

CANYONSIDE STABLES

12115 Black Mountain Rd

San Diego, CA 92129

(858) 271-0255

2012 OCT -5 PM 12:18

October 4, 2012

City of San Diego Real Estate Assets
1200 Third Ave, Suite 1700, MS 51A
San Diego, CA 92101-4199

Attn: Mr. Vladimir Balotsky

Subj: Horsebound LLC Sublease

Ref A: City of San Diego letter dated June 11, 2010: Consent to Sublease

1. Reference A approved Horsebound LLC sublease with CanyonSide Stables LLC effective March 15, 2010 and expiring January 31, 2012.
2. Subject Sublease was extended by written agreement dated February 21, 2012.
3. A copy is hereby provided for approval.

Respectfully,



Ted Jacobson
Sec/Treasurer

*No City consent is
required (See Sec 3)
of the sublease.*



12115 Black Mountain Rd
San Diego, CA 92129
(858) 271-0255

Horsebound Riding School
12115 Black Mountain Road
San Diego, CA 92129

February 21, 2012

Subject: Horsebound Sublease Renewal

Ref A: Sublease with CanyonSide Stables LLC, dated November 10, 2009
Ref B: CanyonSide Stables LLC letter, dated February 2, 2012

Reference A Sublease, expired January 31, 2012, is hereby extended on a Month-to-Month basis, per Reference B, under the following terms:

Paragraph 4. RENT. is ammended, effective March 01, 2012, as follows:

Tenant will pay rent to Landlord as follows:

Section B: "...for any number of equines up to and including 10, a monthly minimum of \$1950.00 or 24% of gross revenue for all activities, whichever is higher."

Section C: "...for each additional equine up to a maximum of 15, an additional \$195.00 per equine added to the monthly minimum rent as stated in B."

All other provisions, covenants and conditions of Ref A sublease remain unmodified and in full effect.

Submitted,

A handwritten signature in dark ink, appearing to read "Ted Jacobson", written over a horizontal line.

Ted Jacobson
Sec/Treas

x A handwritten signature in dark ink, appearing to read "Katie Thomas", written over a horizontal line.

KATIE THOMAS
HORSEBOUND LLC

SUBLEASE

This sublease is entered into on this 10th day of November, 2009, by and between Canyonside Stables, L.L.C. (hereinafter "Landlord") and Horsebound L.L.C. (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 92129 (hereinafter "Premises") according to a Master Lease between Landlord and the City of San Diego, California;
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, boarding of equines, equine riding lessons, and related equine activities;
3. Tenant represents that it is qualified to instruct members of the public in the care, maintenance, and riding of equines and desires to conduct such activities on the Premises.
4. According to the Master Lease, Landlord's use of the Premises is conditioned upon its providing a broad range of equestrian activities to members of the general public in addition to the boarding of equines;
5. In order to assure the broadest range of equestrian activities on the Premises, Landlord desires Tenant to instruct, and Tenant desires to instruct, members of the general public in the care, maintenance, and riding of equines;
6. Tenant desires to utilize a portion of the Premises for the purpose of instructing members of the general public in the care, maintenance, and riding of equines.

Now, therefore, in consideration of the mutual covenants and conditions contained in this Agreement, and on the basis of the above recitals, hereby incorporated into this Sublease, the parties agree as follows:

1. **FACILITIES.** Landlord will allow Tenant the non-exclusive use of the main arena and the dressage arena for instructing members of the general public in the care, maintenance and riding of equines. Tenant is aware that Landlord boards horses for members of the general public and that Landlord's boarders also utilize such arenas. Tenant shall use its best efforts to conduct its instructional activities without unreasonable interference with the boarders' use of such arenas

and the Premises generally. Should Tenant desire to transport equines to the Premises to carry on its activities on the Premises, Tenant may do so on a day-to-day basis, or alternatively, may board no more than ten equines on the Premises. Tenant shall board such equines in the area known as the "Lower Pasture" (see Attachment 1). With prior permission from Landlord, Tenant may expand the number of its equines on the Premises to a maximum of fifteen. For the boarding of its equines, Tenant will be granted the exclusive use of the Lower Pasture. Tenant may, at Tenant's own expense and with prior permission from the Landlord, modify for its use and convenience the present configuration of the Lower Pasture. Examples of acceptable modifications include, but are not limited to: the addition of a shade structure or structures, the addition of pipe panels in order to subdivide (not expand) the Lower Pasture into two or more useable holding areas or into separate individual pens, in Tenant's discretion; the addition of wooden fencing, if desired; the addition of automatic equine watering devices which may be connected to Landlord's existing water lines. Any or all such proposed modifications shall first be presented to Landlord by schematic diagram before they are physically implemented and Tenant shall implement such modifications only upon receipt of Landlord's written approval of such schema of modifications. Tenant is also granted the exclusive use of the existing office building and staging area (approximately 66' x 50') located just east of the main property entrance fence (see Attachment 1). Tenant may, at Tenant's own expense and with prior permission from the Landlord, modify the office building and staging area for its convenience, subject to any necessary approvals by the City of San Diego and its authorized representatives. Examples of modifications acceptable to Landlord include but are not limited to: the addition of pipe-panel holding pens, wooden fencing, electrical and/or telephone hookups, shelving and other office necessities. On a daily basis, Tenant will muck its own stalls as may exist hereunder and the staging area and ensure the compatibility of Tenant's modifications and activities with the well-being of its boarded equines and/or any other equines owned or leased by Tenant for its activities on the Premises. In carrying out its activities on the Premises, Tenant acknowledges that according to the terms of the Master Lease, any of Tenant's personal property that becomes affixed to the Premises shall become the property of the City of San Diego. Tenant acknowledges that the parking lots are common areas for use by Landlord, boarders, Tenant, Tenant's customers and the City Park Rangers as necessary. With prior permission and space available, Tenant may park equine transportation trailers necessary to its activities on the

Premises at such locations as may be designated by Landlord and pay any reasonable monthly fees charged by Landlord for such parking. (At present no such fees are charged to Landlord's boarders or subleases.) Tenant's described activities on the Premises shall be exclusive during the term of this Sublease. Landlord shall prohibit any activities on the Premises that compete with Tenant's activities during the term of this Sublease, with the exception that Landlord may secure the services of third parties to provide instruction in the care, maintenance, and riding of equines that is not provided by Tenant. For example, if Tenant does not give dressage lessons, then Landlord may obtain the services of a dressage instructor at Landlord's discretion. Before retaining the services any such third parties, Landlord shall discuss the situation with Tenant, which will then have an opportunity to provide the additional services if it can do so to Landlord's satisfaction. Any such retained third parties shall be limited to instructing Landlord's boarders on the Premises. The parties agree that any individual boarders of Landlord may, in their discretion, retain the services of any other instructor(s) for lessons rendered exclusively to the retaining boarder.

2. LANDLORD SERVICES. Landlord will scrape any pasture area not modified with pens used by Tenant not less than twice per year to remove excess manure, or more often at Landlord's discretion and as dictated by the conditions of the pastures and the health of the pastured equines. Landlord is responsible for removal of manure from Premises. Landlord will feed Tenant's equines according to Landlord's general feeding protocols (presently twice a day, morning and afternoon/evening) from Landlord's own supply of animal feed. 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 Los Penasquitos Canyon Preserve in conjunction with the County of San Diego and County of San Diego Park Rangers. While on the Premises or while within the confines of the Los Penasquitos Canyon Preserve, Tenant shall comply with the administration of the Preserve by such agencies.

3. TERM. This Agreement shall be effective November 10, 2009, and shall expire at 5:00 p.m., January 31, 2012. If Tenant elects to extend the term of this Agreement for an additional period of five years, and if Tenant is not in default of any provision of this Sublease, then Tenant may do so by giving Landlord ninety days' prior written notice of such election. Landlord shall not unreasonably withhold its consent to such an extension. However, the parties understand that Landlord's tenancy itself is subject to renewal by the City of San Diego, and Tenant's right to an

extension of the term of this Sublease is subject to the City's renewal of Landlord's Master Lease. Tenant's rent for the extension period will be increased as provided below. TENANT ALSO AGREES AND UNDERSTANDS THAT THIS SUBLEASE IS CONDITIONED UPON WRITTEN APPROVAL BY THE CITY OF SAN DIEGO AND CANNOT BE EFFECTIVE UNTIL SUCH APPROVAL HAS BEEN GRANTED BY THE CITY.

4. **RENT.** Tenant will pay rent to Landlord as follows: **A.** The first six months, for any number of equines up to and including 10, a monthly minimum of \$1000, or 18% of gross revenue for all of Tenant's activities, whichever is higher. (On the first day of every month of this Sublease, Tenant shall pay Landlord the minimum rent; on the thirtieth day of that month, Tenant shall present to Landlord satisfactory documentation of its gross income for such month; Landlord shall then notify Tenant of any rent sum in excess of the minimum rent paid for such month and such excess sum shall be due and payable by the tenth of the subsequent month). **B.** The seventh month and thereafter, for any number of equines up to and including 10, a monthly minimum of \$1600, or 15% of gross revenue for all activities, whichever is higher. **C.** The seventh month and thereafter, for each additional equine up to a maximum of 15, an additional \$180 per equine added to the monthly minimum rent as stated in B. herein, or 15% of gross revenue for all activities, whichever is higher. Boarding of Tenant's personal equines: Tenant's will be given highest priority in attaining either a pipe pen, box stall or pasture boarding, if desired, at a discounted rate of 20% off current CanyonSide boarding rates for a maximum of one equine per Tenant partner. Tenant will submit with each monthly rent payment a summary of the previous month's gross income, broken down by categories of activities, e.g., Lessons, Camps.

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 no higher than the percentage rate applied in raising board upon CanyonSide Stable's boarders during the initial term of this Sublease.

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 (currently 10%).

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(DELETED NAME RUFFS)

5. BUSINESS OPERATIONS OF TENANT. Tenant shall be allowed to conduct its business activities according to reasonable business practices. 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, Tenant will comport with Landlord's applicable safety rules and regulations, a copy of which has been provided to Tenant concurrently with the execution of this Sublease. Tenant will secure from any of its customers all WRITTEN waivers and releases of liability in a form 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 Sublease 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. Tenant agrees to submit to inspections and audits of its accounting methods, records and books by Landlord or the City of San Diego Audit Department to confirm Tenant's data concerning its gross monthly income. Landlord and City shall give Tenant advance notice of such inspections and audits, which may be conducted with such frequency as determined in the exclusive discretion of Landlord or City.

6. INSURANCE. Tenant shall maintain a policy of general liability insurance covering its business operations on the Premises in the amount of not less than \$1,000,000 for each occurrence, and \$3,000,000 aggregate. The "City of San Diego and its elected officials, officers, employees, agents and representatives", "Canyonside Stables, L.L.C.", and the "County of San Diego" shall be named as additional insureds 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 insureds. 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 indemnify and defend the "City of San Diego and its elected officials, officers, employees, agents and representatives", "Canyonside Stables, L.L.C.", and the "County of San Diego" 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 active negligence of such entities. Tenant understands that Landlord and the City of San Diego do not insure against casualty or theft any of the facilities leased to Tenant by

this Sublease 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 maintenance of the horses boarded on the Premises. Tenant will use its best efforts to cooperate with the Stable Manager in the care and disposition of Tenant's equines 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, the disagreement is to be brought to the attention of the President of Canyonside Stables, L.L.C., for mediation and decision. If necessary, Landlord may involve a licensed veterinarian in reaching a final decision; the expense of the veterinarian shall be divided equally between Tenant and Landlord. .

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, 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 and the City of San Diego. Any assignment or transfer by operation of law shall immediately terminate this Sublease Agreement.

12. PROBATIONARY PERIOD. For the first ninety days of the initial term of this Sublease, Landlord will monitor Tenant's conduct of its activities on the Premises. If Landlord finds Tenant's activities to be satisfactory, then Tenant may conduct equine instruction, lessons and camps for the duration of this Sublease. As part of their structured lesson curriculum, Tenant may occasionally instruct advanced-level lesson riders in trail riding techniques and may, during

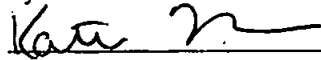
such lesson instruction, utilize Penasquitos Canyon Preserve in accordance with this Sublease. "Trail ride instruction given as a part of lesson training" must be covered by Tenant's liability insurance in the amount stated in Section 6 herein. Tenant shall not, in any case, advertise, offer ✓ nor conduct "walk-up" guided trail rides open to the general public.

13. 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 certificates from all pertinent public agencies necessary to conduct its business activities. Tenant will pay all taxes or levies which may be assessed against its business activities. At all times, Tenant shall properly maintain and care for all equines located on the Premises which are under its care and control. This Agreement is not assignable by Tenant without the prior, written consent of Landlord and the City of San Diego. 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 or the City of San Diego. According to pertinent California law, Landlord has a lien on all animals of Tenant for which Landlord renders services or feed. In the event of 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.

Tenant:

Horsebound L.L.C.

by

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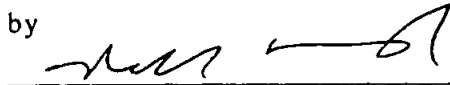
Katie Thomas, President

Date 3-15-10

Landlord:

Canyonside Stables, L.L.C.

by

_____

Randal Hamud, President

Date 3-15-10

