

November 7, 2025

Port Coronado Associates, LLC
Attention: Arthur E. Engel
1311 First Street
Coronado, CA 92118
Email: aeengel8@gmail.com

Re: Lease between the San Diego Unified Port District (Port) and Port Coronado Associates, LLC (PCA) for property located at 1201 First Street, Coronado, CA commonly referred to as the Coronado Ferry Landing, bearing District Document No. 19668, as amended (Lease)

Dear Mr. Engel:

Following the Board of Port Commissioners closed session meeting on October 14, 2025, Port staff met with you on October 23, 2025 to discuss next steps related to the Tenant's proposal for a term extension of the existing Lease. At the meeting, staff informed you of the Port's decision to cease negotiations on PCA's proposal and communicated the opportunity and willingness of Port staff to negotiate a short-term Lease extension to facilitate an orderly transition of the leasehold.

To reiterate what has been conveyed publicly, no long-term decision regarding the property has been made, including for the Port to assume operations. With no acceptable renewal proposal on the table, the Lease is currently set to expire in accordance with its terms on June 30, 2026.

The purpose of this letter is to again convey Port staff's overarching concerns with PCA's current proposal, which, as you know, has been the subject of robust discussions and negotiations between Port staff and PCA over the past year. These concerns include the following:

1. Project costs going towards long-deferred leasehold maintenance, and the proposal failing to address any repairs or improvements to the ferry pier, which is significantly degraded; and
2. Timing of project commencement in light of PCA's Lease obligations.

Deferred Maintenance

As part of due diligence efforts in analyzing your proposal, Port staff commissioned two third-party consultants to conduct detailed inspections and condition assessments of the leasehold's landside and waterside improvements. The reports, which were shared with

PCA in February 2025 and April 2025, collectively identify millions in maintenance deficiencies on both the landside and waterside improvements. The outstanding deferred maintenance runs counter to PCA's obligations under the Lease, which requires PCA to perform all maintenance, including repairs and replacements, to maintain the leasehold and its improvements in "a good, safe, healthy, and sanitary condition."

Millions of landside deferred maintenance costs that PCA is obligated to complete under the terms of its current Lease are included in the proposal, and the proposal completely omits making any repairs or upgrades to the waterside improvements. Staff cannot recommend a proposal that not only is largely and incorrectly based on addressing long overdue maintenance obligations, but also completely omits expending any funds toward upgrading a critical component of the leasehold.

Participation in negotiations with Port staff is not a shield for such extraordinary delay in making long-deferred maintenance. Ongoing discussions do not excuse PCA from timely performance, nor do they permit the repackaging of overdue commitments as "new" investment. Port staff cannot recommend a proposal that attempts to convert overdue maintenance into a substitute for the comprehensive upgrades required under the lease, and that continues to disregard critical waterside needs essential to the long-term viability of the project.

Project Timing

The proposal indicates that the project would be divided into three distinct phases, with the first phase not starting until 2028, notwithstanding that PCA has the ability and admitted financial wherewithal to immediately address the needed deferred maintenance. There is no reason for PCA to not address outstanding deferred maintenance in the immediate short term. Staff cannot support a proposal that delays satisfaction of outstanding land and waterside maintenance obligations for an additional 2-3 years.

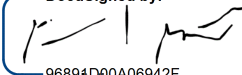
Conclusion

Port staff would only recommend a proposal that contains strict contractual guardrails, milestones, and streamlined robust remedies to ensure timely compliance by PCA. In addition, Port staff requires the proposal to be supported by reasonable and realistic construction timeframes and projections that the Port can reasonably rely on to become a reality. Finally, a proposal staff could recommend would also need to include sufficient security, such as personal guarantees, to backstop tenant obligations and further ensure timely performance under a corresponding lease. As you know, tenant's obligations under the current Lease are backstopped by numerous personal guarantees, and the public deserves similar protections in a proposed new lease.

Please note that nothing in this letter is to be construed as an admission or a waiver of any of the Port's rights, remedies, claims, and/or defenses under the Lease or at law, all of which are expressly reserved, including, but not limited to, the Port's rights under the Lease to enforce outstanding Lease obligations to maintain the leasehold in good condition.

In closing, the Port's goal has always been to ensure the future success of the Coronado Ferry Landing and that the businesses within it have opportunities to continue operating. Should you have any questions or care to discuss this letter, please let us know.

Sincerely,

DocuSigned by:

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Adam Meyer

Director of Real Estate

cc: A. Gordon, SDUPD
A. Paulus, SDUPD