

SUBLEASE AGREEMENT

This Sublease Agreement (hereinafter "Agreement") sublease is entered into on this 1st day of September, 2003, by and between Canyonside Stables, L.L.C. (hereinafter "Landlord") and Dan Winne dba "Happy Trails" (hereinafter "Tenant").

RECITALS

1. Landlord is the lessee of the City of San Diego of that certain property located at 12115 Black Mountain Road, San Diego, CA 92122 (hereinafter "Premises") according to a Master Lease between Landlord and the City of San Diego, California, and effective January 3, 2001;
2. Subject to the terms and conditions of the Master Lease between Landlord and the City of San Diego, Landlord operates on the Premises an equestrian center which offers to the general public for consideration the boarding of equines, equitation lessons, and equine activities;
3. Tenant boards, leases, owns, trains, and purveys equines and animals specially trained to provide to the general public trail rides, equitation lessons, wagon rides, educational activities, and picnic-area parties.
4. Landlord's continued use of the Premises is conditioned on it providing a broad range of equestrian activities and educational activities to members of the general public in addition to the boarding of equines and the giving of equitation lessons on the Premises;
5. In order to assure the broadest range of equestrian activities and educational activities on the Premises, Landlord desires Tenant to conduct trail rides, riding lessons, wagon rides, educational activities, and picnic-area related activities, on the Premises; and Tenant desires to

utilize a portion of the Premises for the purpose of offering to the general public trail rides, equitation lessons, educational activities, wagon rides and related activities.

Now, therefore, in consideration of the mutual covenants and conditions contained in this Agreement, the parties agree as follows:

1. FACILITIES. Landlord subleases the following portions of the Premises to Tenant for the purpose of providing to the general public on a fee basis guided trail rides, equitation lessons, wagon rides, educational activities, picnic-area parties, and related activities: Pasture No. 1 (commonly referred to as the upper pasture); Pasture No. 2 (commonly referred to as the lower pasture); Rental Office Kiosk (located adjacent to the stable entrance); Tack Shed (partially completed structure located adjacent to the parking lot); Picnic Area (Tenant will have non-exclusive use of the Picnic Area consisting of the concrete apron, fire pit, barbecue, and related facilities in the grassy meadow just north and west of the parking lot. Landlord acknowledges that Tenant has at Tenant's expense placed several picnic tables and picnic facilities in the Picnic Area and that these items are Tenant's personal property. Any such personal property which becomes permanently affixed to the Premises shall become the property of the City of San Diego according to the terms of the Master Lease between Landlord and Tenant. Any boarder of Landlord who desires to use the Picnic Area for private purposes must secure advance permission from Tenant for such use. Tenant shall have absolute discretion to determine the scheduling of all Picnic Area facilities. Tenant acknowledges that the City of San Diego may on occasion seek to use the Picnic Area for civic events and special programs and will use its best efforts to accommodate such events); Parking Lots (Tenant acknowledges that the parking lots are common areas for use by Tenant, Tenant's customer's clients, boarders, and the City Park



Rangers as necessary.); Horse Trailer Parking (Tenant shall park any or all horse trailers necessary to its business at such locations as may be designated by Landlord.). Tenant's described activities shall be exclusive, and Landlord shall not allow on the premises during the term of this Agreement any competing activities by third parties, with the exception of an equitation instructor to conduct equitation lessons in addition to those conducted by Lessee according to the provisions of this Sublease.

2. LANDLORD SERVICES. Landlord will scrape each of the Pastures as needed to remove excess manure not less than twice per year, or more often as dictated by the conditions of the pastures as the conditions may impact the health of the pastured horses. Tenant will maintain and remove manure as needed from any corrals erected by Tenant in the pastures. Landlord will feed Tenant's equines and mules and other animals according to acceptable feeding protocols for commercial animals from Tenant's own supply of animal feed, which shall be stored on the Premises in sufficient quantities to feed such animals. Tenant acknowledges that Landlord is a lessee of the City of San Diego and that City of San Diego Park Rangers are on the Premises and have control and management of the adjoining Penasquitos Park in conjunction with the County of San Diego and County of San Diego Park Rangers. Tenant will use its best efforts to comply with administration of such Park by such agencies.

3. TERM. This Agreement shall be effective September 1, 2003, and shall expire at 5:00 p.m., February 2, 2007. If Tenant elects to extend the term of this Agreement for an additional period of up to five years, it may do so by giving Landlord ninety days' written notice of such election and the length of such extension. The parties understand that Landlord's tenancy itself is subject to renewal by the City of San Diego. Upon renewal of Landlord's master lease

with the City of San Diego, Tenant's right to an extension of the lease term will ripen to allow an extension of the term of this Agreement for a period of five years, or not to exceed the maximum term of renewal of the Master Lease if the Master Lease's renewal results in an extended term of less than five years. In the event of a renewal of Tenant's lease term, Tenant's rent will be increased as provided below.

4. RENT. Tenant will pay rent as follows:

- A. 10% of the cost of each and every trail ride purchased by a member of the public. Said 10% shall be paid to the City of San Diego as rent for Tenant's use of the Pastures and Picnic Area.
- B. Additional rent: \$1000.00 per month payable to Landlord until such time as the Premises are restored to their pre-construction condition and the existing contractor facilities and fences along Black Mountain Road have been removed, and the riverbed, channel, and Premises have been restored to their pre-construction condition. Then, \$1,250.00 per month thereafter for the remainder of the term of this Agreement, ~~but for those periods during which Tenant's equine count exceeds 24, in which case the rent for each monthly period in which the equine number exceeds 24 will be \$1,500.00 per month.~~ Upon the execution of this Agreement, Tenant shall pay to Landlord the sum of \$6,000 in full satisfaction of Tenant's arrearages to date with the exception of Tenant's rent for August, 2003, which shall be due and payable on September 1, 2003.
- C. In the event of any written extension of the term of this Agreement beyond

the initial term, the rental rates specified in this paragraph shall be increased by a factor represented by the total consumer price index cost for the cost of living in the San Diego County Standard Metropolitan Statistical Area. The base year of any such adjustment shall be the year 2003.

- D. Failure to Pay Rent. Tenant shall pay all rent due and payable to Landlord on the first of the month. Failure to pay such rent by the tenth of any month during the term of this sublease shall result in the imposition of a penalty in the same amount as would be assessed by the City of San Diego against Landlord according to the Master Lease in the event that Landlord is late in paying its rent to the City of San Diego.

5. BUSINESS OPERATIONS OF TENANT. Tenant shall be allowed to conduct its business according to reasonable business practices in the discretion of Tenant. Tenant has sole discretion to maintain its equines for the operation of its business subject to the rules and regulations of the United States Department of Agriculture for such commercial purposes. While Tenant carries on any activities on the Premises themselves (all portions of the Premises to the south and east of the Picnic Area), Tenant will comport with Landlord's safety rules and regulations. Tenant will secure from any of its customers waivers and releases of liability satisfactory to Landlord and/or to Landlord's and Tenant's insurance carriers, and shall comport its operations in a safe manner for the protection of the general public. Tenant shall provide copies of such waivers and releases to Landlord for review and approval before the execution of this Agreement and shall not change any approved waiver or release without the written, prior



consent of Landlord, unless sooner required by Tenant's or by Landlord's insurance carriers.

6. INSURANCE. Tenant shall maintain a policy of general liability insurance covering its business operations in the amount of not less than \$1,000,000, combined single limit.

Canyonside Stables, L.L.C., shall be named as an additional insured on such policy or policies of insurance. Such policy or policies of insurance shall not be canceled or modified without thirty days' prior written notice to such additional insured. Before execution of this Agreement, Tenant shall provide Landlord with copies of such policy or policies for Landlord's approval.

7. HOLD HARMLESS. Tenant shall hold harmless and at its own expense defend Canyonside Stables, L.L.C., from and against any claim for damages or injuries of any kind arising from Tenant's activities on the Premises and not arising from the negligence of such entities. Tenant understands that Landlord and City do not insure against casualty or theft any of the facilities leased to Tenant by this Agreement and that Tenant is responsible for any losses of its personal property on the Premises.

8. SUBORDINATION AND MASTER LEASE CONDITIONS. Tenant acknowledges the existence of a Master Lease between Landlord and the City of San Diego. Tenant agrees that this Sublease Agreement is subject and subordinate to the covenants and conditions of the Master Lease between Landlord and the City of San Diego notwithstanding any provision of this Sublease Agreement contrary to or in conflict with said Master Lease Agreement. Landlord will inform Tenant of any conditions or elements of the Master Lease which the City of San Diego requires Tenant to address.

9. STABLE MANAGER. Tenant acknowledges that Landlord has on site a Stable Manager who is responsible for the ongoing operations of the stable itself and the care and

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maintenance of the horses boarded on the Premises. Tenant and the Stable Manager will use their best efforts to cooperate in the care and disposition of Tenant's equines and any other animals brought to the Premises with the consent of Landlord. In the event of a disagreement between Tenant and the Stable Manager regarding the care or condition of any of Tenant's equines or mules, the disagreement shall be brought to the attention of the President of Canyonside Stables, L.L.C., for mediation and decision. If necessary, in its exclusive discretion, Landlord may involve a licensed veterinarian in reaching a final decision; the expense of the veterinarian shall be divided equally between Tenant and Landlord. The decision of the President of Canyonside, L.L.C., shall be final for all purposes.

10. LEGAL PROCEEDINGS. In the event of any litigation brought by either Landlord or the City of San Diego against Tenant to collect rent, to recover possession of the Premises, or any part thereof, or to enforce any other provision of this Sublease or the Master Lease, the prevailing party in such litigation shall be entitled to reasonable attorneys' fees and costs.

11. ASSIGNMENT AND SUBLEASING. Tenant shall not assign or transfer its rights or obligations according to this Sublease Agreement to any third parties without the express, prior written consent of Landlord. Any assignment or transfer by operation of law shall immediately terminate this Sublease Agreement.

12. MISCELLANEOUS PROVISIONS. Any accidents involving Tenant's activities shall be reported to the Stable Manager within twenty-four hours of its occurrence where such accident results in the physical injury of any person. Tenant shall maintain at its own expense all licenses, permissions, and certifications from all pertinent public agencies necessary to conduct its business activities. Tenant will pay all taxes or levies which may be assessed against his

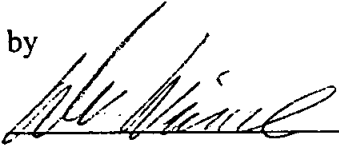
business activities. Tenant may board equines in its designated pastures so long as the maximum number of equines kept on the Premises by Tenant for all purposes does not exceed thirty-eight (38). Should Tenant seek to bring equines onto the Premises in excess of thirty-eight, Tenant may do so only with the prior written consent of Landlord. The owners of any equines boarded on the Premises by Tenant must execute the Canyonside Stables, L.L.C., boarding agreement then in effect. At all times, Tenant shall properly maintain and care for all animals located on the Premises which are under its care and control, whether such animals are owned, leased, or boarded by Tenant.. This Agreement is not assignable by Tenant without the prior, written consent of Landlord. Tenant acknowledges that the Premises are a historical landmark and a nature preserve and that no construction activity or clearing of any flora will be conducted by Tenant without the prior written consent of Landlord. According to pertinent California law, Landlord has a lien in all animals of Tenant for which Landlord renders services or feed. In the event to a default of this Agreement, the non-defaulting party shall give the defaulting party ten days' written notice to correct default; if such default is not corrected within such period, this shall be deemed to be a material breach of this Agreement. All notices required or allowed by this Agreement shall be by personal service at Landlord's and at Tenant's offices on the Premises. In the event any party to this Agreement must institute a legal proceeding in a court of competent jurisdiction to enforce any term of this Agreement, the prevailing party in such action shall be entitled to reasonable attorneys' fees. Time is of the essence. In the event that any provision of this Agreement is declared void by a court of competent jurisdiction, the other provisions shall survive. This Agreement contains all of the understandings of the parties.

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Tenant:

Happy Trails, a sole proprietorship

by

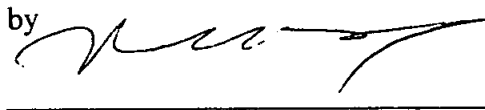


Dan Winne dba Happy Trails

Landlord:

Canyonside Stables, LLC

by



Randall B. Hamud, Owner/Manager

Approved:

City of San Diego

Office of City Manager

