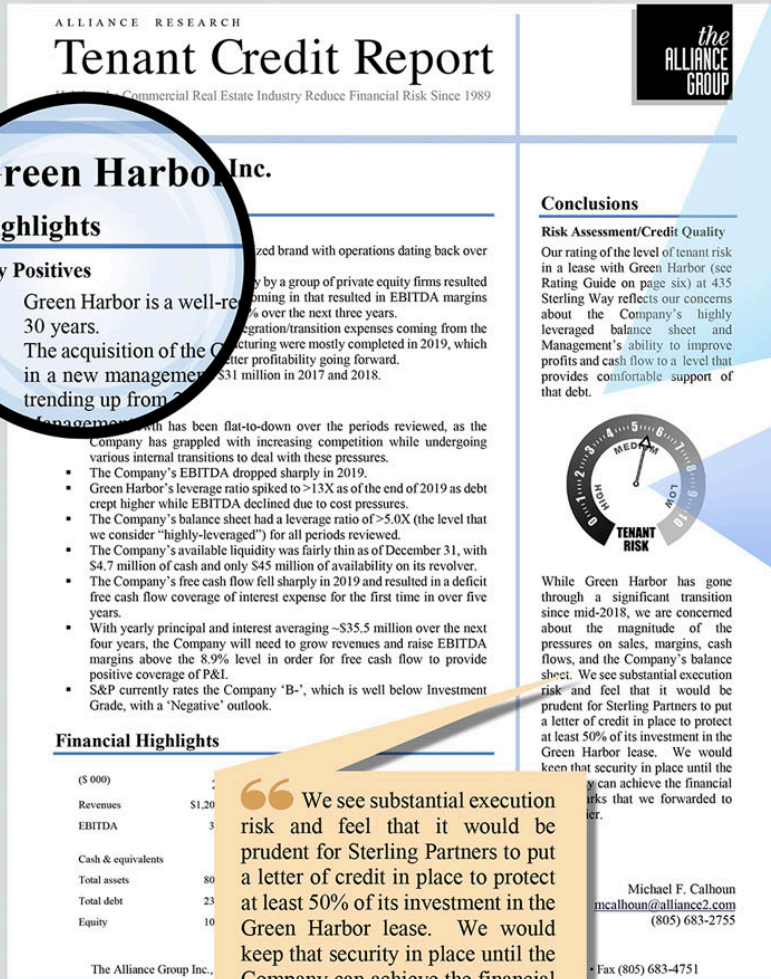


# A Breakdown of Key Report Features



## Report Conclusions

This section summarizes any concerns we have coming out of our analysis of a tenant's financial statements and discussions with management. We provide opinions on the level of tenant risk that exists and make specific recommendations on how to mitigate that risk.

## Report Highlights: Key Positives

It is important to understand what the key underlying strengths of a tenant are in order to balance that against whatever areas of concerns we find. The discussion of a tenant's strengths includes financial, competitive, technological, and other factors that have been thoroughly scrutinized during the course of our analysis.

## ... and Key Negatives/Risks

This is a discussion of all the critical business challenges that a tenant faces. These include problems, trends and situations that raise questions about the advisability of leasing to a particular company. When contrasted with a firm's strengths, we are able to develop an informed opinion and arrive at an overall rating of the level of tenant risk.

### Green Harbor Inc.

#### Highlights

##### Key Positives

- Green Harbor is a well-established brand with operations dating back over 30 years.
- The acquisition of the Company in a new management structure was mostly completed in 2019, which is trending up from 2017 and 2018.

- The Company's EBITDA dropped sharply in 2019.
- Green Harbor's leverage ratio spiked to >13X as of the end of 2019 as debt crept higher while EBITDA declined due to cost pressures.
- The Company's balance sheet had a leverage ratio of >5.0X (the level that we consider "highly-leveraged") for all periods reviewed.
- The Company's available liquidity was fairly thin as of December 31, with \$4.7 million of cash and only \$45 million of availability on its revolver.
- The Company's free cash flow fell sharply in 2019 and resulted in a deficit free cash flow coverage of interest expense for the first time in over five years.
- With yearly principal and interest averaging ~\$35.5 million over the next four years, the Company will need to grow revenues and raise EBITDA margins above the 8.9% level in order for free cash flow to provide positive coverage of P&L.
- S&P currently rates the Company 'B-', which is well below Investment Grade, with a 'Negative' outlook.

#### Financial Highlights

	(\$ 000)
Revenues	\$1,200
EBITDA	300
Cash & equivalents	5
Total assets	80
Total debt	23
Equity	10

“ We see substantial execution risk and feel that it would be prudent for Sterling Partners to put a letter of credit in place to protect at least 50% of its investment in the Green Harbor lease. We would keep that security in place until the Company can achieve the financial benchmarks that we forwarded to you earlier. ”

#### Conclusions

**Risk Assessment/Credit Quality**  
Our rating of the level of tenant risk in a lease with Green Harbor (see Rating Guide on page six) at 435 Sterling Way reflects our concerns about the Company's highly leveraged balance sheet and Management's ability to improve profits and cash flow to a level that provides comfortable support of that debt.



While Green Harbor has gone through a significant transition since mid-2018, we are concerned about the magnitude of the pressures on sales, margins, cash flows, and the Company's balance sheet. We see substantial execution risk and feel that it would be prudent for Sterling Partners to put a letter of credit in place to protect at least 50% of its investment in the Green Harbor lease. We would keep that security in place until the Company can achieve the financial benchmarks that we forwarded to you.

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## Specific Measurement of Tenant Risk

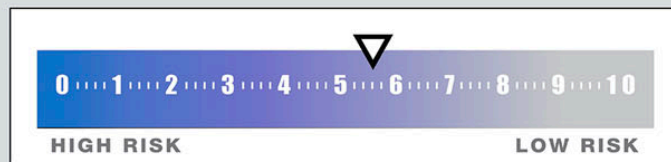
We provide a specific rating of the level of tenant risk we have found as a result of our analysis. When combined with the Rating Guide at the end of the report, you will have a clear picture of the strength of the tenant's credit, as well as recommended security enhancements.

## Rating Guide

The Rating Guide provides a detailed breakdown of how our Rating translates into our judgement of the level of Tenant Risk and the overall quality of a tenant's Credit. Most importantly, the Guide provides specific guidance about the level of Security that we recommend.

## Tenant Risk at a Glance

The Rating Guide takes all the guesswork out of how much Tenant Risk we see in a particular lease transaction.



Rating	Tenant Risk	Credit Quality	Security Recommended
0 - 1	Very high	Deficient	Avoid as tenant
1 - 3	High	Unsafe	Full security
3 - 5	Worrisome	Poor	Full/Partial security
5 - 7	Some concerns	Fair	Partial security
7 - 9	Low	Good	None or partial security
9 - 10	Very low	Excellent	No security