

CONSENT TO SUBLEASE AGREEMENT

THIS CONSENT TO SUBLEASE AGREEMENT ("Consent") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), and CANYONSIDE STABLES, LLC, a California limited liability company ("CANYONSIDE"), to be effective as of March 15, 2010 (the "Effective Date"), when signed by the parties and approved by the San Diego City Attorney, as follows:

RECITALS

- A. CITY, as lessor, and CANYONSIDE, as lessee, are parties to that certain CITY OF SAN DIEGO PERCENTAGE LEASE AGREEMENT dated January 8, 2002, (the "Master Lease"), relating to certain real property located at 12115 Black Mountain Road, San Diego, California 92129, and more particularly described in the Master Lease.
- B. Lease section 4.2 (Assignment and Subletting) requires CITY'S consent to any sublease of the "Premises," as defined by the Master Lease.
- C. CANYONSIDE and HORSEBOUND LLC, a California limited liability company ("HORSEBOUND"), have executed a SUBLEASE (the "Sublease") dated March 15, 2010, attached hereto as **Exhibit A: Sublease**, whereby CANYONSIDE will sublease to HORSEBOUND and HORSEBOUND will sublease from CANYONSIDE a portion of the Premises.

FOR VALUABLE CONSIDERATION, the sufficiency of which is acknowledged, the parties agree as follows:

- 1. Subordination. The Sublease is and shall be subject and subordinate to the Master Lease. CITY shall not be bound by any term or condition in the Sublease which in any way reduces CITY'S rights or increases CITY'S obligations under the Master Lease. Any conflict between the Master Lease and the Sublease shall be construed or resolved in favor of the Master Lease.
- 2. Subsequent Sublease. This Consent does not constitute consent to any subsequent subletting of any portion of the Premises, and does not relieve CANYONSIDE, or any person claiming under or through CANYONSIDE of the obligation to obtain CITY'S consent to any future sublease.
- 3. Brokerage Commission. CITY shall not be liable for any brokerage commission or finder's fee in connection with the Sublease or this Consent. CANYONSIDE shall protect, defend, indemnify, and hold CITY harmless from and against any claim for any brokerage commission or finder's fee related to the Sublease or this Consent, and from and against any cost or expense (including without limitation attorney fees) incurred by CITY in resisting any claim for any such brokerage commission or finder's fee.

4. No Modification of Master Lease. This Consent shall not be deemed or construed to modify, waive, impair, or affect any of the terms or conditions of the Master Lease.
5. Controlling Law. The terms and conditions of this Consent shall be construed in accordance with the laws of the State of California.
6. Captions. Captions to the sections of this Consent are included for convenience only and shall not modify any of the terms of this Consent.
7. Entire Agreement. This Consent constitutes the entire agreement of the parties pertaining to the CITY'S consent to the Sublease, and shall be binding on and inure to the benefit of the parties' respective heirs, representatives, successors, and assigns. No party has been induced to enter into this Consent by, nor is any party relying on, any representation or statement except as expressly set forth in this Consent. No modification of the terms or conditions of this Consent shall be effective unless made in a writing that expressly states that it modifies this Consent, and is signed by the parties hereto.
8. Legal Proceedings. If any party brings an action or proceeding against another party under this Consent, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable costs and expenses thereof, including without limitation reasonable attorney fees and costs. The "prevailing party" shall be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment.
9. Authority. Each individual executing this Agreement on behalf of another person or legal entity represents and warrants that they are authorized to execute and deliver this Agreement on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Agreement is binding upon such person or entity in accordance with its terms.

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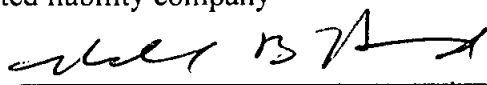
10. CITY'S Consent. Subject to the terms and conditions of this Consent, CITY hereby consents to the Sublease.

IN WITNESS WHEREOF, this Consent is executed to be effective as of the Effective Date.

THE CITY OF SAN DIEGO, a California
municipal corporation

BY: 
Name: James F. Barwick, CCIM
Title: Director, Real Estate Assets

CANYONSIDE STABLES, LLC, a California
limited liability company

BY: 
Name: RANISAC B HAMUD
Title: President

Approved as to Form and Legality:

JAN I. GOLDSMITH, City Attorney

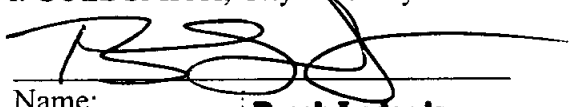
BY: 
Name: Brock Ladewig
Title: Deputy City Attorney

Exhibit A: Sublease

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%).

A CHANGED
(DELETED TRAIL RIDES)

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

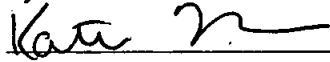
such lesson instruction, utilize Penasquitos Canyon Preserve in accordance with this Sublease. "Trail ride instruction given as a part of lesson training" must be covered by Tenant's liability insurance in the amount stated in Section 6 herein. Tenant shall not, in any case, advertise, offer ✓ nor conduct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



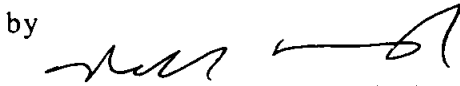
Katie Thomas, President

Date 3-15-10

Landlord:

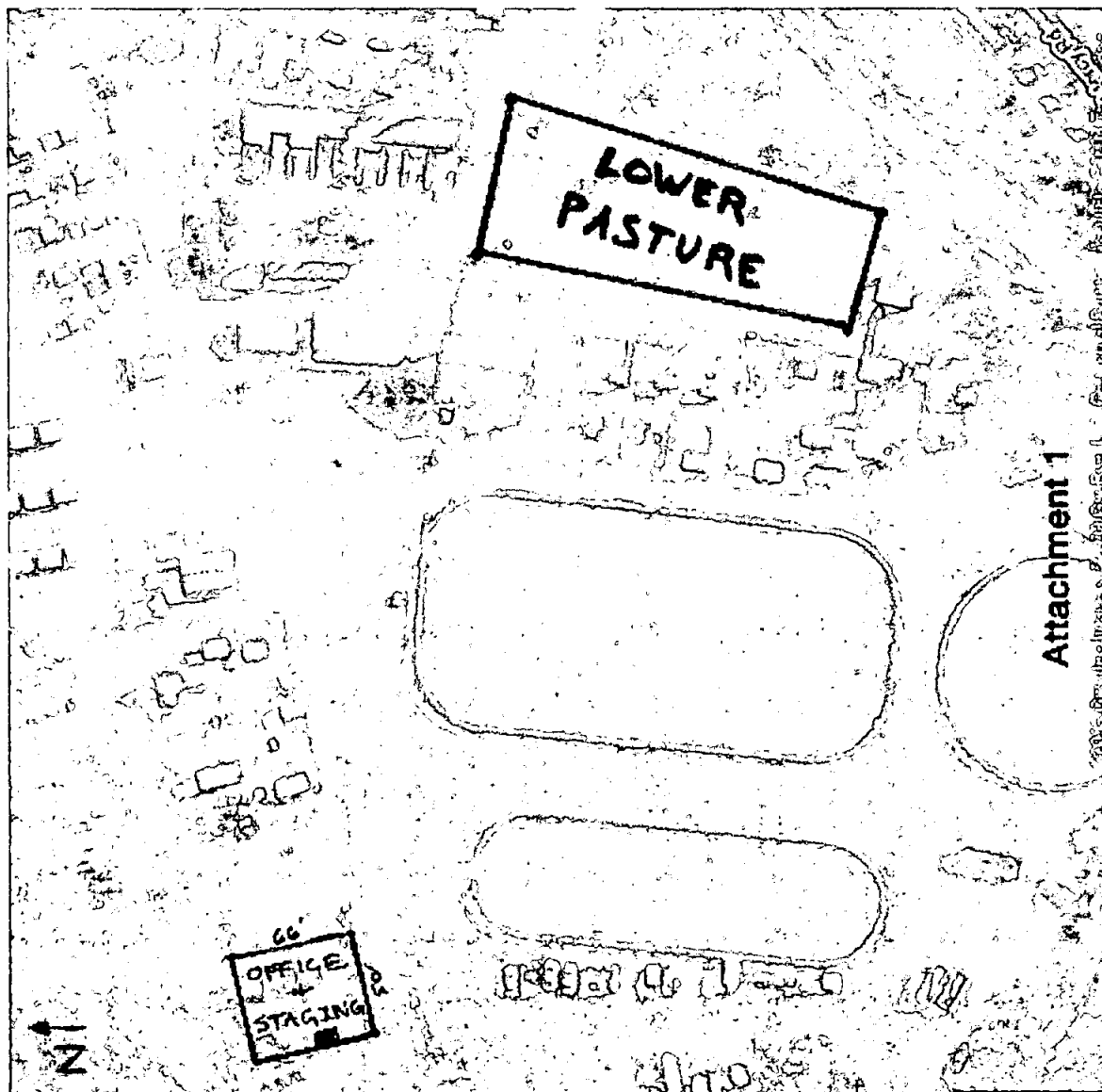
Canyonside Stables, L.L.C.

by



Randal Hamud, President

Date 3-15-10





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

Vladimir Balotsky, SR/WA | Property Agent | Asset Management
City of San Diego | Real Estate Assets Department
1200 Third Avenue, Suite 1700, San Diego, CA 92101

Subject: City of San Diego Sublessee's Questionnaire

Please find attached questionnaire submitted on behalf of proposed sublessee, **Horsebound LLC**.

A handwritten signature in black ink, appearing to read "Ted Jacobson".

Ted Jacobson
CanyonSide Stables LLC
Sec/Tres

CITY OF SAN DIEGO
LESSEE'S AND SUBLESSEE'S QUESTIONNAIRE
FOR ALL LEASES, ASSIGNMENTS AND SUBLEASES

Pursuant to the City of San Diego City Charter Section 225: "Mandatory Disclosure of Business Interests," before the City will process requests to (Sub)Lease, all information requested in this Questionnaire must be completed by the proposed (Sub)Lessee. Even though a proposed Sublessee may complete the Questionnaire, the Questionnaire must be delivered or mailed to the City with a cover letter signed by the City Lessee or proposed Lessee. **THE CITY WILL NOT ACCEPT THE QUESTIONNAIRE, DOCUMENTS, OR OTHER INFORMATION DIRECTLY FROM A SUBLESSEE.**

All information furnished in this Questionnaire must be complete and accurate. Omissions, inaccuracies, or misstatements may cause the rejection and/or subsequent revocation of the City's Lease, consent to Sublease, or consent to Assignment of (Sub)Lease.

In submitting this Questionnaire, the proposed (Sub)Lessee completing the Questionnaire authorizes the City to make any inquiry or investigation it believes necessary to substantiate or supplement the information furnished in the Questionnaire, and authorizes others to release such information to the City.

Exact name of existing Lessee (always complete):

Canyonside Stables, LLC

Exact name of proposed Lessee (complete only if applicable):

Exact name of existing Sublessee (complete only if applicable):

Exact name of proposed Sublessee (complete only if applicable):

Horsebound, LLC

Date this Questionnaire completed: 10/19 09

The information furnished in and with this Questionnaire is true, complete, and correct to the best of my knowledge.

Signature:

Title:

Kate M
member

Karen Wilson
member

Thank you for taking the time to complete the Questionnaire. Lessees may contact Real Estate Assets if they have any questions. Please return the completed Questionnaire, with any additional information or documents to:

REAL ESTATE ASSETS DEPARTMENT
1200 THIRD AVENUE STE. 1700
SAN DIEGO, CA 92101
TEL.: (619) 236-6020 FAX: (619) 236-6706

This Questionnaire contains 15 pages.

PROPOSED (SUB)LESSEE

1. Name of proposed (Sub) Lessee exactly as it will appear on the actual tenancy document:

Horsebound, LLC

2. Mailing Address of proposed (Sub)Lessee for purposes of notice or other communication relating to the proposed tenancy:

2033 San Elija Ave, #185
Cardiff-by-the-sea, CA 92007

Telephone No.: 858-692-8401

Fax. No.: _____

E-mail Address: piyxis423@aol.com

3. Billing Address (*only if different from Mailing Address*):

Telephone No.: _____

Fax. No.: _____

4. Proposed (Sub)Lessee intends to operate as a:

Sole Proprietorship (); Partnership (); Corporation ();

Limited Liability Company (☒); Other _____

Explain if necessary:

ds

5. Effective date of assignment (complete only if applicable): _____

PARTNERSHIP STATEMENT

If proposed (Sub)Lessee is a partnership, please answer the following:

1. Date of Organization: _____
2. General Partnership ()
Limited Partnership ()
Other () Explain _____

3. Statement of Partnership recorded: Yes () No ()

Date Book Page County
4. Has the partnership conducted business in San Diego County?
Yes () No () If so, when? _____
If so, where? _____
5. Name, address, and partnership share of each general and limited partner. If a general partner is another partnership, a corporation, or a limited liability company (LLC), please complete separate pages 3; or 4 and 5; or 6, as appropriate for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page for identification purposes). If a limited partner holding a 10% or greater interest is another partnership, a corporation, or an LLC, pages 3; or 4 and 5; or 6 must also be completed for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page).

General/Limited	Name	Address	Share %

6. Attach a complete copy of the Partnership Agreement. If a Partnership Agreement has been previously submitted, a new Partnership Agreement need be submitted only if the Partnership Agreement on file with the City is no longer current.

CORPORATION STATEMENT

If proposed (Sub)Lessee is a corporation, please answer the following:

1. Type of corporation: C () Subchapter S ()
2. When incorporated? _____
3. Where incorporated? _____
4. Is the corporation authorized to do business in California? Yes () No ()
If so, as of what date? _____
5. The corporation is held:
 - a. Publicly () Privately ()
 - b. If publicly held, how and where is the stock traded?

- | | | | |
|-------------------------------------|-------------------|---------------|--------------------|
| 6. Please list the following: | <u>Authorized</u> | <u>Issued</u> | <u>Outstanding</u> |
| a. Number of voting shares: | _____ | _____ | _____ |
| b. Number of nonvoting shares: | _____ | _____ | _____ |
| c. Number of shareholders: | | | _____ |
| d. Value per share of Common Stock: | | Par | \$ _____ |
| | | Book | \$ _____ |
| | | Market | \$ _____ |

7. Please furnish the name, title, address, and the number of voting and nonvoting shares of stock owned by each officer and, in addition, the same information for each stockholder owning more than 10% of any class of stock.

Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____

Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____
Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____
Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____
Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____

(Additional page(s) may be added if needed to complete list of stockholders [type proposed (Sub)Lessee name (from page 2) on the top of each page].)

8. Attach complete copies of the Articles of Incorporation (and any Certificate(s) of Amendment thereto, as the case may be) of the Corporation, and the Bylaws of the Corporation (and any Amended and Restated Bylaws, as the case may be), and any other applicable Corporate documents.

Any partnership, corporation, or LLC owning more than a 10% ownership interest must also complete separate pages 3; or 4 and 5; or 6, as appropriate for each entity (type proposed [Sub]Lessee name [from page 2] on the top of each page for identification purposes). Also, furnish the financial data for such partnership, corporation, or LLC, as required on page 7. If there is an ownership chain of additional partnerships, corporations, or LLCs, the above requirements extend to each such entity having either: (1) a 10% or greater direct, indirect, beneficial ownership, or membership interest in

the proposed (Sub)Lessee; or (2) effective control of the proposed (Sub)Lessee, regardless of the percentage of ownership or membership interest.

LIMITED LIABILITY COMPANY STATEMENT

If the proposed (Sub)Lessee is an LLC, please answer the following:

1. Date of Organization: August 12, 2009
2. Where Organized: San Diego, CA
3. Is the Company authorized to do business in California?
 - a. Yes (X) No ()
 - b. If so, as of what date? 8/12/09
4. Has the Company conducted business in San Diego County?
 - a. Yes () No (X)
 - b. If so, when? _____
 - c. If so, where? _____
5. Please furnish the name, address, and membership share held by each manager and officer, and each member owning more than a 10% membership interest. If a member is a partnership, corporation, or another LLC, please complete separate pages 3; or 4 and 5; or 6, as appropriate for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page).

Manager/Officer/ Member	Name	Address	Share %
member	Kajsa Wiberg	2109 Oxford Ave Cardiff-by-the-Sea, CA 92007	33.3
member	Katie Thomas	221 Amatista Way Oceanside, CA 92056	33.3
member	Amy Holman	425 N. Hickory St., #106 Escondido, CA 92025	33.3

6. Attach a complete copy of the Operating Agreement. If an Operating Agreement has been previously submitted, a new Operating Agreement need be submitted only if the Operating Agreement on file with the City is no longer current.

FINANCIAL AND OTHER BACKGROUND INFORMATION

FINANCIAL STATEMENT

(Sub)Lessee, general partners of (Sub)Lessee, owner-corporations of (Sub)Lessee, members of (Sub)Lessee owning more than a 10% membership interest, and any person or business entity guaranteeing the performance of (Sub)Lessee must attach a complete report, prepared in accordance with good accounting practice, reflecting current financial condition. The report **must** include a balance sheet **and** annual income statement. The person or entity covered by the report must be prepared to substantiate all information provided.

OTHER INFORMATION

Each (Sub)Lessee, each general partner of (Sub)Lessee, each owner-corporation of (Sub)Lessee, each member of (Sub)Lessee owning more than a 10% membership interest, any person or business entity guaranteeing the performance of (Sub)Lessee, any person or entity owning more than a 10% interest of (Sub)Lessee, and any guarantor of (Sub)Lessee must answer the following questions:

1. **Surety Information** - Has a surety or bonding company ever been required to perform on the default of any of the individuals or entities?
 - a. Yes () No (☒)
 - b. If yes, please attach a statement naming the surety or bonding company, date, amount of bond, and the circumstances surrounding said default and performance.
2. **Bankruptcy Information** - Have any of the individuals or entities ever been adjudicated bankrupt or are any presently a debtor in a pending bankruptcy action?
 - a. Yes () No (☒)
 - b. If yes, please give dates, court jurisdiction, and amount of liabilities and assets.
3. **Pending Litigation** - Are any of the individuals or entities presently a party to ANY pending litigation?
 - a. Yes () No (☒)
 - b. If yes, please provide detailed information for each action.
4. **Claims, Liens, or Judgments** - Are any of the individuals or entities now subject to any outstanding claims, liens, or judgments?
 - a. Yes () No (☒)
 - b. If yes, please provide detailed information for each claim, lien, or judgment.

REFERENCES FOR PROPOSED (SUB)LEASING

Please list four persons or firms with whom you have conducted business transactions during the past three years. Two of the references must have knowledge of your debt payment history, with at least one being a financial institution. Two of the references must have knowledge of your business experience.

REFERENCE NO. 1

Name: Lisa Niesley

Firm: _____

Title: _____

Address: 5096 Seachase Way, San Diego, CA 92130

Telephone: 619-787-4287

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Customer/Student

REFERENCE NO. 2

Name: Sheri McDeavitt

Firm: _____

Title: _____

Address: 4454 Monaco St, San Diego, CA 92107

Telephone: 619-850-5091

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Customer/Student

REFERENCE NO. 3

Name: Sonya Marie Sheikh

Firm: _____

Title: _____

Address: 3950 Mahaila Ave, G-31, San Diego, CA 92122

Telephone: 858-717-1354

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Parent of Student

REFERENCE NO. 4

Name: Stephen Worland

Firm: _____

Title: _____

Address: 727 Hoska Dr, Del Mar, CA 92014

Telephone: _____

Nature and magnitude of purchase, sale, loan, business, association, etc.:

parent of Student

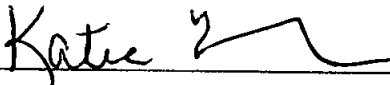
CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

PLEASE NOTE: All partners, both general and limited; all stockholders owning more than 10% of any class of stock of corporations; all members of a limited liability company; and sole proprietors requesting to (sub)lease, must each complete this page before the tenancy request can be processed. (You may reproduce and use copies of this page, if necessary.)

The following personal information is required to initiate a credit investigation. The business and personal reputation of principals, partners, and members will be considered in qualifying Lessees or in consenting to Sublessees.

First, Middle, & Last Name Katie Pearl Thomas
Date of Birth 3/6/78
Place of Birth Houston, TX
Social Security Number 466-81-4093
Driver's License Number/State DS832584
Home Address 221 Amatista Way
Oceanside, CA 92056
Previous Address 1027 Rabbit Valley Rd
Cleveland, TN 37321
Home Telephone No. (512) 736-3482
Employer N/A - Self
Occupation _____
Business Address _____
Business Telephone No. _____
Business Fax No. _____

The City is hereby authorized to request a credit report and other information covering my financial and business history.

Date _____ Signed Katie 

Print or type exact name of proposed (Sub)Lessee from page 2 of Questionnaire:

~~Horse~~ Horsebound, LLC

METHOD OF OPERATION

Please describe your proposed business operation on the property to be (Sub)Leased. Discuss any optional services and uses which you propose to provide.

Horsebound, LLC will offer arena lessons, camps for children during school breaks, trail rides into Peñasquitos Canyon for the general public, as well as events. For more information, please see the enclosed proposal.

**PROPOSED METHOD OF FINANCING
DEVELOPMENT OR LEASEHOLD PURCHASE**

Describe the method of financing for the Leasehold purchase or any new or additional development on the Leasehold. Include a schedule of approximate dates when construction of each significant improvement is expected to be commenced and completed.

All in all, we plan to spend roughly \$60K on horses/ponies, tack, supplies, and upgrades to the pasture (expansion of shade, pipe panels for subdivision). This money-along with an additional \$20K for unforeseen expenses and "rainy day fund" - is currently sitting in Katie Thomas's savings account, and will be transferred into our business checking account upon your approval of this proposal.

ESTIMATE OF GROSS RECEIPTS

If this Questionnaire is being completed by a prospective Lessee, please show the best estimate of the average annual gross sales for each significant use or service, and for each significant optional use or service which the Lessee and its Sublessees (if any) plan to conduct on or from the property. (If the Questionnaire is being completed by a Sublessee, only the estimate of the Sublessee's gross sales is required.) This data will be used by the City to analyze the proposed Lease or Sublease Consent application. The time periods shown should not be assumed to necessarily represent the term of a (Sub)Lease that may be granted or consented to by the City.

Average annual gross sales for each proposed significant use during each of the first five operating years:

Year of Operation	Uses (Identify Each Use)				
	LESSONS	TRAIL	CAMPS	EVENTS	
1	\$ 70K	\$ 6K	\$ 30K	\$ —	\$
2	\$120K	\$10K	\$40K	\$6K	
3	\$130K	\$10K	\$40K	\$6K	
4	\$140K	\$10K	\$40K	\$6K	
5	\$140K	\$10K	\$40K	\$6K	

EXPERIENCE STATEMENT

Please describe in detail the duration and extent of your business experience, with special emphasis upon experience with the type of business which you propose to conduct on City property. Also state in detail the pertinent experience of the persons who will be directly involved in development and management of the business.

Kajsa Wiberg has a BBA in marketing from University of Gothenburg, Sweden, and an MBA in finance from Alliant International University in San Diego, CA. Her work experience ranges from finance and marketing to retraining of race horses, equine facilitated coaching, and team building. The past couple of years, she has taught lessons and camps for Horsemanship Academy at Del Mar. She has been riding for twenty-six years, on two continents, both for pleasure and competitively. Last weekend, she won three blue ribbons at a local dressage show with her Friesian, Tinas.

Amy Holman has been a riding instructor for eight years—first in Simi Valley, and for the past six years for Horsemanship Academy at Del Mar. Prior to becoming a full-time riding instructor, she studied equine science and pre-veterinary medicine at Pierce College in San Fernando Valley, CA, and worked for American Veterinary Hospital. She has been around horses since age 2, ridden since age 5, and taken lessons and shows since age 8.

EXPERIENCE STATEMENT

Please describe in detail the duration and extent of your business experience, with special emphasis upon experience with the type of business which you propose to conduct on City property. Also state in detail the pertinent experience of the persons who will be directly involved in development and management of the business.

Katre Thomas has been riding horses for 26 years, from cutting cattle as a child to show jumping as a teenager.

As an adult, she spent 4 yrs teaching at Horsemanship Academy at Del Mar, where she realized her dream of having her own riding school. These days she loves trailriding and teaching others to love horses as much as she does. Before coming to HADM, Katre worked in finance (she also kept the books for HADM) and Advertising. She majored in International relations.

**TERMS AND CONDITIONS OF PURCHASE, SALE,
OR TRANSFER OF (SUB)LEASEHOLD INTEREST**

(NOTE: Complete this page only if the transaction involves a Lease assignment.)

Please summarize the terms and conditions of the purchase, sale, or transfer of Leasehold interest(s) which requires City consent, as specified in the Assignment-Sublease provisions of the City Lease. Please attach copies of the applicable sales agreement(s), escrow instructions, assignment agreement(s), or other documents in conjunction with the sale, purchase, or transfer of the (Sub)Leasehold interest(s).

OPERATING AGREEMENT HORSEBOUND, LLC

The points agreed upon herein supercede all other agreements (oral or written). Amendments can only be made in writing, and must be signed by all partners.

1. MAJORITY VOTE AND VETO

Majority vote is the default method for decision making. For the sake of efficiency, partners can only veto in five areas:

- horses used in the program
- employees brought on board and kept
- new partners in case of a sellout
- unconventional expenses
- the decision to put a horse down

For everything else, majority rules.

While spouses are entitled to compensation for a deceased partner's share, *under no circumstances* do they have any say in the operation of the business (this is true while all partners are alive, too).

2. SELL OUT/QUIT

Should one partner wish to sell out, a new partner can be offered that person's share, provided that he or she has been *approved by both the remaining partners, CanyonSide Stables, and City of San Diego*. The remaining partners can also elect to buy the share. The share should be priced as THREE TIMES THE EARNINGS FROM THE PAST TWELVE MONTHS (income minus all costs including salaries but before bonuses). Such a transaction must be handled promptly, and preferably be completed within three months.

The remaining partners can also buy that partner's share and hire someone to do that portion of the work. Employees will be paid \$10-\$15 per hour depending on our budget as well as their tasks, competence, and experience.

If two partners wish to sell out or quit, the remaining partner can opt to buy their shares and/or find new partners who do not need to be approved by the ones leaving (although they would still need to be approved by CanyonSide Stables and City of San Diego). The same formula applies (three times one third of the past twelve months' profit). The remaining partner always has the first right of refusal, even if the partners wishing to leave could make more money selling their shares to someone else. This applies if one partner wishes to leave, too – the remaining partners decide who gets to buy her share of the business (with CanyonSide/City of San Diego approval), even if the partner who is leaving receives a better offer from someone else.

3. WORST-CASE SCENARIOS

If a partner grossly neglects her duties, the other two have the option - after reasonable notice and counseling - to buy her out without consent. If a part-time employee fails to deliver the quality of work expected from him or her, any partner has the right to terminate the employment.

Should a partner pass away, the surviving partners can choose whether to purchase that partner's share or sell it to a third partner (approved by both). The sellout formula applies (three times one third of the earnings from the past twelve months), payable to the deceased partner's heir.

Should one partner become disabled or for other reasons unable to continue to be a partner, the same rules apply as in the case of a quit/sellout (see above).

4. COMPENSATION AND BENEFITS

Each partner will be paid the same for her time. Should one partner wish to work less and make less, the other partners can select whether to pick up extra hours for more pay or bring a part-time employee on board. The first three months, while we still expect to make little or no money (shopping for horses, fixing pasture, developing marketing materials, etc), each partner will be paid a flat \$1,500 per month. This is for 40 hours per week between business planning/marketing, legal, setup, horse shopping, tack shopping, pasture preparation etc. Of course, partners can opt to do more of one thing and less of another.

Until the business is profitable, any hours exceeding 40 per week will be considered unpaid “labors of love” and investments in the future success of the school.

Ninety days after the agreed-upon start date or when the business income supports it, WHICHEVER COMES FIRST, each partner's salary will increase to \$2,000. The raise to \$2,500 plus board for a horse will happen when the business income supports it. Once this goal is reached, we will allocate money toward continuing education. Once we are on track with those payments, we will consider bonuses when possible (dividing the profit evenly based on the number of hours worked, so most likely 33.3%-33.3%-33.3%).

Each partner can elect to receive some of this compensation in form of benefits (medical insurance, disability insurance, etc) for herself and her spouse. Once the LLC generates enough income to cover the fixed expenses (including compensation and continuing education), we will discuss this matter again and see if we'd like to provide such benefits in addition to the regular compensation package.

Salary payable twice per month, on the 10th and the 25th. We will set up automatic deposit, if possible. Bonuses payable whenever possible and justified. Partners and employees are required to submit timesheets (hours worked and tasks completed) at least five days prior to any pay day.

Once we are all making \$2,500 per month plus board for one private horse each, we will use majority vote to determine when to increase partners' (all or none) or employees' pay.

Should one partner wish to keep her other job and only work part time initially, she can opt to temporarily work 25% for the school (10 hours per week, $\$1,500/4=\375 per month) or 50% (half time, $\$1,500/2=\750 per month). These sums will rise at the same pace as the salaries for partners dedicating all their time to the business. Just as for partners working full-time, any hours worked in excess of the paid ones (25% or 50%) will be considered unpaid “labors of love” and investments in the future of our business. The same formulas will apply, should one partner wish to have another job or business on the side. This other job or business *must not in any way* violate the agreement we have with Canyonside and the City of San Diego, nor may it compete with Horsebound, LLC or interfere with the earnings potential of same.

Once the business is up and running and costs, salaries, rainy day fund payments and contributions to R&D are all met, we will determine bonus formulas for events that partners put on without the other partners' involvement (i.e. Kajsa puts on an ayurvedic retreat with one of her teachers, Katie throws a birthday party for a relative, Amy takes two students to a show and coaches them). Until then, *all horse-related income goes back into the business.*

5. SHARES AND OWNERSHIP

Starting out, each partner will own 300 voting shares. These can be traded between the partners (see sellout/quit) and sold to new, approved partners. A partner can also opt to participate to a lesser or bigger extent, according to the previous descriptions. We will track these transactions carefully so that we always know how many shares each partner owns.

6. WORK LOAD AND HOURS

Each person will contribute the same number of hours per week, whether most of it spent taking clients out on trail, teaching lessons, doing the books, working on marketing campaigns or ordering food. The tasks will be distributed according to each partner's specific talents and interests, and for the sake of simplicity, all of our time will be valued the same, regardless whether spent teaching, pulling shoes or outlining workshops.

Horses will be schooled as needed, and this task will be split evenly between the partners.

Our goal is for each partner to work a total of 40 hours per week, although at times it may be much more. We will set a schedule for lessons/tours/admin work, where each partner can choose whether to work a few long days or a little every day. However, it is important to note that workshops, retreats, clinics, corporate activities etc will play havoc with the schedule and require all of us to put in extra hours from time to time. These may occasionally interfere with lesson and tour schedules. If so, all affected students/clients will be offered makeups.

While our aim is for each partner to have one weekend day off, this will not always be possible as weekends are prime time for retreats, workshops, weddings, birthday parties etc. So we will limit this to *scheduled to teach* one weekend day each only. This also frees up at least one partner to manage special events on either weekend day. Also, partners will cover

each other for horse shows (as these always take place during weekends).

Tasks that do not require specific scheduling (such as bookkeeping, development of marketing materials), can be done at any time and from home if desired, as long as the partners meet pre-determined deadlines.

Over time, using time sheets to track the number of hours spent on each different task, we will develop a list outlining what partner is responsible for what task. This in order to ensure that no partner works considerably more or less than the others.

7. BANK ACCOUNT AND EXPENSES

Each partner will have access to the business bank account through a debit card and checks. This account is to be used for a pre-determined (majority vote) list of expenses, such as feed, vet care and liability insurance), ONLY. Any unconventional expense must be pre-approved by majority vote. We will also establish accounts, i.e. at Carter's, so that they can bill us. Tack and supplement purchases must be pre-approved.

8. IN CASE OF NO MONEY

If, despite careful calculations, a rainy day fund, and sufficient start-up capital, we should run out of money, we will make every reasonable effort to take out a loan (small business loan or similar). Under no circumstances should any partner take on credit card debt to keep the business running. Should all this fail, we will dissolve the LLC, sell all the LLC's assets to pay down anything the LLC may owe anyone, then walk away.

9. PRODUCTS

We will use majority vote to determine website content, advertising materials, lessons, workshops, etc. Majority vote will also be used when changing any of the above, and all partners must be notified ahead of time.

Outputs from the business may include the following:

- lessons
- trail rides

- camps
- birthday parties
- workshops on equine topics
- learning materials such as books and videos
- the option to have lessons and/or shows videotaped and critiqued
- shows and coaching at shows
- equine facilitated coaching and/or therapy
- Horses and Yoga classes
- women's retreats
- collaboration with concierges/equine tourism
- Intro to Western for people from Europe and the East Coast
- corporate team building and retreats
- other related products as long as the majority of the partners are in favor and they do not jeopardize anyone's safety

10. BREAKS AND CALIFORNIA LABOR LAWS

We will abide by California labor laws, stating that employees (and partners, in our case) are entitled to a 30-minute lunch break when working more than six hours, and ten-minute breaks when working four hours. We will make room for these breaks in the schedule, and consider allowing an extra fifteen minutes between classes to reduce stress and create a better - and safer – experience for students, parents, and instructors. We will also consider fifteen-minute breaks between camp and lessons.

11. CONTRACTORS AND RATES

When outsourcing is needed (i.e. legal work, manual labor), we will vote on suppliers and make sure rates are reasonable.

12. TIME OFF

The partners will be supportive and cover for each other when someone needs or wants time off, whether to recover from illness, regain sanity, or go on a trip. Partners will be cross-trained so that there's no task only one partner can do. All partners will do their very best not to be absent more than six weeks per year, between sick leave and vacation. Partners are

also entitled to six months maternity leave, *during which they will make only the difference between their normal salary and the cost of hiring a replacement*. Should a partner not wish to, or be unable to return to work after six months, the other partners can elect to buy her out.

All partners recognize that her lessons/camps/trail times etc *are ultimately her responsibility*. If neither of the other partners are able to cover for her, no suitable employee can do it, and students/clients are unable to reschedule, it is her responsibility to work them. Exceptions are emergencies such as death in the family, urgent illness, and disability.

Similar to the case with maternity leave, should we need to hire someone (or use an hourly employee) to cover a partner for a vacation or sick leave, the wages paid to that person will be deducted from that partner's pay check. Time off with full pay is something we will only consider once costs, salaries, rainy fund, and R&D are met. Obviously, compensation to the person covering for a partner can never be more than the partner's salary.

Of course, partners can trade back and forth, covering for each other, creating "paid time off" made up for by working "for free" for another partner.

13. BUSINESS PHONE AND RESPONSE TIME

Each partner will answer the business phone two set days per week (working days), *do her very best to answer every call during those days*, and be available during business hours and early evenings. During lessons, trail rides and similar, it is OK to take an hour or two to get back to potential clients.

14. HORSES, RIDES, AND FRIENDS/FAMILY

We will only use horses in the program with which ALL THREE PARTNERS feel safe and comfortable.

It is our aim that each horse will have one day off per week and no more than ten rides per week or two per day (three rides in a day in case of emergency only, and with adequate breaks provided). Good horse scheduling will make a huge difference for profitability. If a horse is expected to go less than this, it's OK to bring friends and family and take them on

trail, as long as both the other partners have stated that they can spare the horse during said time. For the sake of the horses, during busy times such as the summer months, we will try to keep friend/family rides to a minimum (one or two per partner and month).

Friends and family wishing to participate in birthday parties/events/retreats/lessons/trail ride programs will enjoy a 20% discount, however, each partner is limited to \$1,000 worth of discounts per year.

For the sake of our friendships AND because we are working with the city, there will be NO BARTERING ALLOWED.

While we will do our very best to keep the horses healthy, unfortunately, the LLC is unable to pay for medical care/surgery in excess of \$4,000 per horse and occasion.

15. DISPUTES

Disputes will be settled by binding arbitration.

16. MAKEUPS

Should a student miss a lesson, provided that we are notified at least six hours in advance, he or she will be offered three different days/times for a makeup. Each student is allowed up to five makeups per year.

The greatest benefit reaped from this makeup policy is that we, too, can reschedule when we are able to pull off highly profitable events such as corporate team building, weddings, and retreats. Fair is fair, so we will limit the number of times we can reschedule each class to five per year, give at least a week's notice, and make sure to offer each student three different time slots for each makeup.

17. LICENSING

All partners will have the option to be licensed with the organization of their choice (ARIA, USDF or similar) when the business income supports it or twelve months after the start date for the lesson program, whichever comes first.

18. DEBT, VENDORS, CONTRACTS

Under no circumstances is any partner to take on debt for personal reasons on behalf of the LLC.

Any partner is authorized to enter into contracts with pre-approved vendors (such as vet, farrier, feed store) on behalf of the LLC. If a vendor is not on the list, we will vote first and if approved, the partner can go ahead with the transaction.

We will also develop a disaster plan, with measures allowed in case of an emergency (i.e. renting a trailer to evacuate horses in case of fire), so that partners can act quickly, should such a situation arise.

19. NO-DRUG POLICY

For the safety of students, clients, horses and instructors, there will be no drinking or drugs (zero tolerance policy).

20. NO-COMPETITION CLAUSE

Each partner agrees not to conduct business that competes in any way with the school *on the same property* for three years after she has left the partnership.

I AGREE TO ALL THE ABOVE WITHOUT ANY CONDITIONS OR RESTRICTIONS

partner, sign and date

partner, sign and date

partner, sign and date

Proposal for a Riding School at Canyonside Stables

Prepared by: Katie Thomas
For: Barbie Jacobson

June 2, 2009

I enjoyed speaking with you on the phone the other day. I hope the below will give you an idea of the kind of school we are looking to build and run. If you have any questions or concerns, please feel free to give me a call at 512-736-3482.

Thank you for your time and consideration. We can't wait to hear from you.
Sincerely,

Katie Thomas and partners

The Vision

Our vision is to create a tight-knit community and a fun learning environment – a sanctuary, where students can get away from the hustle and bustle of everyday life while learning horsemanship and improving their riding skills. Whether their main interest is dressage, reining, gymkhana, trail, showing, vaulting or hunters, students will be presented with opportunities to explore all areas of riding and horsemanship, and narrow in on the discipline/disciplines of their liking. Recognizing that safety is paramount for a positive experience, we will have set opening hours during which staff will be available to supervise students taking lessons, riding their lease horse - or simply stopping by to offer their favorite horse a treat.

The school will also be a great place to work for horses. Between daily turnouts, grooming, attention, customized feeding programs and the right balance between rest and exercise, we recognize that if we don't keep our horses happy, they are unlikely to keep us happy!

Description of the School

The school's primary business is to teach children and adults riding and horsemanship. This is accomplished through private and group lessons, as well as day camps, primarily during the summer. Workshops will be offered on different topics such as Natural Horsemanship, Reining for English Riders, Equissage, Grooming for Shows, trail equitation and Reiki. For advanced students, the school will also offer assistance in acquiring private horses and ponies, opportunities to have lessons videotaped and critiqued, and to show.

Possible extensions in the range of services include learning materials such as videos and books, Horses and Yoga classes, as well as retreats for non-equestrians/equine facilitated coaching and therapy.

The school will be run by three partners, each with solid teaching background and 20+ years of riding experience, two with business experience, one with an MBA. While all three will be teaching, they will each take on a portion of the administrative and strategic duties including but not limited to horse health, scheduling, marketing, management, and accounting. Down the road, we may bring on board part-time instructors, paid by the hour, as needed.

Key factors for success include equine wellbeing, quality instruction, an emphasis on safety, exciting and memorable interactions with the horses and ponies, trail access and location.

Quality instruction will come from the partners' expertise and experience in the field, as well as an emphasis on and special funding for continuing education. Each partner will take weekly lessons in the discipline of their choice, and have a portion of the business income set aside for workshop or clinics that can help bring her riding skills to the next level.

The school will actively promote safety by distributing a Safety Award every month, by having at least one instructor on site during opening hours (no children ever left unsupervised on the property!), by prioritizing safety and honesty in the horse selection process, and by requiring all students to wear helmets at all times while on the property and on trail.

Memorable interactions with the horses and ponies will come from fun days (games only lessons and trail

rides), instruction in horsemanship, and encouragement to appreciate the horses as companions and with personalities of their own.

We like to look at the school as a “prep school for horse ownership” rather than a place where you learn only to ride, similar to the way some schools (especially private ones) view themselves as college prep schools rather than just places where students learn the basics according to a standardized curriculum. Students will learn all aspects of horse ownership, from wrapping legs and lounging to shots required and the 411 on shoes and trimming. Since very few riding schools allow this level of interaction with the horses, this will set us apart from the many show barns in the region. This mission will be clear in marketing materials as well as in the lessons!

Our marketing channels will include word of mouth and referral programs, advertising in relevant media, a website, a monthly newsletter, brochures/flyers on the property, as well as signage (city approved).

Ethics

We will abide to the FEI (Federation Equestre Internationale) Code of Ethics, stating that

1. In all equestrian sports, the horse must be considered paramount.
2. The well-being of the horse shall be above the demands of breeders, trainers, riders, owners, dealers, organizers, sponsors or officials.
3. All handling and veterinary treatment must ensure the health and welfare of the horse.
4. The highest standards of nutrition, health, sanitation and safety shall be encouraged and maintained at all times.
5. Adequate provision must be made for ventilation, feeding, watering and maintaining a healthy environment during transportation.
6. Emphasis should be placed on increasing education in training and equestrian practices and on promoting scientific studies in equine health.
7. In the interests of the horse, the fitness and the competence of the rider shall be regarded as essential.
8. All riding and training methods must take account of the horse as a living entity and must not include any technique considered by the FEI to be abusive.
9. National Federations should establish adequate controls in order that all persons and bodies under their jurisdiction respect the welfare of the horse.
10. The national and international Rules and Regulations in equestrian sport regarding the health and welfare of the horse must be adhered to not only during national and international events, but also in training. Competition Rules and Regulations shall be continually reviewed to ensure such welfare.

We will also strive for the highest safety standards for the lessons, as well as quality of education through certification with USDF and ARIA.

We will maintain records of the horses' vaccinations, checkups, and medical issues (if any), and would be happy to supply copies of these upon request.

Goals

Proposal for a Riding School at Canyonside Stables/4

1. To create a fun community and a safe learning environment for students.
2. To be a great place to work for all our partners – equine and human.
3. To provide a tranquil sanctuary for adults looking to escape the stress of everyday life and unwind in the company of horses.

Products and Services

The core services of the riding school will be lessons, trail rides, and camps (during the summer and major school breaks), with plenty of opportunity for add-ons such as workshops, retreats, parties, show programs, weddings, and learning materials. Representation at shows can also help create interest in the school, and attract new students.

As for the lessons, target volume is around 40 per week, during weekday afternoons (when the kids are out of school) and weekend mornings, staying out of the boarders' way Saturday and Sunday afternoons, when arena demand tends to peak. We consider 1-3 students - depending on experience and level of confidence - the ideal lesson size. Start time for weekday lessons will be around 2:30, ending around 6:30, or 7:30 at the latest. On weekends, lessons will be over by 2 p.m (except for the occasional trail ride).

Camp lessons will take place in the morning and not during lesson times (to facilitate horse scheduling and avoid crowding of the arenas). We will school horses either early in the morning or late at night.

Obviously, during the startup stages, we do not expect to be anywhere near as busy.

Lessons and camps will be divided into four different levels:

-level 1 (beginner)

-level 2 (walk, trot)

-level 3 (walk, trot, canter)

-level 4 (advanced)

We will also consider specialty groups such as Gymkhana and English Only. We can also do privates upon request in most disciplines.

Based on the estimates we received from other schools in the area, we believe \$170 per month for one lesson per week is a competitive price, and \$310 for two lessons per week. Camps will range between \$350 and \$450 per week and child, depending on the hours (some weeks will be 9-1 and others 9-3). Trail rides will start at \$45 for a one-hour ride. We also recognize that some families are unable to spare \$170 per month, and will offer working student and scholarship opportunities and/or flexible rates.

Students who can tack up and ride comfortably on their own in all three gaits will be offered leasing opportunities during our business hours. If boarders are short on cash and interested in leasing, we would be delighted to refer these students to them.

Possible add-ons include:

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- workshops on equine topics
- birthday parties (along with other occasions)
- learning materials such as books and videos
- the option to have lessons and/or shows videotaped and critiqued
- shows and coaching at shows
- nighttime trail rides
- equine facilitated coaching and/or therapy
- Horses and Yoga classes
- women's retreats (we like the type of awareness and coaching workshops offered by for instance Skyhorse Ranch www.skyhorseranch.com)
- collaboration with concierges/equine tourism (we know concierges at Westin Horton Plaza, The Four Seasons, La Costa Resort, Sheraton San Diego Hotel and Marina, to mention but a few)
- Intro to Western for people from Europe and the East Coast
- corporate team building and retreats (one of the partners has ample experience in this area and knows meeting planners with PRA and Access who have expressed interest in such activities)
- weddings
- prep course for the NATRAK and guidance/coaching for participating students
- Mother's Day Mom-and-Daughter rides

We are willing to try almost anything as long as it doesn't jeopardize anyone's safety.

Sales Mix

The following promotion tools will be central to our marketing operations:

- a monthly e-newsletter to all community members
- a state of the art, interactive website with bios and photos of horses and students
- a referral program
- professional-grade fliers and brochures placed in strategic locations such as gymnasiums, schools, coffee shops, etc.
- 4H programs and collaborations with local schools
- professional-grade logo
- the Internet/business directories

Financing Plan

We are fully funded, and would be delighted to submit documentation upon request.

We are open to ideas and suggestions, and more than willing to put in whatever work is needed to make the

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pasture comfortable for our horses - and to make our presence on the property a joy rather than a nuisance for the other boarders. We are eager to move forward and look forward to hearing your thoughts.

HORSEBOUND, LLC
WAIVER, GENERAL RELEASE AND INDEMNITY

Horsebound, LLC ("Horsebound") is a Limited Liability Company that owns and operates Horsebound, LLC, 12115 Black Mountain Road, San Diego, CA 92129. Horsebound provides horsemanship and riding instructions, camp, trail rides and special events. In order to keep our operating costs reasonable, we ask all participants, and the parents of all minor participants, to sign this Waiver, General Release and Indemnity ("Agreement"). By signing this Agreement, you are waiving and generally releasing all claims against Horsebound, including claims arising out of the negligence of Horsebound and its staff; you are agreeing to indemnify Horsebound against claims and liabilities; you are assuming certain risks; and you are agreeing not to sue Horsebound or assist others in suing Horsebound.

1. **General Statement of Risk.** There are inherent risks involved in riding, working, and being around horses. Horses can be unpredictable. Because of their size and strength, horses can be dangerous. Participants will be in close proximity to horses, and participants may be handling, riding, taking lessons, grooming, feeding and otherwise interacting with horses. All of these activities have inherent risks, including damage to personal property, illness, bodily injury, trauma, or even death that may result from many causes, including the active or passive negligence of Horsebound and its officers, directors, agents, and employees.

2. Definitions.

a. Associated Persons and Associated Entities. "Associated Persons and Associated Entities" means: (i) Associated Persons: present and former officers, directors, shareholders, partners, members, predecessors-in-interest and successors-in-interest of Horsebound and Horsebound's Associated Entities; and (ii) Associated Entities: affiliates, partnerships, limited liability companies, predecessors-in-interest, contractors, and subcontractors, and including, without limitation, CanyonSide Stables L.L.C., City of San Diego, and County of San Diego.

b. Claims. "Claims" shall include all claims, rights, demands, damages, liabilities, and causes of action (whether asserted, unasserted, known, unknown, contingent, accrued, or otherwise).

c. Costs. "Costs" shall include all costs, losses, expenses, attorney's fees, expert witness fees and other fees, interest, and all other obligations.

3. **Waiver and General Release.** On behalf of myself and my spouse, parents, guardians, children, siblings, next of kin, successors, assigns, principals, employees, and agents, I fully and forever waive, release, acquit, and discharge Horsebound and its Associated Persons and Associated Entities from all present and future Claims and Costs arising out of or related in any way to this Agreement, or my presence on or use of Horsebound, or its horses, equipment, and facilities, whether or not caused by the active or passive negligence of Horsebound, and whether such Claim or Cost occurs on or off the Horsebound property, and excepting only such Claims and Costs arising solely and exclusively from Horsebound's gross negligence or knowing and intentional unlawful conduct.
4. **Waiver of Civil Code Section 1542.** I acknowledge that the above Waiver and General Release includes Claims and Costs which I do not know or suspect to exist, and I waive all rights which may exist under California Civil Code Section 1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

5. **Assumption of Risks.** I acknowledge that horses can be dangerous animals. I am aware of the inherent risks of injury, property damage, trauma and death involved in interacting with horses. I assume all known and unknown risks of personal injury, bodily injury, and property damage which may arise out of or be related in any way to my presence on or use of the Horsebound, or its horses, equipment, and facilities and including, without limitation, the risk of negligent instruction or supervision, and the risk that Horsebound's actions or inactions increased the risks to me.
6. **Covenant Not to Sue.** I will not make, assert or maintain any action, demand or lawsuit against Horsebound or any of Horsebound's Associated Persons or Associated Entities, including CanyonSide Stables L.L.C., City of San Diego, and County of San Diego, for Claims and Costs waived or released by this Agreement, or for risks that I assume. I shall not aid, cause or otherwise encourage others to make, assert or maintain any action, demand or lawsuit against Horsebound or any of Horsebound's Associated Persons or Associated Entities, including CanyonSide Stables L.L.C., City of San Diego, and County of San Diego.
7. **Indemnity.** I will defend, indemnify and hold harmless Horsebound and its Associated Persons and Associated Entities for Claims and Costs arising out of or related in any manner to (i) my presence on or use of Horsebound, or its horses, equipment, and facilities, and including Claims and Costs arising in whole or in part from the active or passive negligence of Horsebound; or (ii) any breach of this Agreement by me; and exception only such Claims and Costs arising solely and exclusively from Horsebound's gross negligence or knowing and intentional unlawful conduct.

Participant's Signature

If under 18, signature of Parent or
Legal Guardian

Print Name

Print Name

Date: _____

***Authorization:** My child has my permission to engage in all Horsebound activities. I give permission to the medical personnel selected by Horsebound to order x-rays, routine tests, and treatment; to release records necessary for insurance purposes; and to arrange necessary transportation for my child or me if I am non-responsive. I give permission to the physician selected by Horsebound to administer treatment, including hospitalization. This form may be photocopied and the photocopy may be used for all purposes. I accept full responsibility for any injury to my child or me as a result of Horsebound activities. I will provide my own health and accident insurance.*