 62% of gross revenues the Partners received were from Boat slips and other related water side facilities. That was before the commercial restaurants and shops were closed. After October 31, this year virtually 100% of revenue will be from boaters.

As of the 2024 Audited Report, the total equity investment of the Partners at that time (6 years into the Lease) was a grand total of slightly over $9 million. This despite the fact that Exhibits to the original Master Lease stated the Partners projected equity funding of over $125 million, on a project now expected to cost in excess of $700 million. From this, the Partners anticipate revenue of over $20 billion over the life of the leases.

Therefore, the Partners are and will be using funds from boaters to pay for development. Note, the loan obtained by the Partners for the commercial development is secured by a UCC-1 lien on the income from boaters. Given that the boaters were public intended by the Tidelands grant to be the primary beneficiaries of the marina, and boaters' slip fees fund the commercial development, we find it troubling that boaters' concerns are being ignored.

Background on Fees Paid by Boaters

In the approximately 50 years prior to the Partners' lease, all previous leases and operating agreements had some guidelines on how to determine market rate for slip. No such guidelines appear in the present Master Lease or the proposed new lease. While the language in the Master Lease require rates be "market rates" "reasonably determined," no guidelines in the lease show how the "market" is determined. The County Real Estate office has taken the position that that means the Partners have unfettered discretion to determine the rates. (a position which we believe is incorrect.) Note, in a letter the Partners sent to the County prior to entering into the original lease, they acknowledged that the marina has no effective competition. See attachments.

As a result, slip holders received massive increases in slip rates since the Master Lease was signed. Even modest sized boats in the 25 foot to 30 foot range have had their rates essentially doubled in the 8 years since the Master Lease was signed, and larger boats have seen even larger percentage increases. Partners plan additional increases of 9% per year. As a result hundreds of small boat owners have left the harbor, often selling their boats, particularly retired boaters and others on fixed income.

Adverse Effects on Sailing Programs for Young Boaters

The County has mandated social justice sailing program for young people, as well as programs run by the two Yacht Clubs for young people, to learn about sailing. How relevant will these programs be if the young sailors realize the fees for actually owning and storing the boat ae so excessive they may never be able to use what they learn? Apparently, the Partners intend to eliminate the boat hoist used by these programs as part of the revitalization. There is nothing in the lease to restrict actions that adversely affect the youth programs.

As Supervisor Sarmiento stated at the last meeting, this is the last chance the Board has to make sure these issues are adequately protected by the new leases. These issues, like the employee retention issues, should all be included in the leases.

Misconceptions Previously Presented to Board

Some untrue, or at least misleading, statements were made at the last meeting.

First, it was stated slip holders retain their slips "in perpetuity". This is false; all slip fall under month to month licenses.

Second, a statement was made that the closing of all the commercial restaurants and shops was always contemplated from the beginning. This is misleading. The original plan, as detailed in original Master Lease, provided the commercial core would be developed in phases; with some shops and restaurants remaining open until the first phase was completed. Instead, every restaurant and shop must close as of October 31.

Boaters Interests are Being Ignored.

To conclude, Boaters' interests have, for the last 8 years, been ignored, despite the fact that boaters are the very persons for whom this public harbor was built. Its amenities should be available for people of all income and status, not just those wealthy enough to afford Newport Beach level of fees. These concerns have been ignored by the Partners, by the County Real Estate office and, it seems, by the Board of Supervisors.

These leases should be sent back to the Real Estate staff to address the failures in the original lease and negotiate appropriate changes Thank you.

Dennis Winters

Dana Point Harbor Partners, LLC

Financial Statements and
Supplementary Information

December 31, 2024

Independent Auditors' Report

To the Members of
Dana Point Harbor Partners, LLC

Opinion

We have audited the financial statements of Dana Point Harbor Partners, LLC (the Company), which comprise the statement of assets, liabilities and members' equity—federal income tax basis as of December 31, 2024, and the related statements of revenues and expenses—federal income tax basis, changes in members' equity—federal income tax basis and cash flows—federal income tax basis for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and members' equity of the Company as of December 31, 2024, and its revenues and expenses, changes in members' equity and cash flows for the year then ended in accordance with the basis of accounting the Company uses for federal income tax purposes described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for federal income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the Company uses for federal income tax purposes and for determining that the federal income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement of gross receipts is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly US, LLP

Los Angeles, California
March 26, 2025

Assets		
Development and Improvements, Net	$	57,908,669
Cash		15,220,860
Accounts Receivable		303,925
Prepaid Expenses		206,494
Deposits and Other Assets		402,230
Total assets	$	74,042,178
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	$	6,065,316
Accrued liabilities		310,741
Accrued property and transient taxes		441,056
Tenant deposits		2,723,987
Total current liabilities		9,541,100
Line of Credit, Net		37,136,261
Total liabilities		46,677,361
Commitments and Contingencies (Note 8)		
Members' Equity		27,364,817
Total liabilities and members' equity	$	74,042,178

Dana Point Harbor Partners, LLC

Statement of Revenues and Expenses—Federal Income Tax Basis
Year Ended December 31, 2024

Revenues	$ 34,436,031
Expenses	
Depreciation and amortization	12,657,994
Facilities	5,603,393
Operating and maintenance	4,550,016
Payroll and related expenses	3,443,044
Rent	2,735,734
Management fees	1,534,894
Property taxes and insurance	1,401,805
Marketing and advertising	889,927
General and administrative	654,414
Interest expense	65,759
Other expense	33,834
Total expenses	33,570,814
Excess of revenues over expenses	$ 865,217

See notes to financial statements

Statement of Changes in Members' Equity—Federal Income Tax Basis
Year Ended December 31, 2024

Members' Equity, January 1, 2024	$ 30,944,225
Distributions to members	(4,444,625)
Excess of revenues over expenses	865,217
Members' Equity, December 31, 2024	$ 27,364,817

Dana Point Harbor Partners, LLC

Statement of Cash Flows—Federal Income Tax Basis
Year Ended December 31, 2024

Cash Flows From Operating Activities	
Excess of revenues over expenses	$ 865,217
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation and amortization	12,648,632
Amortization of debt issuance cost	190,107
Changes in operating assets & liabilities:	
Accounts receivable	337,968
Prepaid expenses	49,202
Deposits and other assets	52,292
Accounts payable	4,571,869
Accrued liabilities	174,531
Accrued property and transient taxes	110,865
Tenant deposits	55,755
Net cash provided by operating activities	19,056,438
Cash Flows From Investing Activities	
Additions to development and improvements	(44,286,185)
Net cash used in investing activities	(44,286,185)
Cash Flows From Financing Activities	
Proceeds from line of credit	37,516,475
Payments of debt issuance cost	(570,321)
Distributions to members	(4,444,625)
Net cash provided by financing activities	32,501,529
Net increase in cash	7,271,782
Cash, Beginning	7,949,078
Cash, Ending	$ 15,220,860

1. Nature of Operations

Dana Point Harbor Partners, LLC (DPHP or the Company), a California limited liability company, was formed on January 26, 2017 (the formation date). The primary purpose of the Company is to operate and redevelop the marina, hotel and retail assets of the Dana Point Harbor, in the city of Dana Point, California (the Property).

Pursuant to the Amended and Restated Operating Agreement dated September 5, 2017 (the Op Agreement), the term of the Company commences on the formation date and shall continue until terminated according to the provisions of the Op Agreement.

The Company commenced operations on October 29, 2018 upon entering into a 66-year ground lease with the County of Orange, California (County) for the Property.

The Company is wholly owned by the following members (collectively, the Members):

- Burnham-Ward Properties LLC (BWP) owns 33 1/3% (100 units)
- Bellwether Marine Development, LLC (Bellwether) owns 33 1/3% (100 units)
- RD Olson Dana Point Investors (R.D. Olson) owns 33 1/3% (100 units)

During the year ended December 31, 2024, R.D. Olson Investments II, LLC transferred their ownership of the Company to RD Olson Dana Point Investors, a California General Partnership.

The Company has divided operations into the following components:

Commercial Core Operations

The commercial core operations include the retail, restaurants, offices, other landside buildings, and all park scape areas. BWP is responsible for the development, oversight, and day-to-day operations of the Property's commercial core activities.

Marina Operations

The marina operations include boat slips and boater parking. Bellwether is responsible for the development, oversight, and day-to-day operations of the marina. Bellwether has appointed BellPort Group, Inc. (BellPort), an affiliated entity, as its initial designated manager.

Hotel Operations

The hotel operations are related to the Property's hotel called the Marina Inn. R.D. Olson is responsible for the development, oversight, and day-to-day operations of the Property's hotel and hospitality activities. R.D. Olson has appointed Olson Real Estate Group, Inc. (OREG), an affiliate entity, as its initial designated manager. A third-party property manager, Twenty4seven Hotels Corporation (Third-Party Property Manager), has been engaged by the Company to run the hotel operations.

Management

BWP, BellPort and OREG are collectively referred to as the Managers of the Company. Each Manager is responsible for maintaining the books and records with respect to the management and operation of its respective component of the business.

The description of the Company's Op Agreement contained in these financial statements provides only general information. Refer to the Op Agreement for a more complete description of the provisions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting used for federal income tax purposes (FITB), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Certain presentations and the timing of the recognition of certain revenues and expenses in the accompanying financial statements—federal income tax basis differ from what would be required under GAAP. The primary differences, as applicable, are as follows:

- For FITB, rental income under operating leases is recognized the earlier of rental amounts becoming due or received, rather than on a straight-line basis over lease term in accordance with Accounting Standards Codification (ASC) 842, *Leases*, as required by GAAP.

- For FITB, the specific charge-off method is utilized to deduct bad debt expenses related to accounts receivable and is based on when a receivable is deemed uncollectible. As such, accounts receivable are carried at cost rather than at the amount expected to be collected. Under GAAP, an allowance for doubtful accounts is established when management believes collection of an account receivable is no longer probable.

- For FITB, depreciation of certain property and equipment is computed using the methods allowable for income tax purposes, instead of the estimated useful lives of individual assets as required by GAAP.

- For FITB, permanent declines in and, subsequently, realized losses on long-lived assets are recorded when the long-lived assets are abandoned or upon disposition of the long-lived assets. Under GAAP, such losses are provided when the assets are deemed impaired.

Under GAAP, in accordance with ASC 740, *Income Taxes*, the Company would be required to evaluate its uncertain tax positions and recognize liability for each uncertain tax position. This evaluation is not required for FITB.

Use of Accounting Estimates

The preparation of financial statements in conformity with FITB requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of commitments and contingencies. Actual results could materially differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially expose the Company to a concentration of credit risk, consist primarily of cash. Cash is maintained at financial institutions, and, at times, the balances may exceed federally insured limits. The Company has not experienced any losses related to these balances.

General Risks

The Company's operations and markets are affected by local and regional factors such as the respective economies, demographic demand for retail, boating and hospitality facilities, population age, governmental rules and regulations and general economic trends.

Accounts Receivable

Accounts receivable primarily consist of receivables from tenants for rent and other charges, if applicable, recorded according to the terms of their respective leases. Uncollectable receivables are written off directly to bad debt expense when substantially all collection efforts have been exhausted.

Deposits and Other Assets

Deposits and other assets primarily consist of security deposits paid on the Property lease and good faith deposits related to the revitalization of the Property. These deposits are held by the County to secure the Company's performance of all lease terms, covenants and conditions.

Development and Improvements

On October 29, 2018, the Company entered into an agreement with the County to lease property located in the City of Dana Point for 66 years. Under the terms of the agreement, the Company is required to redevelop and renovate the Property. All improvements are accounted for as assets of the Company.

Development and improvements are carried at depreciated cost. Depreciation is computed using income tax methods. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

Building and improvements are depreciated over the estimated useful lives of 39 years. Furniture and fixtures are depreciated over the estimated useful lives ranging from three to fiveyears.

Interest incurred and amortization of issuance costs on debt related to a development project must be capitalized as part of the asset's cost until it is placed into service. These costs of construction-related financing are allocated to the asset based on the weighted average accumulated expenditures. Capitalized costs are subsequently recovered through depreciation or amortization over the IRS prescribed useful life of the asset rather than being immediately expensed.

Tenant Deposits

Tenant deposits represent security deposits held by the Company under the terms of certain tenant lease agreements.

Debt Issuance Costs

Debt issuance costs are recorded at cost and amortized over the term of the related debt agreement using the straight-line method, which closely approximates the effective interest method. Debt issuance costs are amortized into expense or capitalized as part of the development and improvement costs, as described above.

Debt issuance costs related to the line of credit are presented in the statement of assets, liabilities and members' equity—federal income tax basis as a reduction from the carrying amount of the associated debt liability, consistent with the presentation of a debt discount.

Revenue Recognition

Revenue is recognized the earlier of when it is due or received.

Income Taxes

The Company is organized as a limited liability company and is treated as a partnership for federal and state income tax purposes. Accordingly, the Company does not provide for federal and state income taxes. The Members are responsible for reporting their allocable share of the Company's income, gains, deductions, losses and credits on their respective tax returns.

Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax returns filed from the year ended December 31, 2021 forward and State tax returns filed for the year ended December 31, 2022 forward are subject to examination by federal and state tax authorities; however, no such examinations are currently in process.

3. Development and Improvements, Net

At December 31, 2024, development and improvements, net consisted of the following:

Improvements	$ 43,203,710
Equipment	734,590
Buildings	435,345
Furniture and fixtures	104,524
Vehicles	57,840
	44,536,009
Less accumulated depreciation	(34,297,241)
	10,238,768
Construction in progress	47,669,901
Total development and improvements, net	$ 57,908,669

Depreciation and amortization expense for the year ended December 31, 2024 was $12,657,994. Construction in progress consists of engineering, architectural, design, environmental, permit, legal and other associated costs and fees for hotel, marina and commercial core projects currently under construction.

4. Line of Credit, Net

The Company has a $60,000,000 non-revolving line of credit loan agreement with Citizens Business Bank, in which it is a co-borrower with Dana Point Harbor Partners Drystack, LLC, for the purpose of financing, in part, the redevelopment of the Property. Interest-only payments are payable monthly, which is set at the greater of 5.00% or the Citizens Business Bank prime rate of interest (7.50% as of December 31, 2024). Principal is payable at the maturity date, which is January 9, 2027.

The line of credit, net of deferred issuance costs, is as follows as of December 31, 2024:

Line of credit	$ 37,516,475
Less deferred issuance costs, net	(380,214)
Line of credit, net of deferred issuance costs	$ 37,136,261

The line of credit is secured by substantially all of the assets of the Company. The following table summarizes aggregate future principal payments on the line of credit as of December 31, 2024:

Years ending December 31,	
2025	$ -
2026	-
2027	37,516,475
Total	$ 37,516,475

The line of credit agreement contains various covenants relating to financial reporting and the maintenance of certain minimum financial ratios. As of December 31, 2024, the Company was in compliance with these loan covenants.

5. Future Minimum Lease Payments

The Company has commercial operating leases expiring at various dates through 2032. The future minimum lease payments to be received under these leases as of December 31, 2024 are as follows:

Years ending December 31,	
2025	$ 878,515
2026	883,015
2027	883,015
2028	883,015
2029	883,015
Thereafter	2,257,173
Total	$ 6,667,748

6. Members' Equity

As of December 31, 2024, the Members have made the following cash contributions to the Company:

- BWP: $3,032,275
- Bellwether: $3,032,275
- R.D. Olson: $3,032,275

No contributions were made during the year ended December 31, 2024. In accordance with the Op Agreement, net cash flow, if any, shall be distributed to the Members quarterly, in proportion to their respective ownership interests. Further, at a minimum, the Company shall distribute to each Member an amount equal to 25% of the Company's taxable income multiplied by the sum of the maximum federal and state of California income tax rate in effect attributed to each Member on each of April, June, and September. However, the Company shall make no distributions to the Members if after giving effect to the distribution, all liabilities of the Company, other than liability to the Members on account of the capital contributions, would exceed the fair value of the Company's assets. During the year ended December 31, 2024, $4,444,625 in distributions were made to the Members.

In accordance with the Op Agreement, profits and losses with respect to any year shall be allocated to the Members, after giving effect to the special allocations, as defined, and subject to the loss limitation as follows:

Profits

First to the Members to the extent of the amount by which the cumulative losses allocated to the Members for all prior allocation periods exceeds the cumulative profits previously allocated to them, then to the Members in accordance with their respective percentage interest.

Losses

First to the Members to the extent of the amount by which the cumulative profits allocated to the Members for all prior allocation periods exceeds the cumulative losses previously allocated to them, then to the Members in accordance with their respective percentage interest.

Loss Limitation

In accordance with the Op Agreement, losses allocated shall not exceed the maximum amount of losses that can be allocated without causing any Member to have an adjusted capital account deficit at the end of any fiscal year. In the event some, but not all, of the Members would have an adjusted capital account deficit as a consequence of an allocation of losses, the losses not allocable to any Member as a result of such limitation shall be allocated to the other Members in accordance with the positive balances in their respective capital accounts.

7. Related-Party Transactions

In accordance with the Op Agreement, the following fees are payable to the Managers:

Management Fees

The Manager may charge management fees for the day-to-day management of the Property, as approved in the budget. For the year ended December 31, 2024, the Company incurred $1,328,678 in management fees, which are included in management fees in the accompanying statement of revenues and expenses—federal income tax basis.

In addition, for each Manager that hires a third-party operator for the operation of the Property, the Manager shall be paid an asset management fee of 4% of the net operating income, as defined. For the year ended December 31, 2024, the Company incurred $55,986 in asset management fees, which are included in management fees in the accompanying statement of revenues and expenses—federal income tax basis.

Third-Party Property Manager

The Third-Party Property Manager charges a base fee of 3% of gross revenue. The Third-Party Property Manager is also entitled to an incentive fee equal to, for any operating year, an amount equal to 15% of the excess of (i) actual net operating income for such operating year over (ii) the net operating income budgeted for such operating year in the applicable operating plan and budget, as defined. For the year ended December 31, 2024, the Company incurred $150,230 in property management fees, which are included in management fees in the accompanying statement of revenues and expenses—federal income tax basis. The Third-Party Property Manager is also subject to other terms and conditions, including establishing a capital improvements and reserve fund, as defined.

Developer and Contractor Fees

Each Manager shall be entitled to a 4% development fee based upon the approved budget with such fee to be charged at the time of construction as such costs are incurred. For the year ended December 31, 2024, the Company incurred $926,305 in development fees, which were capitalized and included in development and improvements, net in the accompanying statement of assets, liabilities, and members' equity—federal income tax basis.

OREG has the right, but not the obligation, without such majority approval, to hire R.D. Olson Construction, Inc. as the general contractor for the hotel component with general contractor fees of 6%, such fee not to include general conditions. Bellwether has the right, but not the obligation, to hire Bellingham Marine as the design builder of the marina component consistent with BellPort's scope and budget submitted to the County of Orange. For the year ended December 31, 2024, no such contractor fees were incurred.

8. Commitments and Contingencies

Leasing Arrangement

The Company leases the Property from the County of Orange, California under a noncancelable operating lease that expires in 2084. The lease generally requires the Company to pay property taxes, insurance, normal maintenance, other operating costs of the property, and annual rental escalations. In addition, the lease requires contingent rent payments based upon a percentage of the applicable gross receipts. The amounts of future minimum lease payments do not reflect any contingent rental payments or potential adjustments for Consumer Price Index changes, as defined, and, accordingly, actual future lease payments may be higher. Minimum lease rent for the year ended December 31, 2024 was $1,868,750 and contingent rent based on gross receipts was $866,984.

The lease requires minimum annual payments as follows:

Years ending December 31,	
2025	$ 1,868,750
2026	1,868,750
2027	1,868,750
2028	2,055,625
2029	2,055,625
Thereafter	192,219,339
Total	$ 201,936,839

Management Agreements

The Company's management agreement with BWP commenced October 2018 and continued for a period of 36 months. Thereafter, the management agreement becomes cancellable upon 30 days written notice. The Company's management agreement with BellPort commenced January 2019 and has an initial term of five years and automatically renews for successive five year periods thereafter unless terminated at least 12 months in advance of the renewal date and not earlier than 15 months in advance.

Third-Party Property Management Agreement

The term of the Third-Party Property Management agreement expires on the earlier of (a) the expiration date and (b) the date, if any, that the agreement is terminated in accordance with its terms. The expiration date (as it may be extended from time to time) is automatically extended for an additional one-year period unless, on or before the 60th day before such expiration date, either party gives the other party notice that such expiration date will not be extended.

Contingencies

The Company's operations are subject to a variety of state and local regulations. Failure to comply with one or more regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations; however, the Company believes that it is in compliance with applicable local and state regulations as of December 31, 2024.

The Company is subject to certain claims and complaints that arise during the ordinary course of business. The Company is not aware of any claims or complaints that would have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably.

Future Marina Maintenance

As part of its lease obligation with the County, the Company is responsible for maintenance of the lease property. This includes the required dredging of the harbor that occurs approximately every eight to ten years.

Indemnification

The Company has indemnified the Managers for all expenses, losses, liabilities or otherwise that the Company actually and reasonably incurs arising out of or relating to the conduct of the Company's activities, unless the loss is the result of fraud, deceit, gross negligence, or reckless actions.

9. Subsequent Events

The Company has evaluated subsequent events from the date of the financial statements through March 26, 2025, the date on which the financial statements were available to be issued.

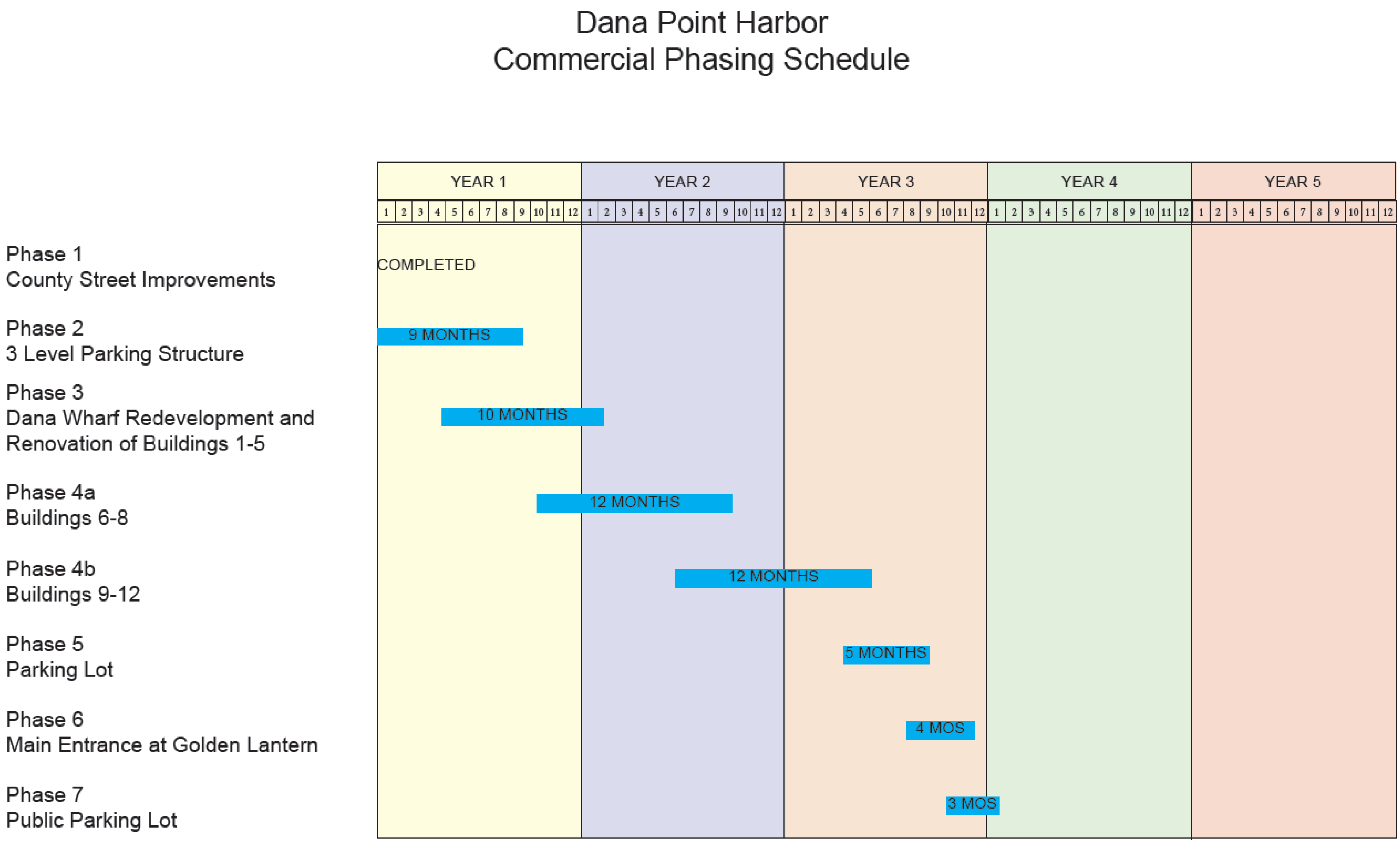
Dana Point Harbor Partners, LLC

Supplemental Statement of Gross Receipts
December 31, 2024

Business Categories	
Boat slips, anchorages, moorings and other water side facilities	$ 21,237,500
Existing Marina Inn hotel room revenue	4,778,388
Gross receipts from club dues, initiation fees	3,652
Gross receipts from parking operations	124,586
Installation or operation of coin-operated vending or service machines	31,227
Lease use or occupancy for an office (including boat brokerage and commercial core operations)	6,162,535
Lease, use or occupancy for an office (including boat brokerage)	553,625
Lease, use or occupancy of the boat repair shop	156,250
Rental of charter boats, bareboat charters and sport fishing	57,107
Rental of boats or other commercial boating activities; miscellaneous boater services; sale of fuel or oil; and dry or landside storage	396,023
Other hotel operations	335,561
Parking operations	151,805
Use or occupancy of space used for both events and catering of events	3,954
Total gross receipts	$ 33,992,213

8.1.3 PHASING PLAN

0348



* Construction time durations are tentative and subject to future modifications.

8.2 Budgets

Pre-Development Sources and Uses of Funds

The predevelopment capital for the Project of approximately $3,471,000, comprising planning, consultants, attorneys, permit applications, deposits, fees and permits shall be born entirely by equity funded by DPHP. Outside equity investment and debt is not anticipated to be required until building permits for the initial phase of construction have been issued.

Sources of Funds		
Debt		$0
Equity		3,470,600
Total Sources of Funds		**3,470,600**
Uses of Funds		
Pre-Development Costs		$1,470,600
Indirects		
A&E/Professional	*1,500,000*	
Permits & Fees	*500,000*	
Total Indirects		$2,000,000
Financing Costs		0
Total Uses of Funds		**$3,470,600**

Development Phase Sources and Uses of Funds

The development capital for the Project of approximately $315,000,000 encompassing direct construction costs, indirect costs, pre-opening, furniture, fixtures & equipment, architecture, engineering, financing costs, insurance, etc. will be funded by a mixture of both debt and equity sources. DPHP anticipates using its own equity as well as potential outside equity that will be raised leading up to the issuance of the first building permit and will be committed from the beginning of the Project. DPHP expects that actual investment capital will be called from the investors in phases as the Project phases and components commence construction. This structure provides for maximum capital efficiencies and flexibility given that this is a multi-phased project encompassing several years. Additionally, DPHP expects to use construction loans to finance the components during this phase using institutional

8.5 Financial Plan

EXHIBIT G

DANA POINT HARBOR PARTNERS, LLC ("DPHP")

Financing Plan

The managing members of DPHP have collectively financed several billion dollars of new, ground-up construction, existing assets and marina properties. Past capitalizations have included straight debt with principals self-funding all required equity, equity funding through partnering with private high net worth individuals, institutional investors, small regional banks and large-scale international institutions. The experience and expertise of the managing members of DPHP also covers the spectrum of uses and types of real estate being redeveloped within the Dana Point Harbor Redevelopment ("the Project").

The anticipated total required capital for the Dana Point Harbor Redevelopment will be approximately $319,000,000. The capital stack will include an industry typical loan-to-value ratio likely ranging from 60% to 75%. This leaves approximately $79,750,000 to $127,600,000 of required equity for the Project. The debt portion of the Project will range from $191,400,000 to $239,250,000 in required loan(s). DPHP has used a 60% debt overall leverage ratio for our permanent financing.

Sources of Funds - Overall Project			
Debt		$193,701,671	60.8%
Equity		125,129,041	39.2%
Total Sources of Funds		**318,830,712**	
Uses of Funds			
Pre-Development Costs		$1,470,600	
Direct Construction			
Construction Costs	*267,053,544*		
FF&E	*10,665,155*		
Total Direct Construction		$277,718,699	
Indirect Construction			
A&E/Professional	*10,096,989*		
Permits & Fees	*4,423,659*		
Pre-Opening	*4,637,955*		
Contingency	*5,831,366*		
Total Indirect Construction		$24,989,968	
Financing Costs		$14,651,445	
Total Uses of Funds		**$318,830,712**	

8.5 Financial Plan

Equity sources include an established network of private capital consisting of accredited high net worth investors, high net worth family offices, and if needed, strategic institutional capital. The managing members of DPHP have tremendous track records utilizing private high net worth capital of which many of the potential investors and family offices are Orange County residents and will have a personal vested interest in the success of the Project. We have initiated discussions with a small group of select private individuals and family offices that will likely participate in our offering. The final ownership structure is anticipated to consist of Class A Members (DPHP) and Class B Members (all other outside equity investors, if any). Class A Members will contribute approximately 10%-50% of the required equity and Class B Members will contribute approximately 50%-90% of the required equity. DPHP’s ability to self fund a substantial amount of the required equity (if not all), which, along with our personal real estate holdings, gives our team added credibility with both equity and debt sources. DPHP will be fronting all required capital initially without outside investors until each component of the Project is ready for issuance of building permits. This takes away significant amount of risk for the County and the investors, and allows DPHP control of all facets of the development prior to bringing in investors. The equity will be raised leading up to the issuance of the first building permit and will be committed from the beginning. DPHP expects that actual investment capital will be called from the investors in phases as the Project phases and components commence construction. This structure provides for maximum capital efficiencies and flexibility given that this is a multi-phased project encompassing several years.

Debt for the Project will come from established, institutional lenders, and may include such lenders as Bank of America, Wells Fargo Bank or JP Morgan. As a single ownership entity, DPHP is structured to allow DPHP to cross collateralize and underwrite the revenue for the entire Project as one, providing the necessary security required by lenders to fund the Project. Given that each of the components of the Project are very different business lines and types of real estate, there is a likelihood that the Project may require multiple lenders that specialize or have established track records in hotel, retail and marina financing, both construction and permanent. DPHP has an established track record of successfully obtaining construction and permanent loans for each component of the Project. DPHP has deep relationships with a few select institutional lenders that are capable of and have expressed interest in, funding the entire project, select components, or taking the lead in a syndicated debt offering. As the debt markets are dynamic and change with market conditions, DPHP is not able to represent exact loan pricing at this time. The following table below summarizes the key financing assumptions used in our underwriting of the Project. DPHP anticipates that the maximum loan-to-value ratio on the Project will not exceed 75%. DPHP will submit proposed loan term sheets to the County for review prior to finalization. Any loan-to-value ratio in excess of 75% will require County approval.

May 4, 2017

Ms. Zoila Finch
CEO Real Estate
County of Orange
333 W. Santa Ana Boulevard, 3rd Floor
Santa Ana, CA 92701-4062

Re: **Dana Point Harbor Partners – Proposed Financial Terms**

Dear Ms. Finch,

Dana Point Harbor Partners (DPHP) is pleased to respond to Part 2(E) of the Dana Point Harbor Request For Proposals #2016-03-16 (RFP) with the financial terms set forth in this letter.

DPHP's goal, both in this offer and in its development proposal, is to partner with the County to create an exciting, revitalized development at Dana Point Harbor that will both enhance the Dana Point Harbor area and yield a robust financial return to the County, including substantial new revenue. The financial returns to the County under the Ground Lease include required Minimum Base Rent plus upside participation in the project's success in the form of Percentage Rent.

We are sure it goes without saying that, in addition to evaluating the new rental income that will accrue to the County, any review of the financial metrics of DPHP's proposal must include the beneficial economic results that DPHP's development brings to Orange County and the City of Dana Point. These extrinsic results include, from the two new hotels alone, an anticipated increase in TOT paid to the City of Dana Point of over $1.3 million a year (once the new hotels achieve stabilized revenue per available room), about $700,000 of increased overall annual sales tax revenue, over $700,000 of new annual property tax revenue, an increase in the number of permanent jobs from about 20 to about 130, over $380,000 per year in new contributions to the Tourism Business Improvement District, plus building permit fees, impact fees, and the benefit of additional new jobs during construction. The project's commercial and marina components would push these numbers significantly higher. Clearly, a successful Dana Point Harbor development and the new tourists it will bring to the area will add another economic driver to Orange County.

We understand, however, that the most direct benefit to the County will be the ground lease payments. In preparing this financial proposal, DPHP has drawn on the experience of the DPHP partners with other public-private partnerships, other private ground lease transactions, as well as DPHP's independent market research. DPHP has prepared detailed financial *pro formas* analyzing each segment of the development and its anticipated revenue. We are confident, based on our detailed projections, that numbers set forth in this offer are both realistic and fair, and we would be delighted to sit down with the County's consultants and walk through each of our assumptions and anticipated financial results.

DPHP believes that each of the three different product types at Dana Point Harbor (generally: hotel, commercial and marina) must be treated differently under the Ground Lease. There are market factors that dictate this approach, and we believe that by addressing each product type separately, we can maximize the income to the County without jeopardizing the project's ability to withstand the inevitable variations due to economic and market shifts, in overall project income during the lease term.

The Dry and Wet Marinas provide unique facilities along this stretch of the California Coastline, and can therefore support generous percentage rents that reflect the lack of existing competition. The constrained supply of nearby competitor marinas yields high confidence that demand for the marina uses will continue to be strong. Additionally, there is little to no turnover vacancy and when vacancies do occur, there are re-tenanting costs to speak of.

The proposed Hotel and Commercial Core developments are inevitably more elastic and subject both to pressure from new competition (which need not be on the water) and pressures from variations in the larger economy. In addition, in the case of retail, tenant turnover brings high re-tenanting costs and both retail and hotel require active and costly day to day management and operational oversight. As a result, prudence dictates a ground rent structure that limits fixed rent and depends on percentage rent to enable the County to capture its profits from the project's success.

DPHP believes that all three areas of the development need to thrive in order for the County to realize its vision for Dana Point Harbor and to maximize County and DPHP income. We believe that the financial package we are offering will allow for a successful development that can withstand adverse market conditions and yield both the return the County wants and deserves and the return DPHP needs to satisfy its equity partners and lenders. Inevitably, the project that we intend to build, for all product types, will be first class in workmanship, design and represent a long term institutional quality asset for county. The result of which will be a larger more predictable revenue stream to the County.

If selected, the DPHP team looks forward to working with the County to craft Ground Lease provisions which are consistent with this financial offer. We also would like to work with the County to create added value to the project and the County through judicious use of OCDPH Special Revenue Fund 108, as discussed below.

The economics of the lease terms are outlined in Table 1, below.

TABLE 1: RENTAL INCOME

Development Component	Minimum Base Rent	Percentage Rent[1]
HOTEL		
• **Room Revenue**	Minimum Base Rent is $75,000 in Year 1, $150,000 in Year 2, $250,000 in Year 3, and the greater of $250,000 or Percentage Rent beginning in Year 4 through the end of the lease term. The Minimum Base Rent shall be adjusted every 5 years beginning in Year 4 based on the cumulative increase, if any, in the Consumer Price Index over the previous 5 year period. However, in no event shall said cumulative increase, if any, be greater than 12% of the previous year's rent. Minimum Base Rent obligation to commence upon the completion and stabilization of both of DPHP's new proposed hotels.	3%
• **Other Revenue (Parking, Banquet, Events, Spa, etc.)**		2%
COMMERCIAL CORE - RETAIL		
• **Gross Revenue Buildings, Parking and Misc. (Includes Services, Events, Etc.)**	Minimum Base Rent is $100,000 in Year 1, $125,000 in Year 2, $150,000 in Year 3, and the greater of $250,000 or Percentage Rent beginning in Year 4 through the end of the lease term. The Minimum Base Rent shall be adjusted every 5 years beginning in Year 4 based on the cumulative increase, if any, in the Consumer Price Index over the previous 5 year period. However, in no event shall said cumulative increase, if any, be greater than 12% of the previous year's rent.	6% in Years 1-5 8% beginning in Years 6 and through the end of the Ground Lease term
DRY MARINA		
• **Dry Stack Storage**	Minimum Base Rent is $25,000 in Year 1, $30,000 in Year 2, $40,000 in Year 3, and the greater of $40,000 or Percentage Rent beginning in Year 4 through the end of the lease term. The Minimum Base Rent shall be adjusted every 5 years beginning in Year 4 based on the cumulative increase, if any, in	10%
• **Trailer Boat Storage (Parking Lot)**		20%
• **Vending**		5%
• **Boat Launch/Day Boater Parking**		5%

[1] Any Minimum Base Rent payments shall be deducted from the Percentage Rent owed.

Development Component	Minimum Base Rent	Percentage Rent[1]
• Lockers	the Consumer Price Index over the previous 5 year period. However, in no event shall said cumulative increase, if any, be greater than 12% of the previous year's rent.	5%
• Parking		5%
• Gross Revenue Buildings (Landside Structures with 3rd party leases, if any)		8%
• Misc. (Includes Services, etc.)		5%
WET MARINA		
• Slips Rentals	Minimum Base Rent is $1,500,000 in Year 1. The Minimum Annual Base Rent shall be adjusted every 5 years beginning in Year 2 to an amount that is 75% of the average of the previous three preceding years actual rent paid (whether Minimum Base Rent or Percentage Rent).	20%
• End Ties, Side Ties and Liveaboards		20%
• Dinghy		10%
• Lockers		5%
• Gross Revenue Buildings (Landside Structures with 3rd party leases)		8%
• Vending		5%
• Misc. (Includes Services, etc.)		5%
• Gross Revenue Parking		5%

This financial offer makes four key assumptions:

- Pre-Development Hotel Rent – Notwithstanding Table 1, DPHP's rent obligation for the existing hotel component shall be 6% of the Marina Inn's gross revenue for the period starting when the Ground Lease is effective and ending when the existing Marina Inn is taken out of service. In Ground Lease year 1 only, DPHP shall receive a dollar-for-dollar credit for its working capital expenditures and its investment in the Marina Inn's deferred maintenance. No rent payments whatsoever shall be owed during the hotel's construction period, which shall commence when the Marina Inn is removed from service and end upon the completion and stabilization of DPHP's two new proposed hotels. The Hotel's Minimum Base Rent and Percentage Rent obligations, as set forth in Table 1, shall commence upon the completion and stabilization of both of DPHP's new proposed hotels.

- Construction Rent Abatement – No Minimum Base Rent or Percentage Rent payments for the Hotel or Commercial Core (Retail, Dry Storage and Day boater parking) are to be made during the agreed-upon construction period. This abatement reflects the loss of revenue during construction. Additionally it may be necessary to discount or abate existing rents during construction due to business disruptions. No such abatement applies to the project's Wet Marina component.

- OCDPH Special Revenue Fund 108 – DPHP's financial offer anticipates the availability of $20 million from OCDPH Special Revenue Fund 108 for the parking and other infrastructure improvements associated with its hotel and commercial core components. DPHP also anticipates that the balance of Special Revenue Fund 108 will be made available for other necessary Harbor-wide improvements, including but not limited to the maintenance, repair, and (if necessary) reconstruction/replacement of the existing seawall.

- Participation in Proceeds from Sale or Refinance – County participation in any sale or refinance proceeds would be in conflict with DPHP's investor expectations and would render DPHP's proposed Harbor redevelopment financially infeasible. In the collective (and extensive) experience of the DPHP team, such participation is also inconsistent with other public-private partnerships. DPHP's financial offer therefore does not assume County participation in any sale or refinance proceeds.

On behalf of DPHP, thank you for considering this financial offer. We believe that it provides enormous value to the County while ensuring the viability of DPHP's ambitious plans for Dana Point Harbor.

Respectfully submitted,

Bryon Ward
Dana Point Harbor Partners