Letter to Bondholders – Starwood West Limited

This letter is addressed to you in connection with and in support of a Proposal submitted by Starwood West Limited ("SWL" or the "Company") as outlined in their Term Sheet dated May 24, 2020 (the "Proposal" and the "Term Sheet", respectively) regarding a Restructuring Arrangement, involving Mission Peak Capital ("MPC"). MPC first approached Starwood Retail Partners, L.L.C ("SRP") - the entity which operates and manages the Company's Malls, approximately 10 days ago to engage in discussions regarding a restructuring of the Company. For the sake of transparency, MPC is a minority Bondholder of the ILS Bonds.

Over the last month, MPC has held discussions with the Bond Trustee as well as several Stakeholders in the transaction. After carefully studying the underlying Malls, Competing Management Bids, workout process and path to resolution, **MPC has concluded that the highest and best outcome for all parties is to accept the Company's Proposal.** The Company's Proposal economically and operationally superior to each of the bids to manage the Properties by Namdar, Kohan and Global ("Competing Management Bids", *See: Page 3*)

In MPC's opinion, the Company's Proposal provides for the best upfront payment to the bondholders, the most stability and continuity at the asset level, highest probability of approval by the Senior Lenders and maximizes potential recovery to the ILS Bondholders. Most importantly, **MPC believes that the Proposal is not only the best option, but truthfully the only viable option to the ILS Bondholders for the following reasons**:

- **The Company's Proposal offers the most cash to ILS Bondholders today** and the highest likelihood of equity upside as capital markets normalize from COVID-19.
- **Timing is crucial** as recent rent collections hover around ~20% and there are substantial ongoing negotiations with the tenants and vendors. It is imperative to avoid a disruptive transition that increases the cash burn and delays the return to profitability. It is our belief that none of the other Competing Management Bidders will receive approval from the Special Servicer. This is the most significant risk factor as non-approval leaves the Senior Lenders no choice but to foreclose and wipe out all subordinate stakeholders.
- **SRP is a best-in-class operator** and a known quantity to both the Senior Lenders and tenants at each of these properties. Stability and continuity are critical given the current retail environment and impact of COVID-19 to the operation of the properties.
- **MPC has the capital to invest in these assets if necessary,** and holds relationships with each of the Senior Lenders, Special Servicers and CMBS bondholders.

MPC is a real estate investment firm based in Kansas City, Missouri. MPC manages over $1bn of commercial real estate and has completed over $3bn of real estate transactions since its inception in 2009. MPC has engaged in over $5bn in debt advisory and underwriting. Through $24bn of CMBS (Commercial Mortgage-Backed Securities) Controlling Class exposure, MPC has completed more than 35 loan modifications and resolutions with Trustees and Special Servicers. The firm is managed by Wit Solberg and Chris Dunn.

The Company Provides the Only Viable Proposal with the Highest Bondholder Recovery

1) **The Company's Proposal offers the most cash to ILS Bondholders today and the highest likelihood of equity upside as capital markets normalize from COVID-19.**
   - The Proposal distributes the most money to the bondholders today among the bids.
   - SRP is a known quantity by the Senior Lenders. SRP historically managed the malls to high occupancy and strong rents pre-COVID-19 and is best suited to maintain operations that preserve profitability at the assets.
2) **Short time frame is available to negotiate a modification and associated consents with the Senior CMBS Trust before a receiver is appointed and foreclosure is enforced.**
   - *Outcome 1 - Modification of Senior Debt*: The Company complete modifications of the Senior Loans that shares upside economics with the restructured ILS Bonds.
   - *Outcome 2 - Foreclosure*: <u>If the Special Servicer believes there is a change in control at the Borrower level, *or* any discontinuity in property management, the Special Servicer may pursue foreclosure and push for the appointment of a receiver to preserve the Senior Debt</u>. Prior to Foreclosure, a cash sweep may be implemented. <u>Hence, the Competing Management proposals for control will never work</u>. The Senior Lenders will not consent to a change of property manager while the loan is in default, or the proposed fee structures. If property management is changing, the Senior Lenders would rather it be via a receiver than a new manager proposed by the Borrower.
3) **The properties are in a dire financial situation where rent collections hover around ~20% due to COVID-19 related closures.**
   - A protracted deal to remove SRP will result in excess cash at the property account being eaten up to pay debt service and property level expenses. Not to mention the detrimental impact of accrued professional fees.
   - The discontinuity of changing Property Management in the current environment would signal a sinking ship to tenants and embolden attempts to seek rent reductions and holidays. This would be particularly concerning given JC Penney's bankruptcy proceeding and ability to repudiate leases at properties it doesn't believe are viable. If JC Penney or other Anchor tenants vacate, it may trigger co-tenancy clauses that could lead to in-line rent tenant rent reductions or terminations further harming cash flow.
4) **Competing Management Bidders suffer from a lack of credibility, and their proposals amount to above market fees to enrich themselves at the expense of ILS Bondholders.**
   - To the best of MPC, Global doesn't operate malls; and the Kohan and Namdar have negative reputations with tenants and municipalities that will sour attempts to stabilize leasing efforts at the malls.
   - Competing Management Bidders have no skin in the game: They are demanding a $5.5m fee for restructuring the CMBS and only then put $5m back in as a loan.
   - Upon reviewing Namdar and Kohan's portfolios, these sponsors simply don't have experience managing higher quality assets and seem to focus on deteriorating malls. Neither party has plans to enhance, or even support, the existing value of the Company's assets. Their proposals seek quick cash for the managers at the expense of the ILS Bondholders.

Competing Management Bidders Attempting to Cash In on Fees and Drain the Properties

Fee & Cash Flow Comparison	SWL	Global	Kohan**	Namdar
Management Fee	2,532	4,043	10,395	11,550
Accounting Fee	1,182	–	–	–
Property Reimbursements	1,876	?	?	?
Subtotal: Potal Property Management Fees	**5,590**	**4,043**	**10,395**	**11,550**
Leasing Fees	2,643	4,157	3,328	4,687
Short Term / Specialty Leasing Fees	1,303	–	–	–
Construction Fee	150	100	150	300
Subtotal: Total Asset Level Fees	**9,686**	**8,300**	**13,873**	**16,537**
Loan Restructuring Fee	–	7,850	7,850	7,850
Total Fees	**9,686**	**16,150**	**21,723**	**24,387**
Forward Annual Property Cash Flow*	**4,136**	**(4,187)**	**(9,761)**	**(12,425)**

** Assumes 30% revenue decline & 30% expense haircut from 2019 Actual*

** Kohan management fees are based on the maximum fee of 9%*

Comparison of Terms between SWL and Competing Management Bidders

Proposed Terms	SWL	Global	Kohan	Namdar
Initial Payment	**Trustee's restricted ($19m) + BVI Solo + 65% Unrestricted**	TBD	Trustee's restricted ($19m) + BVI Solo + 50% Unrestricted	Trustee's restricted ($19m) + 50% of BVI Solo + 50% Unrestricted
Est. Annual Management Fees	**$9.7m**	**$16.2m**	**$21.7m**	**$24.4m**
Capital Contribution	**$5m**	–	Conditional $5m*	Conditional $5m*
Minimum Cash Reserve	**$30m**	$30m	$20m	$34m
Profit Participation to ILS Bondholders	**50%**	60%	75% up to $75m 50% above $75m	50% up to $100m 25% above $100m
Property Management	**SRP Remains in place**	New Manager (Global)	New Manager (Kohan)	New Manager (Namdar)
Future Capital Calls	**Shareholder Loan or Equity infusion. Equal rights to SRP-MCP and bondholders. Dilution mechanism based on $80m value minus existing cash**	–	Equal rights to Kohan and bondholders. Dilution mechanism based on $100m value minus existing cash	Equal rights to Namdar and bondholders. Dilution mechanism based on $80m value minus existing cash
Conditions Precedent	**Court approval and Senior Lender agreement**	–	Multiple conditions precedent after bondholders approval, including – (a) no material change; (b) no actions by the senior lenders; (c) third party consents; (d) court approval; (e) senior lenders' agreement;	Multiple conditions precedent after ,bondholders approval including – (a) no material change; (b) no actions by the senior lenders; (c) third party consents; (d) court 'approval; (e) senior lenders ;agreement

** Will be released as shareholder loan once the 5pack loan will be extended to June 2022*
Namdar/Kohan are paid a 1% fee (approx. $5.5m) on the extension of the 5pack loan.

MISSION PEAK CAPITAL

5/24/2020

Summary Term Sheet

MPC will inject $5m of New Capital into the Company alongside Starwood Investment Vehicle to fund working capital and engage in a restructuring agreement with the Senior Lenders.

New Capital Will:

- Come 50% from Mission Peak and 50% from a Starwood Investment Vehicle
- Be structured as a $5m loan to the company to support the assets
- MPC will assist in the Company/Controlling Shareholder discussions with Senior Lenders
- MPC will help ensure Company/Controlling Shareholder performs under the management agreement and maximizes equity proceeds to the ILS Bondholders
- *In exchange the New Capital receives:*
    - 30% of profits going forward

SRP Will:

- Continue to work with the Senior Lenders towards a resolution
- Continue to work with all the tenants who have stopped paying and are asking for rent relief
- Stay on and provide asset management, property management, leasing and capital markets work for the same fee structure they were previously charging the Company
- Controlling Shareholder will pay $3m
- *In exchange Starwood receives:*
    - Release from all liability
    - 20% of profits going forward for managing the assets to a successful resolution

Bondholders Will Receive:

- $19m in the trustee account
- $3m from the Controlling Shareholder
- Cash in the Company (solo)
- 65% of the unrestricted cash in the operating accounts after a deal is approved by the senior lenders
- 50% of profits going forward

Signatures

Wit Solberg
Mission Peak Capital

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Chris Dunn
Mission Peak Capital

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