

CITY OF SAN DIEGO CONSENT TO SUBLEASE

THIS CONSENT TO SUBLEASE ("Agreement") is made as of July 31, 2013 (the "Effective Date") by and among the City of San Diego, a California municipal corporation, as master lessor ("CITY"), and LHO Mission Bay Rosie Hotel, L.P., a Delaware partnership, as sublessor ("SUBLESSOR").

RECITALS

This Agreement is made with regard to the following facts:

- A. CITY and SUBLESSOR, as successor in interest to Hilton San Diego Corporation pursuant to that certain City of San Diego Consent to Assignment of Percentage Lease Agreement dated December 1, 2005 ("Assignment"), are parties to that certain CITY OF SAN DIEGO PERCENTAGE LEASE dated September 12, 2000, and filed in the Office of the City Clerk as Document No. RR-293815 ("Master Lease"), and relating to the CITY-owned property known as Hilton San Diego Resort, consisting of approximately 17.739 acres of land and 0.868 acres of water ("Premises"). As acknowledged in the Assignment, LHO Mission Bay Rosie Lessee, Inc. and SUBLESSOR entered into an operating lease, dated October 31, 2005.
- B. SUBLESSOR and Mantra 'Art of the Spa', LLC, a California limited liability company ("SUBLESSEE") have entered into a Spa Lease ("Sublease") for a portion of the Premises more particularly described in the Sublease. A copy of the Sublease is attached as Exhibit A.
- C. Pursuant to Section 4.02 of the Master Lease, SUBLESSOR has requested CITY's consent to sublease a portion of the Premises as set forth in the Sublease to SUBLESSEE.
- D. CITY is willing to consent to the Sublease on the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, the parties agree as follows:

- 1. CITY's Consent. CITY consents to SUBLESSOR subleasing to SUBLESSEE. This consent is granted only on the terms and conditions stated in this Agreement. CITY is not bound by any of the terms, covenants, or conditions of the Sublease. The Sublease is subject and subordinate to the Master Lease, as may be amended from time to time. If there is a conflict between the Sublease and either the Master Lease or this Agreement, the terms, conditions, and obligations of this Agreement and the Master Lease shall control. If there is a conflict between this Agreement and the Master Lease, the terms, conditions, and obligations of this Agreement shall control.
- 2. Limits of CITY's Consent. Neither the Sublease nor this Agreement will:

- (a) release SUBLESSOR from any liability, whether past, present, or future, under the Master Lease;
- (b) alter the primary liability of SUBLESSOR to pay the rent and perform all of SUBLESSOR's obligations under the Master Lease;
- (c) be construed as a waiver of CITY's right to consent to any proposed sublease or assignment after the date hereof by SUBLESSOR under the Master Lease or SUBLESSEE under the Sublease, or as a consent to any portion of the Premises in the Sublease being used or occupied by any other party;
- (d) grant any rights to SUBLESSEE greater than those rights granted to SUBLESSOR under the Master Lease;
- (e) be deemed CITY consent to any other assignment or sublease;
- (f) require CITY to recognize SUBLESSEE in the event of a default in the Master Lease by SUBLESSOR;
- (g) enlarge or in any manner increase CITY's obligations or duties under the Master Lease;
- (h) create obligations or costs to CITY with regard to the Sublease;
- (i) modify, waive, amend, or otherwise affect any provision of the Master Lease other than as set forth in this Agreement;
- (j) be deemed CITY approval of any alterations to the premises referenced in the Sublease. Any and all alterations to the Premises are subject to the prior written approval of CITY as set forth in Section 6.04 of the Master Lease;
- (k) be deemed to be any type of obligation by CITY to SUBLESSOR, SUBLESSEE or to any governmental agent, board, commission, or agency with regard to any other action relating to SUBLESSEE's occupancy, use, development, maintenance or modification of any portion of the Premises or improvements thereon, including, but not limited to the design or construction of the day spa and salon;
- (l) be deemed approval of CITY as required by any other provision of the Master Lease or Sublease.

3. Required Insurance. Prior to the Effective Date of this Agreement, SUBLESSEE shall secure and maintain insurance in compliance with Section 5.2 of the Master

Lease and shall file with CITY a copy of the policy of insurance which shall name the "City of San Diego, its elected officials, officers, representatives, agents and employees" as additional insureds for the entire term of the Sublease.

SUBLESSEE shall be insured by an insurance carrier acceptable to the CITY against loss from public liability and property damage arising from the use of or the conduct of any operation conducted on the portion of the Premises subject to the Sublease. SUBLESSEE shall maintain minimum coverage in the amount of Five Million Dollars (\$5,000,000) Combined Single Limit Liability. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by insurance company. Prior to each insurance renewal period, SUBLESSEE shall submit to CITY a copy of the new policy of insurance.

4. Indemnification. SUBLESSOR shall require that SUBLESSEE shall defend, indemnify, protect, and hold CITY, its elected officials, officers, representatives, agents and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including without limitation any injury to SUBLESSOR'S or SUBLESSEE'S officers, employees, agents, invitees, guests, subtenants or licensees, which arise out of or are in any manner directly or indirectly connected with the Sublease, SUBLESSEE'S use of or operations on the Premises, the condition of the Premises, or from any act or omission of SUBLESSEE or any of his employees, agents, invitees, guests, subtenants or licensees; provided, however, this duty to indemnify and hold harmless shall not include any claims or liability arising from the established sole negligence, or sole willful misconduct of CITY, its elected officials, officers, representatives, agents or employees. CITY may, at its election, conduct the defense or participate in the defense of any claim related in any way to this indemnification. If CITY chooses at its own election to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification, SUBLESSOR and SUBLESSEE shall pay all of the costs related thereto, including without limitation reasonable attorney fees and costs.
5. Controlling Law. The terms and provisions of this Agreement will be construed in accordance with, and will be governed by, the laws of the State of California.
6. Entire Agreement. This Agreement constitutes the final, complete and exclusive statement between the parties to this Agreement pertaining to the terms of CITY's consent to the Sublease, supersedes all prior and contemporaneous understandings or agreements of the parties, and is binding on and inures to the benefit of their respective heirs, representatives, successors, and assigns. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in Agreement. Any agreement made after the date of this Agreement is ineffective to modify, waive, or terminate this Agreement, in whole or in part, unless that agreement is in

writing, is signed by the parties to this Agreement, and specifically states that agreement modifies this Agreement.

7. Partial Invalidity. If any term, covenant, or condition in this Agreement is, to any extent, held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement, or the application of that term, covenant, or condition to persons or circumstances other than those as to which it is held to be invalid or unenforceable, will not be affected by that invalidity or unenforceability, and all other terms, covenants, and conditions of this Agreement will be valid and enforceable to the fullest extent permitted by law.

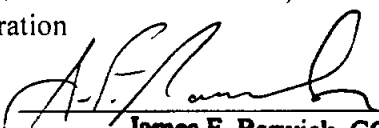
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8. CITY's Consent Null and Void. If at any time, either SUBLESSOR or SUBLESSEE fails to comply with any of the terms and conditions set forth in this Agreement, this Agreement shall automatically and retroactively become null and void as of the date of any such failure to comply. Any such failure to comply with any term or condition of this Agreement shall constitute a default under the Master Lease and the CITY may avail itself of any rights and remedies available under the Master Lease and at law.

IN WITNESS WHEREOF, this Agreement is executed to be effective as of the Effective Date upon the signature of all of the parties.

Date: 7/29/13

THE CITY OF SAN DIEGO, a California municipal corporation

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

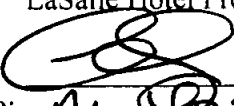
Date: July 25, 2013

SUBLESSOR, LHO Mission Bay Rosie Hotel, L.P.,
a Delaware Corporation

BY: LHO Mission Bay Rosie Hotel, LLC
its general partner

BY: LaSalle Hotel Operating Partnership, L.P., its sole
member

BY: LaSalle Hotel Properties, its general partner

BY: 
Name: AC Boag
Title: SVP

APPROVED AS TO FORM AND LEGALITY:

JAN GOLDSMITH, City Attorney

Date: July 31, 2013

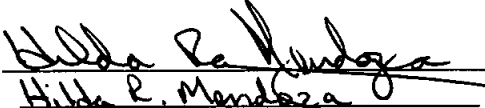
By: 
Hilda R. Mendoza
Deputy City Attorney

Exhibit “A”
Spa Lease

FIRST AMENDMENT TO THE SPA LEASE

THIS FIRST AMENDMENT TO THE SPA LEASE ("First Amendment") is hereby entered into by and between LHO Mission Bay Rosie Lessee, Inc., a Delaware Corporation ("Landlord") and Mantra "The Art of The Spa", LLC, a California limited liability company ("Tenant") as of 1/10/2014, 2013 ("Effective Date").

RECITALS

This Agreement is made with regard to the following facts:

A. Landlord and Tenant (collectively referenced herein as the "Parties") entered into the Spa Lease dated March 22, 2013 ("Sublease"), which is incorporated herein by reference.

B. Landlord and Tenant desire to execute this First Amendment to include provisions required by the City of San Diego in return for its consent to the Sublease and this First Amendment pursuant to the City of San Diego Consent to Sublease, dated as of July 31, 2013 ("Consent"), which is incorporated herein by reference.

NOW, THEREFORE, in consideration of the Recitals stated above and incorporated herein by this reference and the mutual obligations of the Parties expressed herein, the Parties agree to modify the Spa Lease as follows:

1. Add the following as new Recital C:

"C. The City of San Diego ("City") and the Owner, as successor in interest to Hilton San Diego Corporation pursuant to that certain City of San Diego Consent to Assignment of Percentage Lease Agreement dated December 1, 2005 ("Assignment"), are parties to that certain CITY OF SAN DIEGO PERCENTAGE LEASE dated September 12, 2000, and filed in the Office of the City Clerk as Document No. RR-293815 ("Master Lease"), and relating to the CITY-owned property known as Hilton San Diego Resort, consisting of approximately 17.739 acres of land and 0.868 acres of water ("Property"). As acknowledged in the Assignment, Landlord and the Owner entered into an operating lease, dated October 31, 2005."

2. Add the following as new section 12 to the Basic Lease Provisions:

"12. This Lease is subordinate to the Master Lease."

3. Add the following as new section 9.5 to Article 9, NON-LIABILITY AND INDEMNIFICATION:

"9.5. Indemnification for City. Tenant shall defend, indemnify, protect, and hold City, its elected officials, officers, representatives, agents and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including without limitation any injury to Tenant or

Tenant's officers, employees, agents, invitees, guests, subtenants or licensees, which arise out of or are in any manner directly or indirectly connected with the Lease, Tenant's use of or operations on the Premises, the condition of the Premises, or from any act or omission of Tenant or any of its employees, agents, invitees, guests, subtenants or licensees; provided, however, this duty to indemnify and hold harmless shall not include any claims or liability arising from the established sole negligence, or sole willful misconduct of City, its elected officials, officers, representatives, agents or employees. City may, at its election, conduct the defense or participate in the defense of any claim related in any way to this indemnification. If City chooses at its own election to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification, Tenant shall pay all of the costs related thereto, including without limitation reasonable attorney fees and costs."

4. Add the following as new section 10.6 to Article 10, INSURANCE:

"10.6 Required Insurance For City. Prior to the Effective Date of the Consent, Tenant shall secure and maintain insurance in compliance with Section 5.2 of the Master Lease and shall file with City a copy of the policy of insurance which shall name the "City of San Diego, its elected officials, officers, representatives, agents and employees" as additional insureds for the entire term of the Sublease. Tenant shall be insured by an insurance carrier acceptable to the City against loss from public liability and property damage arising from the use of or the conduct of any operation conducted on the portion of the Premises subject to the Sublease. Tenant shall maintain minimum coverage in the amount of Five Million Dollars (\$5,000,000) Combined Single Limit Liability. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to City by insurance company. Prior to each insurance renewal period, Tenant shall submit to CITY a copy of the new policy of insurance."

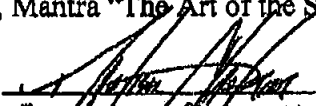
5. All words capitalized and not defined in this First Amendment shall have the same meaning as in the Sublease.

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6. The Parties agree that this First Amendment represents the final, complete and exclusive statement between the Parties and affects and modifies only those paragraphs, sections and articles referred to in this First Amendment, and all other terms and conditions of the Sublease remain in full force and effect.

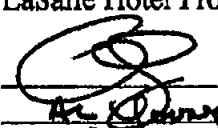
IN WITNESS WHEREOF, this First Amendment is executed to be effective as of the Effective Date upon the signature of all of the parties.

Tenant, Mantra "The Art of the Spa", LLC, a California limited liability corporation

BY: 
Name: MELISSA CHAFKAR
Title: CEO
Date: 1/10/2014

SUBLESSOR, LHO Mission Bay Rosie Hotel, L.P., a Delaware Corporation

By: LHO Mission Bay Rosie Hotel, LLC, its general partner
By: LaSalle Hotel Operating Partnership, L.P., its sole member
By: LaSalle Hotel Properties, its general partner

BY: 
Name: Ar. Gentry
Title: VP
Date: 1-9-14

SPA LEASE

This Spa Lease (this "Lease") is made as of March 22, 2013, by and between LHO MISSION BAY ROSIE LESSEE, Inc., a Delaware corporation ("Landlord"), and MANTRA 'THE ART OF THE SPA', LLC, a California limited liability company ("Tenant").

RECITALS

A. LHO Mission Bay Rose Hotel, L.P., a Delaware limited partnership (the "Owner"), owns the resort known as the "Hilton San Diego Resort" located at 1775 E. Mission Bay Drive, San Diego, California 92109 (the "Resort"), and has leased the Resort to Landlord,

B. Tenant desires to lease from Landlord the premises located at the Resort depicted on Exhibit "A" attached hereto and incorporated herein by this reference, containing approximately 7,000 square feet ("Premises").

NOW THEREFOR, in consideration of the mutual promises set forth herein, Landlord leases to Tenant and Tenant leases from Landlord, upon the provisions and conditions set forth herein, the Premises.

BASIC LEASE PROVISIONS

The following are the Basic Lease Provisions of this Lease. Other paragraphs of this Lease explain and define the Basic Lease Provisions in more detail and are to be read in conjunction herewith.

1. TERM: Five (5) years; provided, however, either party shall have the right to terminate this Lease at any time upon at least ninety (90) days' prior written notice to the other party. If Landlord terminates this Lease effective within the first twelve (12) months after the Commencement Date other than as a result of a Tenant default hereunder, however, Landlord shall pay Tenant a termination fee in the amount of \$30,000, payable no later than the effective date of such termination.
2. COMMENCEMENT DATE: April 1, 2013, subject to Section 2.1 below.
3. MONTHLY RENT: \$10,000 per month for the first year of the Lease; provided, however, the Monthly Rent shall be waived and abated for the first month of the Term. The Monthly Rent shall increase on each anniversary date of the Commencement Date, starting with the second anniversary of the Commencement Date, by two percent (2%) times the Monthly Rent payable hereunder immediately prior to such anniversary date
4. SECURITY DEPOSIT: \$30,000, payable upon execution of this Lease; provided, however, as long as Tenant is not then in default under this Lease, the Security Deposit shall be reduced to \$20,000 on the third anniversary of the Commencement Date and \$10,000 on the fourth anniversary of the

Commencement Date. The remaining balance of the Security Deposit shall be returned to Tenant upon expiration or termination of this Lease and Tenant's vacating of the Premises provided Tenant is not then in default under this Lease.

5. EXPENSE REIMBURSEMENT: (A) \$12,000 per year, for linen and terry laundering, payable in equal monthly installments of \$1,000 per month in advance on the first day of each month along with the Monthly Rent, which amount shall be increased by two percent (2%) on each anniversary of the Commencement Date, plus (B) the portion of the percentage ground rent payments which are based on the revenue from the Premises and which accrue pursuant to the terms of the Resort's ground lease during the term of this Lease.
6. TENANT IMPROVEMENTS: None
7. BROKER(S): None.
8. ADDRESSES:

Landlord:

c/o LaSalle Hotel Properties
3 Bethesda Metro Center
Suite 1200
Bethesda, Maryland 20814
Attn: Chief Operating Officer
E-Mail: ayoung@lasallehotels.com

Tenant:

Mantra 'The Art of the Spa' LLC
1323 Via Vida Nueva
Escondido, California 92026
Attn: Melissa Chafkar
E-Mail: chafkar@gmail.com

with a copy to:

Hilton San Diego Resort & Spa
1775 East Mission Bay Drive
San Diego, California 92109
Attn: General Manager
E-Mail: ddenis@missionbayhilton.com

9. PERMITTED USES: The operation of a high-end day spa and salon. The trade and advertising name for the business that shall operate upon the Premises shall be "Mantra Spa". The trade and advertising name may be changed, subject to Landlord consent as provided herein.
10. MINIMUM BUSINESS HOURS: Tenant shall remain open to the general public and shall continuously and fully stock, staff, operate and merchandise the Premises during the hours of 9 a.m. to 8 p.m., seven days a week, 365 days a year.
11. PARKING: Subject to the provisions and conditions of paragraph 7.7 of this Lease, Tenant and its invitees and licensees shall have the nonexclusive right to use parking spaces in the parking arrears of the Resort; provided, however,

Landlord shall have the right to require employees working at the Premises to park off-site from time to time when parking at the Hotel becomes limited due to demand by guests at the Resort.

ARTICLE 1

PREMISES

1.1 Boundaries of Premises. Upon and subject to the provisions and conditions of this Lease, the boundary of the Premises shall extend to the unfinished surface of all floors and the underside of the structure forming the ceiling of the Premises. For purposes of Tenant's obligations under this Lease including, particularly, Tenant's obligations under Article 7, Premises shall include the following areas to the extent that they constitute a part of or otherwise exclusively service the Premises: (a) all interior walls, window coverings, floors and floor coverings, and ceilings; (b) all interior and exterior doors and windows; (c) all wiring, outlets, electrical panels, transformers and electrical fixtures serving the Premises; (d) all plumbing and plumbing fixtures and sewer pipes and connections serving the Premises; (e) all air conditioning, heating and ventilation equipment and duct work, directly servicing the Premises; and (f) all of Tenant's personal property, trade fixtures, and permitted alterations on or about or within the Premises.

1.2 Modifications to the Resort. The parties understand and agree that the concept, design and configuration of the Resort is subject to change, including without limitation, changes necessitated by applicable building codes. Accordingly, no drawings, plans or specifications, interpretations, depictions or layouts of the Premises and/or the Resort and Resort systems shall constitute a basis for restricting Landlord in its determination of the ultimate design and configuration of the Resort. As of the date of execution of this Lease, Exhibit "A" comprises a preliminary outline of the proposed configuration of the Premises, both of which may be updated from time to time before delivery of the Premises to Tenant. The exact boundary and configuration of the Premises and the Resort shall be as constructed. It is understood and agreed by Tenant that any modifications or additions of columns or other structural elements, chase or shaft sizes, if any, or additions of drains, pipes or conduit may be undertaken by Landlord in its reasonable discretion and shall not affect the validity of this Lease in any manner; provided, however, that Landlord shall in good faith endeavor to reasonably minimize any such changes so as to not adversely impact Tenant's practical use and enjoyment of the Premises and Landlord shall not, in any case when so acting, make or otherwise cause the Premises to be made inoperable or substantially interfere with Tenant's proposed use of the Premises.

ARTICLE 2

TERM

2.1 Commencement Date. The term of this Lease ("Term") shall commence on the "Commencement Date" and shall continue for the period described in Item 1 of the Basic Lease Provisions. If Landlord, for any reason, is delayed in delivering possession of the Premises to Tenant, however, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom; and, in such case, the Commencement Date shall be

the date Landlord delivers possession of the Premises to Tenant. If Landlord is unable to deliver the Premises to Tenant by May 1, 2013, however, then either Landlord or Tenant may terminate this Lease upon thirty (30) days prior written notice to the other party.

2.2 Construction Work. Tenant acknowledges that it is aware that construction work may take place from time to time upon various portions of the Resort. Such construction work may consist of additions, replacements, repairs, and(or) tenant improvement work, as well as the possible erection of additional improvements upon the Resort. Notwithstanding any temporary diminution in Tenant's use and enjoyment of the Premises, Landlord hereby reserves the right to undertake or allow others to undertake any such construction work, none of which shall entitle Tenant to any rebate or reduction in rent, or subject Landlord to liability of any type relating thereto. In acting, as so provided, however, Landlord shall not materially, adversely restrict access to (including parking access) or visibility to or from the exterior storefront of the Premises and Landlord shall make every commercially reasonable effort to not have its actions in this regard materially interfere with the business activities of Tenant.

ARTICLE 3

RENT

3.1 Basic Monthly Rent and Expense Reimbursement. Tenant shall pay to Landlord, as monthly rental ("Basic Monthly Rent"), during the initial Term the amounts set forth in Item 3 of the Basic Lease Provisions. Tenant shall also pay to Landlord, as reimbursement for linen and terry laundering ("Expense Reimbursement"), during the initial Term the amounts set forth in Item 5 of the Basic Lease Provisions. The Basic Monthly Rent, Expense Reimbursement and all other amounts payable by Tenant hereunder (collectively, the "Rent") shall be paid to Landlord in advance on the first day of each month during the Term, without deduction or offset, in lawful money of the United States of America in such manner as Landlord and Tenant may agree, including by check delivered to the office of Landlord in the Resort or to such place as Landlord may designate in writing. Tenant shall also deliver to Landlord each month a statement setting forth sales at the Premises for the previous month in such detail as Landlord and Tenant may reasonably agree. If the Term commences on other than the first day of a calendar month, then there shall be paid on the Commencement Date a pro rata portion of the Basic Monthly Rent and Expense Reimbursement based upon the number of days remaining in such month. In the event the Term ends on a day other than the last day of the month, the last monthly payment of Basic Monthly Rent and Expense Reimbursement shall be prorated based upon the number of days in such month prior to and including the last day of the Term.

3.2 Past Due Rent. Any Basic Monthly Rent or Expense Reimbursement not paid when due shall bear interest from the date due until the date paid at the rate of twelve percent (12%) per annum. As to any other amounts payable by Tenant to Landlord hereunder other than Basic Monthly Rent and Expense Reimbursement, any such interest shall not commence to accrue until thirty (30) days after written notice of payment thereof is given by Landlord to Tenant. The payment of such interest shall not excuse or cure any default or modify any obligation of Tenant under this Lease.

3.3 Late Charge. Tenant acknowledges that the late payment by Tenant to Landlord of Basic Monthly Rent or Expense Reimbursement as well as any other amounts payable by Tenant to Landlord hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain. Such costs may include, without limitation, administrative costs, processing and accounting charges, and late charges which may be imposed on Landlord. Accordingly, if any installment of Basic Monthly Rent or Expense Reimbursement shall not be received by Landlord within five (5) days after the date that such amount is due and payable or if any other amount payable by Tenant hereunder to Landlord is not paid within thirty (30) days after written notice of payment thereof by Landlord to Tenant, then Tenant shall pay to Landlord, in addition to the interest provided above, a late charge in the amount of ten percent (10%) of the amount due. The parties agree that such late charge represents a fair and reasonable estimate of the cost Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall not constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of its other rights or remedies hereunder.

3.4 Security Deposit. Tenant shall deposit with Landlord the sum specified in Item 4 of the Basic Lease Provisions ("Security Deposit") with Landlord no later than the Commencement Date. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of this Lease. If Tenant defaults under this Lease, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any Rent or to compensate Landlord for any other loss or damage which Landlord may suffer thereby. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to the full amount thereof. Landlord shall not be required to maintain the Security Deposit separate from its general accounts. If Tenant shall fully perform this Lease, the Security Deposit, or any balance thereof that has not theretofore been applied by Landlord, shall be returned to Tenant, without payment of interest, within ten (10) days after the expiration of the Term and after Tenant has vacated the Premises. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer the Security Deposit to Landlord's successor in interest whereupon Landlord shall be released from all liability for the return or accounting therefor. No trust relationship is created herein between Landlord and Tenant with respect to the Security Deposit.

3.5 Taxes on Rental. In addition to Tenant's obligation to pay Rent, Tenant shall pay to the appropriate agency any and all sales, excise and other taxes (not including, however, Landlord's income taxes or property taxes) levied, imposed or assessed by the state in which the Resort is situated or any political subdivision thereof or other taxing authority upon any Rent payable hereunder. Tenant shall also be solely responsible for and pay within the time provided by law all taxes imposed on its inventory, furniture, trade fixtures, apparatus, leasehold improvements (installed by or on behalf of Tenant), equipment and any other of Tenant's personal or other property.

ARTICLE 4

UTILITIES

4.1 Utilities and Services.

(a) Landlord shall be solely responsible for all charges and deposits for water, sewer, electricity, gas, telephone, heating, ventilating and air conditioning and any other utilities used or consumed in the Premises. Tenant shall not at any time overburden or exceed the capacity of the mains, feeders, ducts, conduits, or other facilities by which such utilities are supplied to, distributed in or serve the Premises. If Tenant desires to install any equipment which shall require additional utility facilities or utility facilities of a greater capacity than the facilities provided by Landlord, such installation shall be at Tenant's sole cost and expense and shall be subject to Landlord's prior written approval of Tenant's plans and specifications therefore.

(b) Landlord shall not be liable to Tenant in damages or otherwise if any utility shall become unavailable from any public utility company, public authority or any other person or entity supplying or distributing such utility or for any interruption in any utility service (including, without limitation, any heating, ventilation or air conditioning) caused by the making of any necessary repairs or improvements or by any cause beyond Landlord's reasonable control, and the same shall not constitute a termination of this Lease or an eviction of Tenant.

4.2 Excess Usage. Without the prior written consent of Landlord, Tenant shall not use any apparatus or device in the Premises that shall in any way increase the amount of water or other utility service furnished or supplied to the Premises in excess of the amount normal or reasonable for the use of the Premises permitted under this Lease. Landlord shall furnish to the Premises utilities and services in excess of those to be furnished pursuant to paragraph 5.1(a) only upon Tenant's prior written request and at Tenant's sole cost and expense. Tenant shall pay for all such excess utilities and services furnished to or consumed in the Premises. If Tenant requires, uses or consumes excess water or other utility service, Landlord may install a special meter(s) and thereby measure Tenant's consumption of water or other utility service. Tenant shall pay in advance to Landlord, in addition to the cost of such utility service, the cost of any such meter, its installation and any related costs, and Landlord shall keep any such meter and such installation equipment in good working order and repair, at Tenant's cost and expense. Tenant shall pay for the amount of the utility consumed as shown on such meter(s) and sewer charges thereon, if any, at the rates charged by the public utility company furnishing such utilities, plus any additional reasonable expense incurred in providing such utility service, including without limitation, materials and equipment required for maintenance of the central facility for the heating and cooling of water, all reasonable labor charges, overhead and all reasonable expenses incurred in keeping account of the amount of the utility so consumed. Tenant shall make no connection to any utility supply system of the Resort without Landlord's prior written consent.

ARTICLE 5
ACCEPTANCE OF PREMISES

5.1 No Representation or Warranty. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the suitability or fitness of the Premises or the applicable zoning regulations for the conduct of Tenant's business or for any other purpose, nor Tenant's ability to obtain a business license or any other permit to operate its business on the Premises.

5.2 As-Is". It is agreed that Landlord has made no promises or agreements to make any improvements in the Premises or the Resort and that Tenant is leasing the Premises in their "as is" condition. By taking possession of the Premises as a tenant, Tenant shall be deemed to have accepted the condition of the Premises and waives all claims against Landlord with respect thereto.

5.3 Fixtures, Furnishings and Equipment. Upon commencement of the Term, Tenant shall install the fixtures, furnishings and equipment, including signage, described on Exhibit "C" attached hereto.

ARTICLE 6
MAINTENANCE, ALTERATIONS AND COMMON FACILITIES

6.1 Tenant to Maintain. Tenant shall, at its sole expense, keep the Premises in good repair and tenantable condition during the Term. In so doing, Tenant shall be solely responsible for providing its own janitorial services to the Premises and operating and repairing the heating, ventilation and air conditioning system(s) serving the Premises. Tenant shall maintain the heating and air conditioning units servicing the Premises in a first class manner utilizing its own internal maintenance personnel and shall, as requested by Landlord, provide periodic written inspection reports describing the condition of the same. Any costs and expenses incurred in connection with the maintenance obligations of Tenant described herein shall be in addition to Tenant's share of Operating Expenses. Notwithstanding the foregoing, Landlord shall be responsible for elevator maintenance.

6.2 Alterations.

(a) Except as may be otherwise provided in this Lease, Tenant shall not make or permit to be made any alterations, additions, improvements, changes, or redecoration (collectively, "Alterations") to or on the Premises or any part thereof without the prior written consent of Landlord, which consent shall be in writing and shall not be unreasonably withheld; provided, however, nonstructural changes with a cost, in each instance, of \$5,000.00 or less, may be made without Landlord's prior written approval provided they are in accordance with the Licensor's Standards attached hereto as Exhibit D, as such standards may be changed by the licensor for the Resort from time to time.

(b) Tenant shall, prior to making any Alterations on or to the Premises cause the preparation of complete plans, working drawings, and specifications for the construction of the

Alterations (collectively, "Alteration Plans"). The Alteration Plans shall be prepared at Tenant's sole cost and expense by an architect approved in writing by Landlord, which approval shall not be unreasonably withheld. Tenant shall submit the Alteration Plans to Landlord for Landlord's approval, which approval shall be in writing and shall not be unreasonably withheld. Tenant shall reimburse Landlord for all reasonable third party costs incurred by Landlord in reviewing the Alteration Plans; provided, however, that Landlord shall provide Tenant with advance notice of such anticipated costs and Tenant, in response thereto, shall have the right to withdraw the Alteration Plans.

(c) No demolition work or construction work relative to Alterations which require Landlord's approval shall be commenced or carried on prior to Landlord's approval of the Alteration Plans.

(d) Tenant shall, promptly after receiving Landlord's approval of the Alteration Plans, apply to all appropriate governmental authorities for such licenses, permits and other administrative approvals as may be necessary to demolish and(or) remove existing improvements, to relocate fixtures within the Premises and to construct Alterations in accordance with the Alteration Plans. All such licenses, permits and approvals shall be obtained at Tenant's sole cost and expense. Landlord shall have the right to approve Tenant's general contractor for the Tenant Improvements, which approval shall be in writing and may be withheld in Landlord's sole and reasonable discretion.

(e) Once Tenant commences construction of any Alterations then Tenant shall thereafter diligently prosecute the same to completion. Tenant shall notify Landlord of its intention to commence construction of the Alterations, at least twenty (20) days, but not more than sixty (60) days, before the commencement of any such work or the delivery of any materials related thereto. Tenant shall provide Landlord at that time, if so requested by Landlord, with evidence of the availability of sufficient funds to complete the Alterations.

(f) As a condition to Tenant's right to commence construction of Alterations, Tenant shall furnish Landlord with appropriate certificates of insurance (naming Landlord as an additional insured) showing that Landlord is protected by adequate amounts of builders risk insurance equal to the cost of so constructing the Alterations, liability insurance and workers compensation insurance (all of which insurance shall otherwise comply with the requirements specified in this Lease). Landlord shall have the right to enter upon the Premises and post and maintain thereon any notices of non-responsibility provided for under applicable law.

(g) Tenant shall insure that the Alterations shall be performed in accordance with all applicable local governmental rules, regulations, codes and statutes including particularly all applicable building codes and all applicable environmental laws.

(h) Tenant shall undertake and complete the Alterations in a manner which will not unreasonably interfere with the business of the other tenants and will not unreasonably interfere with vehicle traffic, parking, and customer access to the other premises within the Resort.

(i) Tenant shall pay, when due, all claims for labor or materials furnished to or for Tenant for use in constructing the Alterations. Tenant shall not permit any mechanic's or materialmen's liens to be levied against the Premises arising out of Alterations. Should any mechanic's or other lien be filed against the Premises, Resort, or any party thereof by reason of Tenant's acts or omissions or because of a claim against Tenant arising out of the Alterations, Tenant shall cause the same to be cancelled and discharged of record by bond or otherwise within ten (10) business days after notice by Landlord.

(j) Tenant shall indemnify, defend and hold Landlord, Owner, the Premises and the Resort harmless from and against any and all actions, claims, losses, demands, liabilities, costs, damages, liens for labor, services and materials, or expenses, including attorneys fees, relating to or arising out of the Alterations. Tenant hereby waives all right under, and benefit of, paragraphs 1941 and 1942 of the California Civil Code.

6.3 Landlord's Right to Repair. If at any time Tenant fails to make any repair required to the Premises, then Landlord shall have the right, if it so elects and only after reasonable prior written notice to Tenant during which notice period Tenant shall have the opportunity to cure, to make such repair and to immediately charge the cost of the same, together with a fifteen percent (15%) overhead and administrative cost, to Tenant as Rent. Landlord shall not be required to give such prior written notice in the case of an emergency where public safety and (or) injury to people or property is at issue. Any costs so charged to Tenant shall be paid to Landlord in full within thirty (30) days.

6.4 Common Facilities. The term "Common Facilities" shall mean, for purposes of this Lease, all areas and facilities other than the Premises or any other area designated for the exclusive use of any other lessee which are located within the exterior boundary line of the Resort that are provided and designated by the Landlord, from time to time, for the general non-exclusive use of Landlord, Tenant, other lessees of the Resort, and their respective employees, guests, invitees, and licensees. The Common Facilities shall include, but not be limited to, loading and unloading areas, trash areas, roadways, sidewalks, walkways, driveways, landscaped areas, elevators and lobbies. The Common Facilities shall specifically exclude those portions of the Resort that are reserved by Landlord for its own use or for the use of other parties:

6.5 Right to Use Common Facilities. Landlord hereby grants to Tenant, for the benefit of Tenant and its employees, guests, licensees and invitees during the Term, the non-exclusive right to use, in common with others entitled to such use, the Common Facilities, subject to any rights reserved by Landlord under this Lease; provided, however, Tenant shall provide the pool staff with a list each day of Tenant's customers who are using the Premises' services that day so that access to Resort's pool and Jacuzzi can be limited to those periods during which customers of Tenant are using the Premises' services.

6.6 Control of Common Facilities.

(a) The Common Facilities shall at all times be subject to the exclusive control and management of Landlord who shall cause the same to be maintained in a manner commensurate with other mixed-use commercial projects of a similar type in the subject locality. Landlord hereby reserves the right, at any time and from time to time, without liability

to Tenant of any kind whatsoever (including, without limitation, liability for loss of business or profits), to make alterations or additions to the Resort (excluding the Premises) and the Common Facilities; to change, add to, eliminate or reduce the extent, size, shape, number or configuration of any aspect of the Resort (excluding the Premises) or its operations; to close to the general public all or any portion of the Resort, to the extent and for the period necessary to avoid any dedication to the public, to effect any repairs or further construction, or in case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's reasonable opinion; to change the arrangement, character, use or location of entrances or passageways, doors and doorways, corridors, elevators, stairs, landscaping, toilets, mechanical, plumbing, electrical or other operating systems or any other portions of the Common Facilities or other parts of the Resort (except that within the Premises); to change Common Facilities to rental space and rental space to Common Facilities; to utilize portions of the Common Facilities for entertainment, displays, product shows, art work, the leasing of temporary or permanent kiosks or such other uses as, in Landlord's judgement, tend to attract the public; to add or install energy-saving devices; and to change the name, number or designation by which the Resort is commonly known. In acting as so provided, however, Landlord shall not materially, adversely restrict access to (including parking access) or visibility to or from the exterior storefront of the Premises. Landlord shall have the exclusive rights to the airspace above and around, and the subsurface below, the Premises and other portions of the Resort. Subject to paragraphs 7.5 and 7.6 Landlord shall have the exclusive right to use all exterior walls, roofs and other portions of the Resort, including, without limitation, Common Facilities and the exterior of the Premises, for signs, notices, promotional purposes, and all other purposes Landlord deems necessary or desirable.

(b) Tenant expressly acknowledges and agrees that Landlord shall have the option, at any time during the Term, to provide outdoor seating for its other tenants and their customers within any part of the Common Facilities. Landlord reserves the right to host or otherwise allow within the Resort and the Common Facilities, promotional events, including but not limited to, musical entertainment, cocktail parties and other outdoor activities promoting the businesses within the Resort. Such events may include banquets, parties and other events provided by the hotel operator in the Resort as an adjunct to its banquet and catering business. Landlord shall have the right to obtain a temporary liquor license to sell alcoholic beverages at these promotions.

(c) Nothing contained herein shall be deemed to create any liability upon Landlord to provide or ensure the safety and security of the Common Facilities or to protect Tenant or its invitees, licensees or employees from any risk whatsoever, including bodily injury or death or property damage or destruction. Landlord may, but shall have no obligation to, from time to time, employ one or more persons or entities to patrol or provide security for the Common Facilities. Notwithstanding any such activity, Tenant shall have the sole responsibility of providing security for the Premises and the persons and property therein. Under no circumstances shall Landlord be liable to Tenant or to any other person by reason of any theft, burglary, robbery, assault, trespass, unauthorized entry, vandalism or any other act of any third person occurring in or about the Premises.

6.7 Parking. Subject to the provisions and conditions hereof, including Paragraph 11 of the Basic Lease Provisions, Tenant shall have the right to use in common with other tenants or

occupants of the Resort and such other persons or groups as Landlord may specify, the parking areas of the Resort. Tenant acknowledges and agrees that: (a) its use of the parking areas shall be subject to such rules and regulations as Landlord may promulgate from time to time, as herein provided; (b) the parking areas contains a limited number of parking spaces, which, may not be sufficient, at any time and from time to time, to service the needs of all tenants and occupants of the Resort and their invitees and licensees; (c) Landlord shall have the right to designate within the parking areas that are exclusively for the use of the hotel portion of the Resort and its guests and for other tenants in the Resort; neither Tenant nor its invitees, licensees or employees will park in these exclusive areas; (d) Landlord shall have the right to charge fees for the use of the parking areas and to establish a validated parking system, and(or) to lease or grant a concession for the parking areas to an operator who may charge fees thereafter; all revenues from such parking operations shall belong to Landlord; (e) Landlord, or said operator, may from time to time establish and maintain a valet parking arrangement at market rates, to which Tenant and its customers may be subject; and (f) Tenant shall not allow any of its employees to park in the parking areas except in locations, if any, designated by Landlord. Tenant shall provide Landlord, from time to time, with an updated list of the license plate numbers for vehicles owned or used by their employees within ten (10) days after the Commencement Date and shall thereafter notify Landlord of any changes in such information within ten (10) days after such changes occur. If Landlord institutes fees or a controlled access system for parking at the Resort, Landlord shall provide guests using the Premises with free parking from one hour before to one hour after they use the Premises. If Tenant or its employees fail to comply with the restrictions set forth in this paragraph, then, without limiting any other remedy which Landlord may pursue in the event of Tenant's default, Landlord, after giving notice to Tenant, shall have the right to charge Tenant, as additional rent, the sum of \$50.00 per day per car parking in violation of the provisions of this paragraph; this amount shall increase ten percent (10%) per year for each year of the Term after the first year thereof. Tenant shall notify its employees in writing of the provisions of this paragraph.

ARTICLE 7

USE AND CONDUCT OF THE PREMISES

7.1 Permitted Use. Tenant shall use and occupy the Premises solely for the permitted uses set forth in Item 9 of the Basic Lease Provisions, and for absolutely no other. Tenant shall have the exclusive right to operate a day spa and salon in the Resort, which shall include hair styling and color services, skin, facial and nail care and treatment and related services and shall be given a right of first refusal to provide such services to guests in other areas of the Resort.

7.2 Conduct of Business

(a) Tenant shall not do or permit anything to be done in or about the Premises which will, in any way, obstruct or interfere with the rights of other tenants or occupants of the Resort, or injure them, or allow the Premises to be used for any immoral or unlawful purpose, nor shall Tenant cause, maintain, or permit any nuisance or waste in, on, or about the Premises.

(b) Tenant shall not use the Premises or permit anything to be done in or about the Premises which shall conflict with any law, statute, ordinance, or governmental rule or

regulation, the requirements of the Certificate of Occupancy for the Resort or with the requirements of any covenant, condition or restriction affecting the Resort (collectively, "Regulations"), including, without limitation, compliance with all Regulations relating to the Americans with Disabilities Act or any similar law. Tenant shall, at its sole cost and expense, promptly comply with all Regulations in force or which may hereafter be in force, and with the requirements of any fire insurance under-writers or other similar body affecting the use and occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord is a party thereto or not, that Tenant has violated any Regulation shall be conclusive of that fact as between Landlord and Tenant.

(c) Tenant shall not do or permit anything to be done in or about the Premises or any other area of the Resort, nor bring or keep anything therein which will in any way increase the existing rate of or affect any insurance, including but not limited to fire, extended coverage, vandalism, malicious mischief, flood, liability insurance coverage, upon the Resort or any of its contents, or cause a cancellation of any insurance policy covering the Resort or any part thereof or any of its contents. Tenant agrees that if any such activity by Tenant causes an increase in any or all insurance premium rates, it will pay such increase in premiums to Landlord within thirty (30) days after receipt by Tenant from Landlord of a bill setting forth the amount of such increase. In the event any of the Tenant's activities shall cause cancellation of any insurance policy covering the Premises, Tenant shall immediately cease to conduct such activity. Tenant shall not conduct or permit to be conducted any sale by auction on or from the Premises.

7.3 Tenant's Duties. In addition to the duties of Tenant as described in paragraph 7.2 above, or elsewhere in this Lease, Tenant agrees, at all times during the Term that:

(a) At all times the business to be conducted at, through and from the Premises and the kind and quality of merchandise and services to be offered in the conduct thereof shall be first-class in every respect; and the sales methods employed in such business, including, without limitation, adequate stock of merchandise, sales personnel and service personnel, as well as all other elements of merchandising, display and advertising, will be first class in every respect. For purposes of this subparagraph, "first-class" shall mean with regard to the design of the Premises of a comparable or higher standard than the interiors of the hotel located in the Resort, and with regard to the services of the Premises of a comparable level of an "upscale" day spa and salon and consistent with the Licensor Standards attached hereto as Exhibit D, as such standards may be changed by the licensor for the Resort from time to time.

(b) No auction, liquidation, going out of business, fire or bankruptcy sales may be conducted in or from the Premises or advertised by sign or otherwise thereupon.

(c) The maintenance of Tenant's business is critical to the success of the Resort and that Landlord has entered into this Lease in order to obtain the benefit of the unique attraction associated with Tenant's business. Landlord has entered into this Lease in reliance on Tenant's undertaking to operate the Premises continuously throughout the Term solely for the purpose expressly provided in this Lease as part of a selective, first-class resort.

(d) Tenant shall conduct its business in the Premises during the hours specified as "Minimum Business Hours" in the Basic Lease Provisions. Tenant recognizes that Landlord has the right to establish different "Minimum Business Hours" for other portions of the Resort and to establish extended Minimum Business Hours in connection with any special event, seasonal event or any other promotional or advertising purpose. Tenant will conduct such business in a lawful manner.

(e) Tenant shall substantially complete any capital or non-capital improvements necessary for its use and operation of the Premises, fully stock the Premises with products and merchandise and hire adequate and qualified personnel so as to be open for business throughout the Term and otherwise during the hours of operation set forth in paragraph 10 of the Basic Lease Provisions and so as to continuously remain open for business throughout the Term. If necessary, Tenant shall develop and maintain a plan of modernization necessary to keep the Premises operating in a first-class and reputable manner and to otherwise satisfy all of its obligations hereunder.

(f) Tenant shall continuously operate all of the Premises during the entire Term of this Lease with due diligence and efficiency.

(g) Tenant shall keep the exterior storefront of the Premises electrically lighted during business hours that fall at night or at dusk.

(h) Tenant shall maintain and clean disposal areas so as to prevent noxious odors, cause all garbage and waste from Tenant's operations and the Premises to be removed at reasonable times and placed in the trash bins located in designated areas. Tenant shall not burn any trash or garbage of any kind in or about the Premises or the Project and shall participate in the Resort's recycling programs.

(i) Tenant agrees that Tenant will not at any time during the Term without first obtaining the Landlord's consent:

(i) Change the exterior color of the Premises or any part thereof; or

(ii) Cause the sidewalk adjacent to the Premises to be used for any newsstand, cigarstand, sidewalk shop, taxistand, eating area, outside café or seating area, or other business, occupation, or undertaking except as specifically allowed hereunder.

(j) Tenant shall engage and have upon the Premises a sufficient number of qualified employees in order to allow for the full operation of the Premises to the general public.

(k) Tenant agrees that Tenant will not at any time during the Term:

(i) Use or permit the use of any portion of the Premises as living quarters, sleeping apartments, lodging rooms, or for any unlawful purpose; or for the purpose of serving food or beverages.

(ii) Limit access to the Premises on a membership or wholesale sale basis only.

(l) Tenant shall at all times comply with any standards imposed on the Resort by Hilton or any other party who, from time to time, enters into license agreements or management agreements for the operation of the Resort.

(m) Guests shall be permitted to charge their rooms for any services provided by Tenant at the Resort, and Landlord shall remit such charges, less any credit card fees, to Tenant upon payment of such charges to Landlord.

7.4 Hazardous Materials.

(a) Tenant shall not cause or permit the presence, use, generation, release, discharge, storage, disposal or transportation of any "Hazardous Materials" on, under, in, about, to or from, the Premises and/or the Resort; provided that the presence or use of Hazardous Materials: held and used strictly in accordance with (i) all applicable federal, state or local laws, regulations or orders, (ii) guidelines issued by any national or regional board of insurance underwriters, and (iii) prudent standards of practice, shall not be deemed in violation of this provision.

(b) As used herein, the term "Hazardous Materials" shall mean any hazardous or toxic substances, materials or waste, pollutants or contaminants, as defined, listed or regulated by any federal, state or local law, regulation or order or by common law decision, including, without limitation: (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents; (ii) petroleum products or by products; (iii) asbestos; and (iv) polychlorinated biphenyls.

(c) Tenant shall exonerate, indemnify, pay and protect, defend (with counsel reasonably approved by Landlord) and save Landlord, Owner and their directors, trustees, beneficiaries, officers, shareholders, partners, lender's, employees, agents, and invitees and other tenants and users of the Resort (collectively, the Landlord "Related Parties"), harmless from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, taxes, assessments, liabilities (including sums paid in settlements of claims), interest or losses, including reasonable attorneys' fees and expenses (including any such fees and expenses incurred in enforcing this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature (collectively, the "Costs") that arise directly or indirectly in connection with the presence or release of Hazardous Materials in the Resort (including the Premises) or any adjacent areas and (or) the violation of any Hazardous Materials laws, ordinances or regulations by Tenant and (or) Tenant's partners, employees, agents, contractors, invitees or licensees; provided, the foregoing shall not relate to any of the materials and procedures used by Landlord or its contractors and subcontractors incident to the initial construction of the Resort, including the Shell Condition of the Premises. The indemnification provided in this paragraph shall specifically apply to and include claims or actions brought by or on behalf of employees of Tenant; Tenant hereby expressly waives any immunity to which it

may otherwise be entitled under any industrial or worker's compensation laws. In the event that any of the Landlord Related Parties shall suffer or incur any such Costs, Tenant shall pay to Landlord and (or) such Landlord Related Parties, the total of all such Costs suffered or incurred upon demand therefor. Without limiting the generality of the foregoing, the indemnification provided herein shall specifically cover Costs including, without limitation, capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions, any clean-up, containment, remedial, removal or restoration work required or performed by any federal, state or local governmental agency or political subdivision or performed by any non-governmental entity or person because of the presence, suspected presence, release or suspected release of any Hazardous Materials in or into their, soil, ground water, surface water or improvements at, on, about, under or within the Resort (or any portion thereof), or elsewhere in connection with the transportation of Hazardous Materials to or from the Resort and any claims of third parties for loss or damage due to such Hazardous Materials. This indemnification shall survive the termination of this Lease and shall be binding upon the Tenant and its successors in interest whenever such threat, claim, or cause of action may arise. Tenant expressly waives any defense concerning laches or the statute of limitations, constructive eviction or rent abatement with respect to such claims.

7.5 Abandonment. Tenant shall not abandon the Premises at any time during the Term hereof for more than ten (10) days without the consent of Landlord; and if Tenant shall abandon or surrender the Premises, or shall be dispossessed by process of law or otherwise, then any personal property belonging to Tenant and left on the Premises shall be deemed abandoned property and otherwise handled and disposed of as provided herein.

7.6 Load and Equipment Limits. Tenant shall not place a load upon any floor of the Premises which exceed the load per square foot which such floor was designed to carry, as determined by Landlord or Landlord's structural engineer. The reasonable cost of any such determination made by Landlord's structural engineer shall be paid for by Tenant upon demand. Tenant shall not install business machines or mechanical equipment which cause noise or vibration to such a degree as to be objectionable to Landlord or other Resort tenants.

7.7 Notice. Tenant shall give Landlord prompt notice of any damage to or defective condition in any part or appurtenance of the Resort's mechanical, electrical, plumbing, HVAC or other systems serving, located in, or passing through the Premises.

7.8 Personal Property Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees, and other charges that are levied and assessed against Tenant's personal property installed or located in or on the Premises, and that become payable during the Term. On demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments.

7.9 Health Matters. If Tenant's permitted use of the Premises includes the sale or preparation of food, then all of the following provisions shall apply. If Tenant's permitted use of the Premises does not include the sale or preparation of food, the last two sentences of subparagraph (a) and all of subparagraphs (b), (c), and (d) shall not apply.

(a) Tenant shall, at its own cost, retain a licensed, bonded professional pest and sanitation control service to perform inspections of the Premises not less frequently than once

each thirty (30) days for the purpose of eliminating infestation by and controlling the presence of insects, rodents and vermin and shall promptly cause any corrective or extermination work recommended by such service to be performed. Such work shall be performed pursuant to a written contract, and a copy thereof shall be delivered to Landlord by Tenant upon demand. If Tenant fails to perform its obligations under this paragraph 7.9, Landlord may, at its option and after five (5) days written notice to Tenant, cause such inspection to be performed and any necessary corrective or extermination work which is recommended to be done and the cost of such inspection and corrective or extermination work shall be payable upon demand by Tenant to Landlord. In addition, Landlord may elect to provide the services specified in this paragraph to tenants other than those engaged in the sale or preparation of food. In such event, the cost of providing such services shall be charged to the tenants for whom Landlord provides such services.

(b) Tenant acknowledges that the requirements of governmental authorities having jurisdiction may require that Tenant (i) enlarge the kitchen drain from the Premises to the main sewer line and (ii) install a grease trap in the floor drain of the kitchen of the Premises. Tenant acknowledges and agrees that it shall, if required and as a part of Tenant's Work, enlarge such sewer line and install such grease trap and shall, during the Term of this Lease, clean and maintain such grease trap in such manner as may be required by governmental authorities having jurisdiction.

(c) Tenant shall store all waste and garbage in a refrigerated or cool and dry location within the Premises and shall dispose of all waste and garbage (including wet garbage and food) only in trash containers located within the Premises or in specific areas designated for that purpose in the Resort. Tenant shall not accumulate or permit such materials to accumulate in hallways, service corridors or other Common Areas. Subject to the terms set forth below, Tenant shall, at its own cost and expense, arrange for the removal of all garbage, rubbish and refuse from the Premises. Any waste or garbage, and any food deliveries, stored or accumulated by Tenant outside of the Premises except as permitted by Landlord may be removed immediately by Landlord without notice to Tenant and the cost of such removal, together with Fifty Dollars (\$50.00) per occurrence to cover Landlord's administrative cost in providing such service to Tenant, payable by Tenant to Landlord upon demand.

(d) Tenant shall comply with all governmental rules and regulations applicable to Tenant's operations in the Premises and shall promptly (i) furnish or cause to be furnished to Landlord copies of all reports, notices and citations and other governmental reports, notices and citations issued with respect to the Premises and (ii) cure or otherwise eliminate all deficiencies and violations noted by the governmental authorities and take all required actions to prevent the reoccurrence of such deficiencies and violations.

(e) Failure of Tenant to perform any obligation pursuant to subparagraphs (a) through (d) above shall be deemed a default pursuant to this Lease entitling Landlord, subject to the notice and cure provisions set forth herein, to exercise all remedies available to Landlord under the Lease.

7.10 Landlord Reservations. Landlord expressly reserves unto itself, and Tenant has no interest in the area above the ceiling of the Premises, the area below the floor of the Premises;

or the land beneath the Premises. In addition, Landlord shall have the right to make minor vertical penetrations through the Premises or its exterior walls, at Landlord's expense, for vertical utility connections, provided that such penetrations do not materially affect Tenant's use of the Premises or the public appearance of the Premises.

7.11 Waiver of Claims. Tenant hereby waives any and all claims and causes of action resulting directly or indirectly from Landlord's exercise of any of its rights, reservations, licenses or easements as provided in this paragraph, including, by way of example but without limitation, claims for business interference, lost profits, damage to or loss of personal property, loss of benefit of the Lease or the Premises, or otherwise resulting from or related to any such change in the Premises or the Resort as specifically provided in this Lease. In addition, Landlord makes no warranties or representations as to the present occupants or occupancy level of the Resort, or of future occupancy commitments; and Tenant waives any duty or obligation, expressed or implied, on the part of Landlord to keep the Resort leased or occupied in whole or part or for any specific purpose or use.

7.12 Refuse Collection. Landlord may, at its sole option, either: (a) require a uniform system of refuse collection to be followed by some or all tenants/occupants in the Resort, in which case Tenant shall comply with all requirements set by Landlord including the color, size and placement of trash collection bins; or (b) arrange for refuse collection services to be rendered by an independent contractor or by Landlord. Tenant shall pay for such refuse collection either directly to the independent contractor, to Landlord, or as Landlord shall direct. Landlord shall have the right to require Tenant to join in a common refuse collection system; the failure of Tenant to comply shall be a default hereunder.

7.13 Storage, Office Space. Tenant shall warehouse, store, and(or) stock in the Premises only such goods, wares and merchandise as Tenant intends to offer for sale at retail at, in, from or upon the Premises. This shall not preclude occasional emergency transfers of merchandise to the other stores of Tenant, if any, not located in the Resort. Tenant shall use for office, clerical or other non-selling purposes only such space in the Premises as is from time to time reasonably required for Tenant's business in the Premises (but in no event in excess of ten percent (10%) of the total indoor floor area). Tenant may not display, sell merchandise, allow carts, portable signs, devices or any other objects to be stored or to remain outside the defined exterior walls of the Premises without Landlord's prior written consent.

7.14 Advertising. Tenant shall fully promote and advertise the Premises. Tenant, throughout the entire Term of this Lease, shall be solely responsible for all advertising and promotional costs pertaining to the advertising and promotion of its business operated in the Premises and shall not change the advertised name of such business without the prior written consent of Landlord.

7.15 Business Name. Tenant agrees that the name of its business operated on the Premises shall be as set forth in Paragraph 9 of the Basic Lease Provisions or such other name as approved in advance and in writing by Landlord, which approval shall not be unreasonably withheld.

ARTICLE 8
ASSIGNMENT AND SUBLETTING

8.1 Restriction on Transfer. Tenant shall neither voluntarily nor by operation of law assign, sell, encumber, pledge, or otherwise transfer all or any part of Tenant's leasehold estate under this Lease or Tenant's interest in the Premises, or sublet or otherwise permit any other person (except Tenant's agents and employees) to occupy the Premises or any portion thereof (collectively, "Transfer"), without Landlord's prior written consent. Consent by Landlord to one or more Transfers shall not constitute a waiver of Landlord's right to require consent to any future Transfer. If Tenant is a corporation, unincorporated association, limited liability company or partnership, the transfer, assignment, or hypothecation of any stock or interest in such corporation, association, limited liability company or partnership in the aggregate equal to or in excess of 50% of all outstanding stock or interests, or liquidation thereof, shall be deemed a Transfer within the meaning and provisions of this paragraph. Tenant shall reimburse Landlord for Landlord's reasonable costs and attorneys' fees incurred in conjunction with the processing and documentation of any required consent to a Transfer.

8.2 Considerations for Consent. Landlord consent under this paragraph shall be based upon a determination by Landlord that the same type, class, nature, and quality of business, services, management, and financial soundness of ownership exist after the proposed Transfer and, provided further, each and every covenant, condition, and obligation imposed upon Tenant by this Lease, each and every right, remedy, and benefit afforded Landlord by this Lease, and the underlying purpose of this Lease is not thereby in any manner materially, adversely impaired or diminished. The determination by Landlord as to whether consent will be granted in any specific instance may be based on, among other things, the following factors:

- (a) whether the assignee, sublessee or transferee will use the Premises only for the uses permitted herein;
- (b) the extent to which the transferee will affect the ability of the business operated at the Premises to compete with other similar properties;
- (c) the financial stability and capacity, and the management experience and capabilities, of the transferee;
- (d) the business reputation of the transferee;
- (e) the quality of the business operations of the transferee and the manner in which such business effectively mixes and compliments other businesses in the Resort; and
- (f) the business experience of the proposed transferee.

This list of factors is not intended to be exclusive; however, failure to satisfy Landlord relative to any one or more of these criteria shall be deemed reasonable grounds for withholding consent. Landlord may additionally rely on any other reasonable basis for judgment as may apply from time to time.

8.3 Transfer Information. If Tenant desires at any time to accomplish a Transfer, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord:

- (a) the name and legal composition of the proposed transferee;
- (b) the provisions and conditions of the proposed Transfer; and, if requested, all documents relating to the proposed Transfer, including, without limitation, any purchase contracts, assignment agreements, or escrow instructions relating thereto; and,
- (c) such reasonable business and financial information as Landlord may request concerning the proposed transferee, including, without limitation, a listing of all other leases under which the proposed transferee is a tenant, and any other real estate references as Landlord deems appropriate.

In addition to the information required above, in the event of a proposed Transfer, Tenant shall pay to Landlord a nonrefundable \$2,500.00 Transfer fee, and shall also be responsible for any attorneys' fees and costs incurred by Landlord in connection with such Transfer, not to exceed \$2,500.00 in each instance in the case of a Transfer not contested or otherwise objected to by Landlord.

8.4 Landlord's Option. At any time within 15 days after Landlord's receipt of the information specified in paragraph 8.3 above, Landlord, by written notice to Tenant, shall elect to do any of the following:

(a) Landlord may consent to the proposed Transfer subject to any conditions on such Transfer, which conditions may include, without limitation: (i) that the proposed transferee assume Tenant's obligations under the Lease (without, however, releasing Tenant therefrom); (ii) in the case of a proposed sublease, that the subtenant agree that Landlord shall have the right to enforce any and all of the terms of the sublease directly against such subtenant, and that in the event the Lease is terminated prior to the expiration of the sublease, that at the election of Landlord, the sublease shall not terminate and the subtenant will attorn to the Landlord; and (iii) that the terms of the Lease be modified to assure that Landlord will receive, in Landlord's reasonable judgment, at least substantially the same economic benefits as the Landlord would have received had the Tenant remained in business at the Premises under the Lease and the proposed Transfer had not taken place. In no event will Tenant be released from its obligations hereunder upon any Transfer.

(b) Landlord may deny its consent to the proposed Transfer on any ground.

8.5 No Advertising. In no event shall Tenant display on or about the Premises or the Resort any signs for the purpose of advertising the Premises for assignment, subletting, or other Transfer.

8.6 Void Transfers. Any Transfer which does not comply with the provisions of this paragraph 8 shall be void and, at the option of Landlord, shall terminate this Lease.

8.7 Restrictions on Prepaid Rent and Security Deposit. In the event of any assignment or subletting, Tenant shall not collect more than two months rent at any time in advance, and

Tenant shall not collect a security deposit in excess of the Basic Monthly Rent then payable by Tenant to Landlord hereunder. Any consideration paid by the assignee or subtenant that exceeds the Basic Monthly Rent then payable by Tenant to Landlord hereunder shall be due, owing and payable from Tenant to Landlord as and when received by Tenant.

8.8 Transfer Premium Payment.

(a) The parties hereby agree that as a reasonable condition to Landlord's consent to any Transfer, Tenant shall pay to Landlord as received by Tenant fifty percent (50%) of any "Transfer Premium". The Transfer Premium shall include any and all consideration that Tenant receives from any and all approved transferee(s) under the Lease in excess of the Basic Monthly Rent under this Lease; provided, however, the Transfer Premium shall not include any purchase price reasonably allocated to the purchase of the business being conducted at the Premises.

(b) Tenant shall allow Landlord to review and audit Tenant's books and records and(or) request a complete statement certified by Tenant's Chief Financial Officer, describing in detail the computation of any Transfer Premium that Tenant has derived or will derive from the Transfer, for the purpose of verifying the Tenant's calculation of the Transfer Premium. If Landlord finds that the Transfer Premium for any Transfer has been understated, Tenant shall, within twenty (20) days after demand, pay the deficiency and Landlord's costs of that audit. If Tenant has understated the Transfer Premium by more than ten percent (10%), then Tenant shall immediately pay Landlord the same, together with an additional fee in the amount of ten percent (10%) of the underpayment.

8.9 Reasonable Restriction. Tenant acknowledges and agrees that each of the rights of Landlord set forth in this paragraph 8 in the event of a proposed Transfer is a reasonable restriction on transfer for purposes of California Civil Code §1951.4.

8.10 Bankruptcy. If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. paragraph 101 et seq. ("Bankruptcy Code"), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, and shall be the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other consideration constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

ARTICLE 9

NON-LIABILITY AND INDEMNIFICATION

9.1 Tenant's Waiver of Claims. Landlord and Owner shall not be liable for any property damage, personal injury, death, or loss, economic or otherwise, past, present, or future, of Tenant, its servants, agents, employees, invitees, licensees, or guests, or of trespassers or any

other persons or entities, from any cause whatsoever, whether foreseeable or not, arising at any time in, on, about, or in connection with the Premises, the Common Facilities or the Resort or any use, occupancy, or enjoyment thereof or any of Tenant's activities; and Tenant waives, releases, and forever discharges Landlord and Owner from any claims, demands, actions, causes of action, and rights which Tenant has or may have against Landlord or Owner for any such damage, injury, death, or loss. Without limiting the foregoing, neither Landlord, nor Owner nor their partners, agents, servants or employees shall be liable to Tenant for any damage by or from any act of negligence of any tenant, guest or other occupant of the Resort or by any owner or occupant of adjoining or contiguous property. It is the intent of the parties to exculpate Landlord and Owner to the fullest extent allowed by law, and this paragraph shall be so interpreted.

9.2 Limitation On Judgement Against Landlord and Owner. It is expressly understood and agreed that any money judgment against Landlord or Owner resulting from any default or other claim arising under this Lease shall be satisfied only out of Landlord's and Owner's interest in the Resort. No other real, personal or mixed property of Landlord and Owner (the terms "Landlord" and "Owner" for purposes of this paragraph only, shall mean any and all parties having an interest in Landlord or Owner), wherever situated, shall be subject to levy on any such judgment obtained against Landlord or Owner. If Landlord's or Owner's interest in the Resort is insufficient for the payment of such judgment, Tenant shall not institute any further action, suit, claim or demand in law or in equity against Landlord or Owner for or on account of such deficiency. Tenant hereby waives to the fullest extent waiveable under law any right to satisfy said money judgment against Landlord or Owner except from Landlord's or Owner's interest in the Resort.

9.3 Indemnification by Tenant. Tenant shall indemnify and hold Landlord, Owner, their wholly owned subsidiaries and the employees and agents of Landlord and Landlord's and Owner's wholly owned subsidiaries, (hereinafter collectively referred to as the "Landlord Indemnified Parties" and individually as an "Landlord Indemnified Party"), their employees and agents harmless from and against, any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including, without limitation, reasonable attorney's fees) incurred in connection with or arising from (a) the use or occupancy or manner of use or occupancy of the Premises by Tenant or any person claiming under Tenant; (b) any activity, work, or thing done or permitted by Tenant in or about the Premises or the Resort; any breach by Tenant or its employees, agents, contractors, or invitees of this Lease; (d) any injury or damage to the person, property, or business of Tenant, its employees, agents, contractors, or invitees entering upon the Premises under the express or implied invitation of Tenant; and (e) any alleged violation by Tenant of any statutes, laws, rules, regulations, including, without limitation, the ADA. If any action or proceeding is brought against a Landlord Indemnified Party by reason of any such claim for which Tenant has indemnified the Landlord Indemnified Parties, Tenant, upon written notice from such Landlord Indemnified Party, shall defend the same at Tenant's expense, with counsel reasonably satisfactory to Landlord. In addition, Tenant agrees to pay for all damage to the Resort, the Common Facilities, or the Premises, as well as all damage to tenants or occupants thereof caused by Tenant's misuse or neglect of the Premises, its apparatus or appurtenances, or caused by any licensee, contractor, agent or employee of Tenant.

9.4 Indemnification by Landlord. Landlord shall indemnify and hold Tenant and its employees and agents (hereinafter collectively referred to as the "Tenant Indemnified Parties"

and individually as an "Tenant Indemnified Party") harmless from and against, any and all demands, claims, causes of action, fines, penalties, damages, liabilities, judgments, and expenses (including, without limitation, reasonable attorney's fees) incurred in connection with or arising from any negligence or intentional misconduct of Landlord or its employees or agents. If any action or proceeding is brought against a Tenant Indemnified Party by reason of any such claim for which Landlord has indemnified the Tenant Indemnified Parties, Landlord, upon written notice from such Tenant Indemnified Party, shall defend the same at Landlord's expense, with counsel reasonably satisfactory to Tenant.

ARTICLE 10

INSURANCE

10.1 Insurance to be Carried by Tenant. Tenant shall during the Term, at its sole cost and expense, obtain and maintain the following types of insurance:

(a) All risk property insurance, including but not limited to endorsements for vandalism, malicious mischief, theft, and sprinkler leakage, covering all of Tenant's property, including, but not limited to, furniture, additions, fixtures, and anything in the nature of a leasehold improvement in an amount equal to the full replacement cost of such property without deduction for depreciation. Such insurance shall contain a deductible of not more than \$10,000. Landlord shall be a co-loss payee with Tenant for any such insurance. If this Lease is terminated, as provided in paragraph 13.1(b) hereof, then Landlord shall reassign to Tenant so much of such insurance proceeds that relate to furniture, fixtures and equipment that are removable by Tenant from the Premises upon the expiration of the Term. If the foregoing insurance proceeds are to be used by Tenant to rebuild the Premises, then Landlord shall cooperate with Tenant in making the same available for that purpose.

(b) Commercial General Liability liability insurance, including bodily injury and property damage, personal injury and advertising liability, and contractual liability with respect to all claims, demands or actions by any person or entity, in any way arising from, related to, or connected with the conduct and operation of Tenant's business in the Premises or Tenant's use of the Premises. Landlord and Owner shall be shown as "additional insureds" on any such policy. The additional insured endorsements shall specifically provide coverage for ongoing and products and completed operations. Such policies shall be written on a comprehensive basis, with no more than a \$10,000 deductible, with coverage limits of not less than \$10,000,000. These limits may be satisfied by the combination of primary general liability and umbrella policies. This policy shall include broad form contractual liability coverage. Coverage shall include abuse and molestation and waiver of subrogation wording in favor of the Landlord. The limits of said insurance shall not, however, be construed to limit the liability of Tenant under this Lease.

(c) Worker's Compensation insurance coverage as required by law, together with employer's liability insurance coverage. The policy shall be endorsed with a waiver of subrogation endorsement in favor of the Landlord.

(d) Plate glass insurance to the satisfaction of Landlord in amounts sufficient to replace any plate glass in and about the Premises which may be damaged during the Term of this Lease.

(e) Professional Liability with coverage limits not less than \$5,000,000. Coverage may be written on a claims made basis, but the retroactive date must be prior to the effective date of this contract. Coverage must be maintained during the term of the entire contract, and for a period of not less than 1 year after contract termination.

(f) Any other form or forms of insurance as Landlord or its lenders may require from time to time in form, in amounts, and for insurance risks which are customarily and reasonably covered for similar mixed-use commercial projects of a similar type and location.

Each policy evidencing insurance required to be carried by Tenant pursuant to this Article shall contain a provision including Landlord, Owner and any other parties in interest designated by Landlord, as an additional named insured(s).

10.2 Policy Forms and Delivery. All of Tenant's insurance, as provided herein, shall be procured from responsible insurance companies who are qualified to conduct business in the State of California and have a minimum rating of A: VIII in Bests Insurance Guide. Tenant agrees that certificates of such insurance shall be delivered to Landlord as soon as practicable after the placing of the required insurance, but in no event later than ten (10) days prior to the date Tenant takes possession of the Premises. All policies, with the exception of the Professional Liability, shall be on an occurrence basis. All policies shall require that at least thirty (30) days' prior written notice to Landlord by the insurer prior to termination, cancellation or material change in such insurance. The deductible amounts, if any, with respect to all insurance which Tenant is required to maintain hereunder shall not exceed an amount per claim or occurrence which Landlord reasonably deems necessary. In the event Tenant fails to procure and maintain an insurance required hereunder, Landlord may (but shall not be required to) procure same at Tenant's expense. All policies shall include a "severability of interest" endorsement with respect to Landlord. All such policies shall be written as primary policies, not contributing with and not in excess of coverage which Landlord or Owner may carry.

10.3 Use of Proceeds. In the event of damage or destruction to the leasehold improvements in the Premises covered by insurance required to be taken out by Tenant pursuant to this Article, Tenant shall use the proceeds of such insurance for the purposes of repairing or restoring such leasehold improvements. In the event of damage or destruction of the Resort entitling the Landlord to terminate this Lease pursuant to Article 12 hereof, then, if the Premises have also been damaged, Tenant will pay to Landlord that portion of its insurance proceeds relating to the leasehold improvements in the Premises that were paid for by Landlord.

10.4 Subrogation. Neither Landlord nor Tenant shall be liable to the other or to any insurance company (by way of subrogation or otherwise) insuring the other party from any loss or damage to any building, structure; or other tangible property, or any resulting loss of income, or losses under worker's compensation laws and benefits, even though such loss or damage might have been occasioned by the negligence of such party, its agents, or employees of any such loss or damage is covered by insurance benefiting the party suffering such loss or damage.

Landlord and Tenant hereby mutually release each other from liability and waive all right to recover against each other or against officers, employees, agents, guests, authorized assignees or subtenants, or representatives of each other for any loss or damage to any person or property caused by or resulting from risks insured against under any insurance policies carried by the parties; provided, however, this paragraph shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of Landlord or Tenant. The parties shall, to the extent available, cause each insurance policy obtained by it hereunder to provide a waiver of subrogation.

10.5 Insurance Increases. Landlord shall have the right, from time to time during the Term, to require Tenant to increase the amount of insurance coverage carried by Tenant pursuant to the provisions of this Lease, so long as the increased insurance coverages are consistent with insurance coverages customarily and reasonably required for Premises of a similar type, use, location and level of improvement in the applicable location.

ARTICLE 11

TRANSFER OF LANDLORD'S INTEREST

Notwithstanding any other provisions of this Lease, Landlord may assign, in whole or in part, Landlord's interest in this Lease and may sell, exchange or master lease all or part of the real estate of which the Premises are a part. In the event of any sale or exchange of the Premises by Landlord and assignment by Landlord of this Lease, Landlord shall be and is hereby entirely released and discharged of all liability under any and all covenants and obligations contained in or derived from this Lease or arising out of any act or omission by Landlord relating to the Premises which occurs after the consummation of such sale, exchange, or assignment; provided, Landlord shall not be deemed to be so released from covenants and obligations owed under this Lease or arising out of any act, occurrence or omission relating to the Resort or the Premises which occurred before the consummation of such sale, exchange or assignment. Upon any such sale, exchange or assignment Landlord shall transfer and convey to its assignee/transferee the balance of any security deposit paid by Tenant and held by Landlord hereunder; thereafter Landlord shall have no further responsibility for the application of said security deposit.

ARTICLE 12

DAMAGE OR DESTRUCTION

12.1 Repair or Termination

(a) If the Premises are damaged by fire or other casualty of the type insured by Landlord the damage shall be repaired by Landlord; provided such repairs can reasonably be made within ninety (90) days after the commencement of repairs without the payment of overtime or other premiums and that the insurance proceeds are sufficient to pay the costs of such repairs. Landlord shall give written notice to Tenant within thirty (30) days after the occurrence of the damage if Landlord concludes the damages can be so repaired. Basic Monthly Rent shall not be abated while such repairs are being undertaken.

(b) If such repairs cannot reasonably be made within such ninety (90) days, or if such repairs will cost more than the available insurance proceeds, Landlord may, at its election, make such repairs within a reasonable time and, in such event, this Lease shall continue in effect and the Basic Monthly Rent shall not be abated. Landlord's election to make such repairs must be evidenced by written notice to Tenant advising Tenant within thirty (30) days after the occurrence of the damage whether or not Landlord will make such repairs. If Landlord does not so elect to make such repairs then either party may, by written notice to the other given within sixty (60) days after the occurrence of the damage, cancel this Lease as of the date of the occurrence of such damage.

(c) With respect to any damage and repairs, Tenant waives the provisions of paragraph 1932(2) and 1933(4) of the Civil Code of California.

(d) All proceeds of any insurance maintained by Tenant or Landlord upon the Premises (including insurance on Tenant improvements) shall be used to pay for the repairs to the property covered by said insurance, to the extent that repairs are made pursuant to this Article.

(e) Landlord shall not have any obligation whatsoever to repair, reconstruct, or restore the Premises or any portion of the Resort when the damage occurs during the last eighteen (18) months of the Term. Landlord shall give written notice to Tenant within thirty (30) days after the occurrence of the damage indicating whether Landlord intends to so repair such damage. In the event Landlord elects not to make such repair of damages occurring in the last eighteen months of the Term, and such damage materially affects the Premises or Resort, then Tenant shall have the right to terminate this Lease upon thirty (30) days' written notice to Landlord.

12.2 Loss of Enjoyment. No damages, compensation or claim shall be payable by Landlord to Tenant for any inconvenience, loss of business or annoyance of Tenant arising from any repair or restoration of any portion of the Premises or any other portion of the Resort or Common Facilities performed by Landlord or its agents. Landlord shall use its best efforts to effect such repair or restoration promptly and in such manner as not unreasonably to interfere with Tenant's use and occupancy of the Premises.

12.3 Automatic Termination. A total destruction of the Resort shall automatically terminate this Lease. For purposes of this subparagraph 12.3, a total destruction shall mean the total or substantial demolition of all or substantially all of the above-foundation improvements in the Resort.

ARTICLE 13

DEFAULTS AND REMEDIES

13.1 Events of Default. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(a) Any failure by Tenant to pay Rent as and when due, where such failure continues for five (5) days after written notice thereof by Landlord to Tenant; provided,

however, that any such notice shall be in lieu of, and not in addition to, any notice required under paragraph 1161, et seq. of the California Code of Civil Procedure and Landlord shall only be required to give two (2) such notices in any calendar year and the third such failure in any calendar year to pay any Rent when due shall be deemed a default hereunder by Tenant without regard to any notice by Landlord;

(b) The abandonment (cessation of substantial use and occupancy) of the Premises by Tenant;

(c) Any failure by Tenant to observe and perform any other provision of this Lease or the Rules and Regulations promulgated by Landlord hereunder where such failure continues for thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that any such notice shall be in lieu of and not in addition to, any notice required under paragraph 1161, et seq. of the California Code of Civil Procedure.

(d) The making by Tenant or Guarantor of any general assignment for the benefit of creditors; the filing by or against Tenant or Guarantor of a petition to have Tenant or Guarantor adjudged a Chapter 7 debtor or to have debts discharged or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant or Guarantor, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's or Guarantor's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; the attachment, execution or other judicial seizure of substantially all of Tenant's or Guarantor's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

13.2 Landlord's Remedies

(a) In the event of any default by Tenant, as defined herein, then, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option, but shall not be obligated to do so, to terminate this Lease and all rights of Tenant hereunder. In the event that Landlord shall elect to so terminate this Lease, then Landlord may recover from Tenant:

(i) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds that portion of rental loss which Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss which Tenant proves reasonably could be avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligation under this Lease or which in the ordinary course of things would be likely to result therefrom including, but not

limited to, brokerage commissions and the cost of restoring said Premises to the condition required under this Lease; plus

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

(vi) As used in (i) and (ii) above, the "worth at the time of award" shall be computed by allowing interest at twelve percent (12%) per annum. As used in (iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank at San Francisco at the time of award, plus one (1) percentage point.

(b) In the event of any such default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to reenter the Premises to remove all persons and property from the Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant.

(c) In the event of the abandonment of the Premises by Tenant or in the event of any default by Tenant, if Landlord does not elect to terminate this Lease as provided in this paragraph, then Landlord may exercise the remedy and shall be entitled to all the rights provided for in California Civil Code Section 1951.4. (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations).

(d) Landlord shall not, by any reentry or other act, be deemed to have accepted any surrender by Tenant of the Premises or Tenant's interest therein, or be deemed to have terminated this Lease or Tenant's right to possession of the Premises or the liability of Tenant to pay Rent thereafter to accrue or Tenant's liability for damages under any of the provisions hereof, unless Landlord shall have given Tenant thirty (30) days notice in writing that it has so elected to terminate this Lease.

(e) All rights, options, and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease.

13.3 Landlord's Default. Landlord shall not be deemed to be in default under this Lease unless and until it has failed to perform such obligation within thirty (30) days after written notice by Tenant to Landlord specifying the manner in which Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if Landlord has commenced and is diligently pursuing such cure within such thirty (30) day period and, in any case, completes such cure within ninety (90) days of such written notice.

ARTICLE 14
EMINENT DOMAIN

14.1 General. If the Premises or any portion thereof are taken under the power of eminent domain, or sold by Landlord under the threat of the exercise of such power, this Lease shall terminate as to the part so taken as of the date that the condemning authority takes possession of the Premises. If more than twenty-five percent (25%) of the Premises is taken or sold under such threat, either Landlord or Tenant may terminate this Lease as of the date that the condemning authority takes possession by delivery of written notice of such election within sixty (60) days after such party has been notified of the taking or, in the absence thereof, within sixty (60) days after the condemning authority shall have taken possession.

14.2 Continuation of Lease After Condemnation. If this Lease is not terminated by Landlord or Tenant, it shall remain in full force and effect as to the portion of the Premises remaining; provided, however, that the Basic Monthly Rent and Tenant's share of the Operating Expenses shall be reduced in proportion to the reduction of the rentable area of the Premises. In such event, Landlord shall, at Landlord's expense, restore the Premises to a complete unit of like quality and character, except as to size, as existed prior to the date on which the condemning authority took possession.

14.3 Allocation of Condemnation Award. All awards for the taking of any part of the Premises or proceeds from the sale made under the threat of the exercise of the power of eminent domain shall be the property of Landlord, whether made as compensation for diminution of value of the leasehold estate, for the taking of the fee, or as severance damage; provided, however, Tenant shall be entitled to any award for loss of or damage to Tenant's trade fixtures, and removable personal property which is separately stated within such award.

14.4 Waiver of CCP Section 1265.130. Each of the parties waives the provisions of California Code of Civil Procedure Section 1265.130 allowing either party to petition the superior court to terminate this Lease in the event of a partial taking of the Premises.

ARTICLE 15
SUBORDINATION

This Lease is subject and subordinate to all ground leases, declarations of restrictions, deeds of trust or other security interests of any kind now covering the Resort. In the event of the termination of any ground lease or the foreclosure or exercise of any power of sale under any deed of trust superior to this Lease, Tenant shall, at the request of the ground lessor or the beneficiary under the deed of trust, as the case may be, attorn to the ground lessor or purchaser at any foreclosure sale or sale pursuant to the exercise of any power of sale, in which event this Lease shall not terminate and Tenant shall automatically be and become the tenant of the ground lessor or purchaser; provided, however, that no ground lessor or purchaser at any foreclosure sale or sale pursuant to the exercise of any power of sale or any successor thereto shall be liable for any act or omission of any prior landlord (including Landlord) or be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord), or be bound by any Rent which Tenant might have paid in advance to any prior landlord (including Landlord)

for a period in excess of one month or by any Security Deposit or other prepaid charge which Tenant might have paid in advance to any prior landlord (including Landlord), or be bound by an agreement or modification of this Lease made after Tenant has written notice of the interest of such party without the prior written consent of such party.

ARTICLE 16

SURRENDER OF PREMISES; REMOVAL OF PROPERTY

16.1 Tenant's Removal of Property. Upon the expiration or termination of the Term of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order, condition and repair as the same are now or hereafter may be improved by Landlord or Tenant, reasonable wear and tear and repairs which are Landlord's obligation excepted, and in a reasonable state of cleanliness. In such event, Tenant shall, without expense to Landlord, remove from the Premises all debris, rubbish, furniture, equipment, business and trade fixtures, free-standing cabinet work, shelving, moveable partitions and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises and all similar articles of any other persons claiming under Tenant. Unless otherwise requested to do so by Landlord, however, Tenant shall not remove any additions or improvements to the Premises, such as carpet, interior partition walls and doors, "built-ins", shelves, built-in fixtures, store front improvements, HVAC equipment, bar and booths, lighting fixtures, moldings, restrooms, ceiling treatments, insulation, lighting, utility connections and distributions, vertical ducts, or other similar items, it being understood and agreed that such items are and shall remain the property of Landlord. Tenant shall also repair, at its expense, all damage to the Premises resulting from such removal.

16.2 Abandoned Property. Whenever Landlord shall reenter the Premises as provided in this Lease, any property of Tenant not removed by Tenant upon the expiration of the Term of this Lease or within ten (10) days after a termination by reason of Tenant's default, as provided in this Lease, shall be considered abandoned, and Landlord may remove any or all such items and dispose of the same in any manner or store the same in a public warehouse or elsewhere for the account and at the expense and risk of Tenant, all in accordance with applicable law.

ARTICLE 17

MISCELLANEOUS

17.1 Landlord's Inspection and Maintenance. Tenant shall permit Landlord and its agents at all reasonable times to enter the Premises for the purpose of making inspections and repairs to the Premises or inspections, repairs, alterations, additions or improvements to the Resort and to take all steps as may be necessary or desirable for the safety, protection, maintenance or preservation of the Premises or the Resort or Landlord's interest therein, or as may be necessary or desirable for the operation or improvement of the Resort or in order to comply with the laws, orders or requirements of governmental or other authorities, subject to the following qualifications:

(a) Landlord, except in the case of an emergency, shall give Tenant at least five (5) days advance written notice of such entry; and,

(b) Landlord shall make every commercially reasonable effort to not have its actions in this regard materially interfere with the business activities of Tenant.

17.2 Exhibition of Premises. Tenant shall permit Landlord and its agents to enter and pass through the Premises at all reasonable hours to:

(a) Post notices of non-responsibility; and,

(b) Exhibit the Premises to holders of encumbrances and to prospective purchasers, mortgagees or lessees of the Resort.

If during the last month of the Term, Tenant shall have removed substantially all of Tenant's property and personnel from the Premises, Landlord may enter the Premises and repair, alter and redecorate the same, without abatement of Rent and without liability to Tenant, and such acts shall have no effect on this Lease.

17.3 Rights Reserved by Landlord. Landlord reserves the following rights, exercisable without liability to Tenant for (i) damage or injury to property, person or business, (ii) causing an actual or constructive eviction from the Premises, or (iii) disturbing Tenant's use or possession of the Premises:

(a) To change the name or street address of the Resort;

(b) To install and maintain all signs on the exterior and interior of the Resort, except for Tenant identity signs. In this regard, Landlord shall not install signs on Tenant's storefront to the Premises, unless specifically required to do so under applicable law;

(c) To have pass keys to the Premises and all doors within the Premises;

(d) To lease space in the Resort to any individual or entity providing the same products and/or services as Tenant, subject to the provisions of paragraph 8.1 herein;

(e) To grant to other lessees the exclusive right to sell goods and/or services in the Resort, so long as such exclusivity does not operate to the exclusion of any service or product previously provided and sold by Tenant; and

(f) To meet with the Tenant monthly for the purpose of reviewing operations at the Premises.

17.4 Quiet Enjoyment. Tenant, upon paying the Rent and performing all of its obligations under this Lease, shall peaceably and quietly enjoy the Premises, subject to the terms of this Lease and to any mortgage, lease, or other agreement to which this Lease may be subordinate.

17.5 Force Majeure. Any prevention, delay or stoppage of work to be performed by Landlord or Tenant which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes therefor, acts of God, governmental restrictions or regulations or controls, judicial orders, enemy or hostile government actions, civil commotion,

fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform hereunder, shall excuse performance of the work by that party for a period equal to the duration of that prevention, delay or stoppage. Nothing in this paragraph, however, shall excuse or delay Tenant's obligation to pay Rent or other charges under this Lease.

17.6 Signage and Storefront Control. Tenant shall not have the right to place, construct, or maintain on the glass panes or supports of the show windows of the Premises, the storefront, the doors, or the exterior walls or roof of the building in which the Premises are located or any interior portions of the Premises located within five (5) feet or less from the windows or doors of the Premises, any signs, advertisements, names, insignia, trademarks, descriptive materials, or any other similar items not consistent with the applicable portions of Exhibit "C" attached hereto without Landlord's prior written approval, which approval shall not be unreasonably withheld. Tenant shall be solely responsible for the cost of constructing and maintaining any signs which may be erected by it pursuant to this paragraph, and shall, in all cases, not erect a sign advertisement, names, insignia, trademarks, descriptive materials or any other similar items without first obtaining any and all necessary and required governmental and administrative permits and approvals. Landlord shall have the right to remove any signs or other matter installed in contravention of this paragraph, without being liable to Tenant by reason of such removal, and to charge the cost of removal to Tenant as Rent hereunder, payable within twenty (20) days of written demand by Landlord.

17.7 Corporate Authority. If Tenant is a corporation, each individual signing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of the corporation, and that this Lease is binding on Tenant in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of a resolution of its board of directors authorizing such execution.

17.8 Counterparts; Electronic Signatures. This Lease may be executed in multiple counterparts and by facsimile, pdf or other electronic signature, all of which shall be deemed an original and constitute one and the same Lease.

17.9 Execution of Lease. No Option. The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of or option for Tenant to lease, or otherwise create any interest of Tenant in the Premises or any other premises within the Resort. Execution of this Lease by Tenant and its return to Landlord shall not be binding on Landlord notwithstanding any time interval, until Landlord has in fact signed and delivered this Lease to Tenant.

17.10 Furnishing of Financial Statements; Tenant's Representations. In order to induce Landlord to enter into this Lease Tenant agrees that it shall promptly furnish Landlord, from time to time, upon Landlord's written request, with financial statements reflecting Tenant's current financial condition, prepared in accordance with generally accepted accounting principals, consistently applied. If so requested by Landlord, Tenant shall provide Landlord with written backup to support such financial statements. Tenant shall not be required to provide such financial statements more often than twice each calendar year. Tenant represents and warrants that all financial statements, records and information furnished by Tenant to Landlord in connection with this Lease are true, correct and complete in all respects.

17.11 Further Assurances. The parties agree to promptly sign all documents reasonably requested to give effect to the provisions of this Lease.

17.12 Mortgagee Protection. Tenant agrees to send by certified or registered mail to any first deed of trust beneficiary of Landlord whose address has been furnished to Tenant, a copy of any notice of default served by Tenant on Landlord. If Landlord fails to cure such default within the time provided for in this Lease, such beneficiary shall have an additional thirty (30) days to cure such default; provided that if such default cannot reasonably be cured within that thirty (30) day period, then such beneficiary shall have such additional time to cure the default as is reasonably necessary under the circumstances.

17.13 Expenses of Legal Action. If either party incurs any expense, including reasonable attorneys' fees, in connection with any legal action instituted by either party by reason of any dispute under this Lease or any default or alleged default of the other party, the party prevailing in such action shall be entitled to recover its reasonable expenses from the other party.

17.14 Statements. Tenant and Landlord each agree, at any time from time to time, within ten (10) days of receipt of written request from the other, to execute, acknowledge and deliver to the other a statement in writing certifying: (a) that this Lease is unmodified and in full force and effect or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications; (b) as to the Commencement Date and expiration date of the Term; (c) as to the dates to which the Rent and other charges hereunder have been paid in advance, if any; (d) as to the amount of the current Basic Monthly Rent and Expense Reimbursement; (e) as to the subleases or assignments, if any, applicable to the Lease; (f) whether or not, to the best knowledge of the party giving the statement, that the other party is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which such party may have knowledge; and, (g) any other information reasonably requested by the other party. Any such statement delivered pursuant to this paragraph may be relied upon by any prospective purchaser of the Resort, or any mortgagee, ground lessor or other encumbrancer thereof, or by an assignee of any such encumbrancer.

17.15 Holding Over. Any holding over after the expiration or termination of the Term of this Lease shall be construed to be a tenancy from month to month at a Basic Monthly Rent and Expense Reimbursement which shall be equal to one hundred fifty percent (150%) of the Basic Monthly Rent and Expense Reimbursement payable (without reduction) during the last month of the Term.

17.16 Notices. All notices, which Landlord or Tenant may be required or may desire to serve on the other shall be in writing and shall be served by personal delivery, by e-mail or by mailing the same by registered or certified mail, postage prepaid, addressed as set forth in the Basic Lease Provisions or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing in accordance with this Article. Any notice so given by mail as provided above shall be deemed effectively given seventy-two (72) hours after deposit in the mail as provided above, unless received earlier by the addressee. Any notice served by personal delivery or e-mail shall be deemed effectively given when delivered to the party's postal address or e-mail address set forth above.

17.17 Rules and Regulations. Tenant agrees to abide by and comply with the Rules and Regulations attached hereto as Exhibit "E". In the event of any inconsistencies between this Lease and the Rules and Regulations, the language of this Lease shall prevail. Landlord shall have the right from time to time to make non-discriminatory modifications to the Rules and Regulations as Landlord deems appropriate, and Landlord shall give notice to Tenant of the Rules and Regulations as they may exist from time to time. Landlord shall not be liable or responsible to Tenant for the violation by any other tenant or occupant of the Resort of any Rules and Regulations. Tenant shall indemnify, defend and save Landlord, its successors and assigns, harmless from and against any and all claims, demands, actions, causes of action, losses, liabilities, damages, rights or expenses, including, without limitation, attorneys' fees and costs, arising directly or indirectly out of or in connection with Tenant's breach of the Rules and Regulations.

17.18 Governing Laws; Venue. This Lease shall be governed by and construed in accordance with the laws of the State of California. Sole and proper venue for any action to enforce or interpret the provisions and conditions of this Lease shall be in San Diego, California.

17.19 Heading and Titles. The marginal titles to the Articles of this Lease are inserted for convenience of reference only and shall have no effect upon the construction or interpretation of any part hereof.

17.20 Heirs and Assigns. Subject to the limitations on assignment, subletting and transfers, this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

17.21 Time of Essence. Time is of the essence with respect to the performance of every provision of this Lease.

17.22 Severability. If any condition or provision of this Lease shall be held invalid or unenforceable to any extent under any applicable law or by any court of competent jurisdiction, the remainder of this Lease shall not be affected thereby, and each condition and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

17.23 Radius. Neither Tenant nor any Person who controls or is controlled by Tenant, or any Person in which Tenant has an interest, shall own, operate or have any interest in any day spa or salon of any type within the Mission Bay area of San Diego. As used herein, the word "Person" means any natural person or persons in individual or representative capacities and any entity or entities of any kind whatsoever, including, without limitation, corporations, limited liability companies, partnerships and associations, or any combination of persons and entities; the word "in control" means ownership of 25% or more of any person. Landlord shall have the right to audit the books and records of Tenant for such other business in the same manner and as provided herein.

17.24 Brokers. Landlord and Tenant each warrant and represent to each other that there are no commissions or finder's fees payable with respect to the transaction set forth herein. Landlord and Tenant shall each indemnify, defend and hold the other harmless from all claims, demands, liabilities and expenses (including attorneys' fees and costs) arising out of a claim that

the indemnifying parties actions resulted in a claim for a commission or finder's fee with respect to the transaction set forth herein.

17.25 No Light, Air or View Easement. Any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Resort shall not in any way affect this Lease or impose any liability on Landlord.

17.26 Entire Agreement. This Lease constitutes the entire and exclusive agreement between Landlord and Tenant relative to the Premises.

17.27 Recording. Tenant shall not record this Lease.

17.28 Waiver. No act or action by Landlord, including the acceptance of rent after its due date, shall be construed as a waiver by Landlord of its right to require the strict and punctual performance of this Lease by Tenant.

17.29 Confidentiality. The provisions of this Lease are strictly confidential. The parties shall not disclose the provisions of this Lease to any person not a party to this Lease, except for disclosures required by law and disclosures to their respective financial, legal and space planning consultants; provided, Landlord may disclose this Lease to any prospective lenders or purchasers for the Resort.

17.30 Right of First Offer. Upon expiration or termination of this Lease, provided Tenant is not then in default hereunder, Tenant shall have a one-time right of first offer to lease the Premises on the same terms as contained in this Lease, including Landlord's right to terminate this Lease upon ninety (90) days' notice without payment of any termination fee, except that the rental will be at a rate equal to the greater of (i) the rental then applicable hereunder to the Premises, and (ii) the then prevailing market rate as determined by Landlord for the Premises. Tenant must exercise its right of first offer by written notice to Landlord within 10 days following receipt of written notice from Landlord that the Premises will be available for lease and the prevailing market rate for the Premises. If Tenant exercises the right granted herein, Landlord and Tenant will enter into an amendment to this Lease to incorporate the terms of such lease. If Tenant declines to exercise its right as above provided for, or fails to deliver notice thereof within the time period stipulated above, this right of first offer will lapse and be of no further force and effect with respect to the Premises, time being of the essence. The foregoing right of first offer may not be severed from this Lease or separately sold, assigned or transferred.

17.31 Additional Landlord Obligations. In addition to Landlord's obligations set forth elsewhere herein, during the term of this Lease Landlord also agrees that:

- a. Tenant will be allowed to advertise the Premises' spa in areas of the hotel, including, rooms, public areas, lobby and poolside, which have been approved by Landlord's operator.
- b. Landlord's operator will allow full marketing integration of the Premises' spa with the marketing of the Hotel, which shall include internal collateral, web support/design, employee referral program, membership incentive and group sales;

- c. The current housekeeping schedule for the Premises will remain in place 7 days a week, including the fitness center and locker room maintenance;
- d. Landlord's operator will agree to provide Tenant with periodic training space for ongoing education of Tenant's employees working at the Premises;
- e. Tenant's management employees/will receive Noble House Friends and Family travel benefits to the extent Landlord's operator has agreed thereto; and
- f. Tenant's management employees will receive cafeteria privileges which are equivalent to those offered to employees of Landlord's operator.

17.32 Exhibits. Each of the following Exhibits are attached hereto and incorporated herein by this reference.

Exhibit "A" - Premises Description

Exhibit "B" - Intentionally Omitted

Exhibit "C" - Fixtures, Furnishings and Equipment

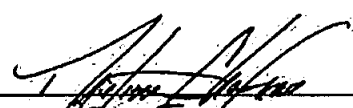
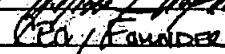
Exhibit "D" - Licensor Standards

Exhibit "E" - Rules and Regulations

LANDLORD: LHO MISSION BAY ROSIE LESSEE, Inc.,
a Delaware corporation

By: 
Title: 

TENANT: MANTRA 'THE ART OF SPA', LLC,
a limited liability company

By: 
Title:  CEO / Founder

Balotsky, Vladimir

From: Balotsky, Vladimir
Sent: Wednesday, February 13, 2013 1:29 PM
To: 'Don Dennis'
Subject: RE: Spa sub-lease
Attachments: Lease-Sublease-Assignment Questionnaire Form.pdf

Hi Don,

Attached is the application form. Please email it back when completed by the proposed sublessee. Processing fee should be submitted with the application.

Thank you,

Vladimir Balotsky, SRWA | Supervising Property Agent | Asset Management
City of San Diego | Real Estate Assets Department
1200 Third Avenue, Suite 1700, San Diego, CA 92101
(619) 235-5248 (office), (619) 236-6706 (fax)
vbalotsky@sanidiego.gov

From: Don Dennis [<mailto:ddennis@missionbayhilton.com>]
Sent: Wednesday, February 13, 2013 1:21 PM
To: Balotsky, Vladimir
Subject: Spa sub-lease

Vladimir,

It was good to speak to you today. Per our conversation we would like to request approval to sub-lease the Hilton's spa operation to a third party. If you can send me the application you mentioned I will get it processed ASAP. Is the \$727 fee due when we submit the application, or would that only be paid upon approval?

Thanks,

DON DENNIS | General Manager

HILTON SAN DIEGO RESORT & SPA
t: +1 619 275 7969 | f: +1 619 275 8932
1775 East Mission Bay Drive | San Diego CA 92109 | United States
hilton.com | sandiegohilton.com | [facebook.com/SANDIEGOHILTON](https://www.facebook.com/SANDIEGOHILTON) | twitter.com/SANDIEGOHILTON



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):

NOBLE HOUSE HOTELS

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):

MANTRA 'THE ART OF SPA' LLC.

Date this Questionnaire completed: FEB 22, 2013.

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

Signature: _____

Title: _____

[Signature]
CEO / FOUNDER

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:

MASTRA 'THE ART OF SPA' LLC

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

12816 UNIVERSITY AVE # 723
SAN DIEGO, CA 92103

Telephone No.: 858-366-8020 Fax. No.: 619-393-0104
E-mail Address: CHAFKAR@gmail.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 (X); Other _____

Explain if necessary:

5. Effective date of assignment (complete only if applicable): April 1, 2013

**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).

PLEASE SEE PROPOSAL



MANTRA
THE ART OF SPA

Proposal to Hilton San Diego Resort & Spa

For

The Conception, Implementation & Management of World-Class Spa

At Hilton San Diego Resort & Spa



MANTRA
THE ART OF SPA

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Introduction

Mantra Spa, LLC ('Mantra' The Art of Spa) proposes to introduce its Mantra 'The Art of Spa' brand to Hilton San Diego Resort & Spa. The 'Mantra Spa' dedication to service and total sensory experience will enhance the already premiere luxury experience to be enjoyed at Hilton San Diego Resort & Spa. Mantra will provide the concept, the expertise to develop, and the resources to manage Mantra 'The Art of Spa'.

The primary principal of 'Mantra', Melissa Chafkar has extensive experience in the management of boutique spas in the luxury market. She will fully utilize her background to provide a successful business model that will provide 'best in industry' financial margins. Just as critically, Mantra 'The Art of Spa' will compliment the philosophy and enhance the artistic palette in both presentation and exceptional service standards any sophisticated traveler would expect at Hilton San Diego Resort & Spa.



MANTRA
THE ART OF SPA

Overview

The 'Mantra' proposal will provide the following:

- The 'Mantra' plan for Conceptualization to Design to Implementation.
- Qualifications of the principal of 'Mantra'.
- A business plan for 'Manta' demonstrating the following:
 - Business Concept
 - Summary of Key Financial Data
 - Summary of Marketing strategy
 - Key Personnel
- 5-year Financial Proforma
- Mantra lease structure
- Acceptance of Terms



MANTRA
THE ART OF SPA

Position Statement

'Mantra' The Art of Spa will be positioned among the finest spa destinations in the world. Our *mantra* will be to inspire a positive approach to life, guided by a total sensory experience that incorporates elements of mind, body and spirit.

'Mantra' The Art of Spa will indulge our guests in a unique blend of services, amenities and treatments. We will offer:

- An exotic variety of 'world' based spa treatments, all of which are tradition based, and offered in an environment that is reminiscent of the treatment's cultural heritage.
- Aggressive Anti-Aging Skincare services.
- Advanced Wellness and Medispa procedures
- Exclusive retail body and skincare products that find their heritage in the humanistic cultures of the world to be sold in our Retail Outlet.
- Educational seminars that promote total wellness and a new lifestyle culture.
- Daily lifestyle management that encourages aspects of fitness and nutrition to bring the body to its optimal performance
- Meditation and Relaxation Lounge
- Signature Shower and water experiences.



'Mantra' The Art of Spa – Concept

'Mantra' will offer the following proposal to Hilton San Diego Resort & Spa, a Noble House Resort:

- We will compliment the Hilton San Diego Resort & Spa philosophy of providing best in the industry, professional expertise, and financial management. Guests of the Hilton San Diego Resort & Spa will experience a dedication to service and total 'sensory' indulgence that is focused not just on the moment, but on life-style.
- The Spa experience will provide only the very highest level of technical care. Melissa Chafkar has developed an industry leading method of training her massage therapists, aestheticians and operations personnel.
- To complement our services, we will provide personalized regimes for our guests that also incorporate and promote holistic wellness programs for a total life-style experience.
- To ensure that our guests use only the finest of skin care, holistic and result oriented products, we will operate a retail outlet that procures and provides products that will serve to enhance our guests' total body image.
- Our Spa's ambience will be one of enlightenment and pleasure in what spa truly exemplifies in a luxury hotel environment, suggesting elements of the exotic cultures of the world. We will provide an environment that immediately puts our guests at ease and which sublimely promotes a healthier way of life.



Mantra 'The Art of Spa' LLC – Qualifications

The principals of Mantra 'The Art of Spa', LLC are Melissa Chafkar, Daniela Messina and Joan Burns.

Melissa Chafkar

Melissa Chafkar is currently operating seven spa locations in her position as the Regional Operations Director for WTS International in Southern California, the leading lifestyle firm in the nation.

Melissa has also known other successes in the Spa industry. In her position as the National Director of Spa Operations for Noble House Hotels & Resorts, she was instrumental in taking the very successful Noble House Spa Terre Brand from concept to design to implementation. The nine boutique Spa Terre locations are now recognized as being at the fore-front of luxury resort spas in every market and hold outstanding records in Conde Naste and Travel and Leisure.

Prior to joining Noble House, she was the General Manager of the very successful, high profile, and innovative "Kinara" in Los Angeles, a top rated day spa and restaurant with cutting-edge concepts. Kinara still exists in the forefront of competition in the Hollywood marketplace, and receives an abundance of accolades from national press.

During Melissa's 25 years of industry experience, she has participated in the opening of over 14 luxury spas nationwide and has trained, managed, or consulted with some of the top Spa's in the United States, including Caesar's Palace and Bellagio in Las Vegas.

She has been a Member of the International Spa Association for 10 years and holds her Degree in Fine Arts, obtained at the Muse du Louvre, Paris. Her education continues in Healthcare Administration, Sports Medicine, and Massage Therapy. As a therapist she has catered to an array of elite clientele including members of the Dallas Cowboys, Vikings, Broncos, US Women's Soccer Team and several high profile sports figures and celebrity guests.



MANTRA
THE ART OF SPA

Daniela Messina

Daniela Messina is currently the owner and Creative Director of Messina Design, a full service San Diego based advertising agency.

Daniela's experience evolved with New York City's largest and most successful advertising agencies. As a Studio Manager at Foote Cone & Belding and Grey Worldwide, she developed innovative graphic concepts for GSK, Allergan, Samsung and Diet Coke.

After moving to San Diego in 2001, Daniela has worked alongside popular San Diego agencies such as VitroRobertson and Meads Durkett, contributing to well-known local accounts such as the San Diego Zoo, Union Bank, Asics, New Castle Brown Ale and others.

In 2004, Daniela's entrepreneurial drive led her to establish her own award winning San Diego Agency, Messina Design. As a true synthesis of her talents, Messina Design offers cutting edge marketing solutions in web, app and print design. Clients include, Hard Rock San Diego, The Beverly Hilton, Hilton San Diego Bayfront, Hilton Torrey Pines, Solatube International, EasyTurf Synthetic Grass, The Marine Group, San Diego Harbor Excursion and the like.

Daniela graduated in 1997 with a degree in Graphic Design, obtained at SUNY Purchase, New York.



MANTRA
THE ART OF SPA

Joan Burns

Joan Burns is the owner of Down to Earth, Ltd., a thriving Garden Design and Installation Firm in Port Chester, New York.

Throughout her work history, Joan has acquired many talents in various business models that have advanced her success. As an Account Executive in New York City with Henson Associates, Muppets Licensing Department, Joan spearheaded the artwork, packaging and marketing concepts in the United States, Australia and New Zealand for accounts such as Avon, Met, and Oral-B.

Exploring new ventures, Joan left New York in 1987 and tried her hand in the hospitality industry, where she managed a quaint boutique hotel, The Cormorant Beach Club at Pelican Cove, St. Croix, US Virgin Islands. This led her to the luxury market on Harbour Island, Bahamas as the General Manager of the Pink Sands Resort, a Four Diamond Premier Boutique resort, holding outstanding records in Travel and Leisure and Conde Naste.

With limited educational resources for her children on the islands, Joan and her family moved back to New York City to raise her daughters.

Then in 1997, with an entrepreneurial spirit, she was lead to the philosophy of integrating life, work and purpose. She acquired her Master Gardener Certification at Cornell cooperative in 1998 and immediately started her new venture, Down to Earth, Ltd.

Over the last 14 years in operation, Joan has gained lasting recognition for her business savvy and illustrious garden design in the prestigious suburbs of New York City, Argentina, England and Amsterdam.

Joan graduated in 1983 with a B.A in Art History, obtained at Marymount Manhattan College, New York, NY. Joan is a valued member of the National Association of Professional Women.



Synopsis of Business Plan

'Mantra Spa' will generate revenues from the following principal sources:

- Spa Technical Services –
 - Massage Therapy
 - Anti-Aging Aesthetic Treatments
 - Body Care Treatments
 - Hair Salon
 - Manicure/Pedicure
 - Retail Outlet
 - Wellness Programs and Educational Seminars
 - Advanced Wellness and Medispa procedures

It is anticipated that business will be derived both from resort guests and members of the local community.

Concept

A World-Class Spa that promotes a transformative experience, provided in an exotic 'cultures of the world' environment. We will provide our guests with a full menu of spa services, to include 'best-in-class' massage and aesthetic care, manicure and pedicure service, an offering of the finest anti-aging and holistic products sold through our retail outlet, and a suggested care package that promotes a total life-style approach.

Key Financial Data

'Mantra' has the financial expertise to provide proforma data that can be derived from various operational models.

**A detailed 5-year proforma of revenue and expense has been prepared and will be provided based on current historical data and industry expertise.*



MANTRA
THE ART OF SPA

Marketing Strategy

'Mantra' is keenly aware that Resort Spas can be found in a diverse variety of locations, varying from remote destinations to urban settings. Each market is different and brings its own unique challenges. In addition, the business objectives of both Hilton San Diego Resort & Spa and ownership, as well as resort 'maturity' and guest mix will have to be taken into account in determining how best to target the available marketing dollars. In general, we believe that Resort Spas must identify with the local clientele. Our marketing philosophy includes the premise that there are three main categories that produce awareness which is critical to a high end Spa product. These include internal, local and national visibility. In this regards, we will certainly utilize our contacts in the local markets and design a Public Relations campaign that will meet our needs, and at the same time, we will strive to enhance the overall positioning of the Hilton San Diego Resort & Spa.

In order to make an immediate impact on the local market, 'Mantra' will invest a Pre-Opening Marketing budget of 2-5% of 1st-Year Revenues to be used for a Grand Opening Party and press promotions.

Key Personnel

We will hire and train key personnel to include the following positions:

- Spa Director
- Operations Manager

In addition, we will retain all technical staff on a contractual or employee basis (as mandated by local law or practice in competing spas). The technical staff will be trained using the best in the industry 'Mantra' operating procedures.



Mantra Spa, LLC Fee Structure

Mantra will lease the existing square foot space for a period of 5-years, and that thereafter subject to a review of the existing arrangement.

The agreement is therefore as follows:

Year 1-5 of Operation

- Mantra will receive their 1st month lease complimentary, the month of March 2013, and will begin payment April 1st, 2013
- Mantra will give a \$30K security deposit which is due upon commencement of lease. The security deposit will be applied on a prorata basis to the lease payment that will be due from months 2 thru 6. The net monthly payment from months 2 thru 6 would be \$10K less \$6K which equal \$4K per month.
- Mantra request permission to use the "Spa Brezza" name, collateral etc., for the first 90 days of operation.
- Year 1 - 2: space to be provided to Mantra at a cost of \$10K per month, which will include utilities, the lease of all FEE, SMS, POS, and use of current database.
- Year 3-5: Mantra's lease terms will increase by 2% year over year.

Terms & deposit will begin March 1st, 2013, and will include the following:

Hilton:

- Mantra will perform a Due Diligence; Hilton agrees to provide applicable information.
- Hilton/Noble House Friends and Family Travel Benefits
- Mantra will provide an invoice for all room charge transactions; Hilton will reconcile weekly with payment applied to following Friday.
- After the first five year lease term is fulfilled, Mantra will have the 'first right of refusal' for the following three 5 year terms.
- Full marketing integration with hotel, to include internal collateral, web support/design, and employee referral program to include membership program group sales, and all front line employees.
- Regular ongoing reasonable care of building maintenance and of leased FFE during term.
- Current database held in management system, including members, locals, and hotel guests.
- Current housekeeping schedule will remain in place 7 days a week to include fitness center and locker room maintenance during term.
- Spa/Resort customers will receive same privileges as current operation.
- Hilton will agree to provide Mantra periodic training space for both the initial transition and ongoing education of Mantra employees.



Mantra:

- Mantra will carry General Liability Insurance and Workers Compensation.
- Mantra and Hotel management will complete inventory at take over and determine what will be purchased by Mantra. The remaining will be disposed of by Hotel Management.
- Mantra will have linens laundered through Hilton San Diego Resort & Spa at \$12K per year.
- Mantra employees will have equivalent Hilton cafeteria privileges.
- Mantra will have full access privileges to Hilton members for marketing and promotional purposes.
- Mantra will include proper Hilton brand standards in regards to collateral print and PR/Design.

Termination

- This arrangement can be terminated by either party with 90-days notice, either with or without cause.
- It is recognized that Mantra will have to incur development costs during the initial startup. Should this contract be terminated during the 1st 12-months by Hilton San Diego Resort & Spa, Mantra will receive a termination fee of \$30,000 by way of compensation for its development costs.
- All FFE belongs to Hilton with the exception of any new purchases obtained during term by Mantra.

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.

PLEASE REFER TO BUSINESS 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)				
1	\$	\$	\$	\$	\$
2					
3					
4					
5					

PLEASE REFER TO 5 year proforma

Mantra - "The Art of Spa"
Proforma Budget

Prep: 03-Jan-13

	Year-1	Year-2	Year-3	Year-4	Year-5
Total Revenue	883,329	939,771	995,982	1,069,794	1,155,876
Spa Technical Services					
Statistics					
Total Available Treatment Rooms	5,840	5,840	5,840	5,840	5,840
World Experience RevPat	\$128.57	\$136.78	\$144.96	\$155.71	\$168.24
World Experience Occupancy %	6.3%	6.8%	7.2%	7.5%	7.9%
Spa 'World Experience' Revenue:					
Bali 50-Min Massage Room	169,290	179,930	190,760	204,945	221,600
Thai 50-Min Massage Suite	178,200	189,400	200,800	215,455	232,680
Morocco Couples 50-Min Massage (m-1 & m-2)	155,750	165,900	175,700	188,730	199,440
Malaysia Facial	169,290	179,930	190,760	204,945	221,600
Fiji Vichy Shower	24,420	28,070	27,610	30,245	33,240
India Hair Station	18,690	19,880	21,070	25,200	29,880
Egypt -1 Manicure	2,610	2,850	3,000	3,150	3,330
Egypt -2 Manicure	2,610	2,850	3,000	3,150	3,330
Egypt -3 Pedicure	9,990	10,665	11,295	11,835	12,465
Egypt -4 Pedicure	9,990	10,665	11,295	11,835	12,465
Egypt -5 Pedicure	9,990	10,665	11,295	11,835	12,465
Total Spa 'World Experience' Revenue:	750,830	798,805	846,585	909,325	982,495
15.0% Retail Sales	132,499	140,965	149,397	160,469	173,381
TOTAL SPA REVENUE	883,329	939,771	995,982	1,069,794	1,155,876
Cost of Sales:					
Spa Services	108,358	115,290	122,184	131,143	141,591
3.5% Service Products	26,279	27,958	29,630	31,826	34,387
40.0% Retail COS	53,000	56,386	59,759	64,188	69,353
Total Cost of Sales	187,637	199,634	211,573	227,157	245,331
Wages & Benefits:					
3.5% Salaries & Wages	234,314	242,515	251,003	259,788	268,881
10.0% Payroll Taxes	23,431	24,252	25,100	25,979	26,888
Group Insurance	0	0	0	0	0
6.9% Worker's Comp	16,168	16,734	17,319	17,925	18,553
Vac/Hol/Sick/Personal	0	0	0	0	0
5.0% Bonus/Incentives	6,625	7,048	7,470	8,023	8,669
Total Benefits	46,224	48,033	49,889	51,928	54,110
Total Wages & Benefits	280,538	290,549	300,893	311,716	322,991
Other Expenses:					
Linen	375	2,396	2,540	2,728	2,947
Laundry	11,282	9,985	10,582	11,367	12,281
Cleaning Supplies	751	799	847	909	982
Guest Supplies	2,628	2,796	2,963	3,183	3,439
Print & Stationery	1,502	1,598	1,693	1,819	1,965
Non-Cap Equipment	1,877	1,997	2,116	2,273	2,456
Data Processing	900	0	0	0	0
Uniforms	1,502	1,598	1,693	1,819	1,965
Telephone	300	320	339	364	393
Postage	450	479	508	546	589
Decorations	2,252	2,396	2,540	2,728	2,947
Equipment Rental	0	0	0	0	0
Operating Supplies	3,754	3,994	4,233	4,547	4,912
Fitness Supply	0	0	0	0	0
Travel	3,754	1,598	1,693	1,819	1,965
Gratits Treatments	2,628	2,396	2,540	2,728	2,947
Dues & Subscriptions	1,502	1,598	1,693	1,819	1,965
Licenses & Permits	375	399	423	455	491
Contract Services	375	399	423	455	491
Training	1,877	1,997	2,116	2,273	2,456
Miscellaneous	2,252	2,396	2,540	2,728	2,947
Total Other Expenses	40,319	39,141	41,483	44,557	48,142
Departmental Profit	374,836	410,446	442,034	486,364	539,412
Profit %	42.4%	43.7%	44.4%	45.5%	46.7%

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.

PLEASE REFER TO BUSINESS PROPOSAL

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.

PLEASE REFER TO BUSINESS PROPOSAL

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 JOAN PINE BURNS
 Date of Birth 12/14/60
 Place of Birth New York City
 Social Security Number 129 609361
 Driver's License Number/State 134166129 NY
 Home Address 136 Bodwell Street
MANCHESTER Ctn, VT 05255
 Previous Address 5 Ayl Road
Port Chester, NY 10573
 Home Telephone No. 802 768 8626
 Employer SELF
 Occupation General Designer
 Business Address 136 Bodwell Street Manchester Ctn
VT 05255
 Business Telephone No. 914 714 4585
 Business Fax No. 802 768 8626

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

Date 2/21/13 Signed JPB

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

MANTRA 'THE ART OF SPA' LLC

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	Daniela R Messina
Date of Birth	5/22/1975
Place of Birth	New York, US
Social Security Number	069-74-7164
Driver's License Number/State	E3263510 / CA
Home Address	3788 Park Blvd, Unit 9 San Diego, CA 92103
Previous Address	3730 Park Blvd San Diego, CA 92103
Home Telephone No.	619-692-0206
Employer	Messina Design
Occupation	Advertising
Business Address	3788 Park Blvd, Unit 9, San Diego CA 92103
Business Telephone No.	858-336-3493
Business Fax No.	619-393-0104

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

Date 2/22/2103

Signed 

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

Mantra, The Art of Spa, LLC

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	<u>MELOSA CUEVAS</u>
Date of Birth	<u>6-26-70</u>
Place of Birth	<u>Yuma, Az</u>
Social Security Number	<u>601 30 6405</u>
Driver's License Number/State	<u>E1840703 CA</u>
Home Address	<u>#858-366-8000</u> <u>1343 Via Vida Nueva</u>
Previous Address	<u>Escondido, CA 92026</u> <u>2885 Gunn St</u>
Home Telephone No.	<u>San Diego, CA 92104</u>
Previous Employer	<u>WTS INTERNATIONAL, Inc.</u>
Occupation	<u>Regional Operations Director</u>
Current Business Address	<u>1286 University Ave #723 SD CA</u> <u>92103</u>
Business Telephone No.	<u>858 366-8000</u>
Business Fax No.	<u>619-393-0104</u>

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

Date 2-22-13 Signed [Signature]

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

MARTHA 'THE ART OF SPA'

REFERENCE NO. 3

Name: DAVID FEENEY
Firm: CAREAGE Home Health
Title: CFO
Address: 124th Ave NE # C203 Bellevue, WA
Telephone: 425-761-1009

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

MEUSSA CHAEKAR - BUSINESS REFERENCE
BUSINESS COLLEAGUE FOR SEVERAL PROJECTS

REFERENCE NO. 4

Name: MARIE PARODI
Firm: Williams Island Club
Title: EXECUTIVE Spa Director
Address: 5300 Island Blvd, Aventura, FLA 33160
Telephone: 305-466-3566

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

MEUSSA CHAEKAR - BUSINESS REFERENCE
BUSINESS COLLEAGUE FOR SEVERAL PROJECTS

REFERENCES FOR PROPOSED (SUB)LESSEE

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: Elliot Baum
Firm: Ocean Displays
Title: Owner
Address: 3201 Lionshead Ave, Carlsbad, CA
Telephone: 760 712-6677

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

Daniela Messina (Messina Design) -
approx \$30k in annual purchasing

REFERENCE NO. 2

Name: JR / M
Firm: Stemias Nursery
Title: Sales Manager / Accounting
Address: King Street Greenwich, CT
Telephone: 203-531-7352

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

Joan P. Buens (Down to Earth, Ltd)
approx \$20k in annual purchasing

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 (X)
 - 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 (X) No ()
 - b. If yes, please give dates, court jurisdiction, and amount of liabilities and assets.
DANIELA MESSINA - PLEASE SEE BELOW.
3. **Pending Litigation** - Are any of the individuals or entities presently a party to ANY pending litigation?
 - a. Yes () No (X)
 - 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 (X)
 - b. If yes, please provide detailed information for each claim, lien, or judgment.

BANKRUPTCY INFORMATION :

Filed June 2009 in Southern District of California
Total Assets \$ 317,659 to amount of Liabilities \$ 511,852
HOME LOAN

LIMITED LIABILITY COMPANY STATEMENT

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

1. Date of Organization: July 30, 2012
2. Where Organized: San Diego County
3. Is the Company authorized to do business in California?
 - a. Yes (X) No ()
 - b. If so, as of what date? 7-30-12
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 %
MANAGER	MELISSA CHAFKAR	1286 UNIVERSITY AVE #723 SAN DIEGO, CA 92103	75
MEMBER	DANIELA MESSINA	3788 PARK BLVD SAN DIEGO, CA 92103	20
MEMBER	JOAN P. BUENS	136 BONNET ST. MANCHESTER, CT 06255	5

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.

SEE OPERATION AGREEMENT

NOT APPLICABLE

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: _____

NOT 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.

9:54 AM
02/27/13
Accrual Basis

Mantra the Art of Spa, LLC.
Profit & Loss
January 1 through February 27, 2013

	<u>Jan 1 - Feb 27, 13</u>
Ordinary Income/Expense	
Expense	
Bank Service Charges	22.00
Legal Fees	3,000.00
Licenses & Permits	1,200.00
Office Supplies	1,927.23
Postage Expense	107.54
Salaries & Wages	2,000.00
Software Expense	350.00
Telephone Expense	800.00
Travel Expense	3,290.00
Total Expense	<u>12,696.77</u>
Net Ordinary Income	<u>-12,696.77</u>
Net Income	<u><u>-12,696.77</u></u>

OPERATING AGREEMENT OF Mantra 'The Art of Spa', LLC

This Operating Agreement of **Mantra 'The Art of Spa', LLC** a California limited liability company organized pursuant to the California Corporations Code is entered into and shall be effective as of the Effective Date, by and among the Company and the persons executing this Agreement as Members.

ARTICLE I DEFINITIONS

For purposes of this Operating Agreement (as defined below), unless the context clearly indicates otherwise, the following terms shall have the following meanings:

- 1.1 Code - The California Corporations Code and all amendments to the Code.
- 1.2 Additional Member - A Member other than an Initial Member or a Substitute Member who has acquired a Membership Interest from the Company.
- 1.3 Assignee - A transferee of a Membership Interest who has not been admitted as a Substituted Member.
- 1.4 Bankrupt Member - A Member who: (1) has become the subject of an order for Relief under the United States Bankruptcy Code, (2) has initiated, either in an original Proceeding or by way of answer in any state insolvency or receivership proceeding, an action for liquidation arrangement, composition, readjustment, dissolution, or similar relief.
- 1.5 Business Day - Any day other than Saturday, Sunday or any legal holiday observed in the State.
- 1.6 Capital Account - The account maintained for a Member or Assignee determined in accordance with Article VIII.
- 1.7 Capital Contribution - Any contribution of Property, services or the obligation to contribute Property or services made by or on behalf of a Member or Assignee.
- 1.8 Certificate of Formation - The Certificate of Formation of the Company, as properly adopted and amended from time to time by the Members and filed with the Secretary of State.
- 1.9 Revenue Code - The Internal Revenue Code of 1986 as amended from time to time.
- 1.10 Commitment - The Capital Contributions that a Member or Assignee is obligated to make under this Operating Agreement.

1.11 Company – Mantra 'The Art of Spa', LLC, a limited liability company formed under the laws of California, and any successor limited liability company.

1.12 Company Liability - Any enforceable debt or obligation for which the Company is liable or which is secured by any Company Property

1.13 Left Blank

1.14 Left Blank

1.15 Company Property - Any property owned by the Company.

1.16 Contributing Members - Those Members making contributions as a result of the failure of a Delinquent Member to make the contributions required by the Commitment as described in Article VIII.

1.17 Default Interest Rate - The higher of the legal rate or the then-current prime rate quoted by the largest commercial bank in the jurisdiction of the Principal office plus three percent.

1.18 Delinquent Member - A Member or Assignee who has failed to meet the Commitment of that Member or Assignee.

1.19 Distribution - A transfer of Property to a member on account of a Membership Interest as described in Article IX.

1.20 Disposition (Dispose) - Any sale, assignment, transfer, exchange, mortgage, pledge, grant, hypothecation, or other transfer, absolute or as security or encumbrance (including dispositions by operation of law)

1.21 Dissociation - Any Action which causes a Person to cease to be a Member as a described in Article XII hereof.

1.22. Dissolution Event - An event, the occurrence of which will result in the dissolution of the Company under Article XIV unless the Members agree to the contrary.

1.23 Effective Date - The date described in Section 2.4 hereof.

1.24 Immediate Family - A Member's Immediate Family includes the Member's spouse, children (including natural, adopted and stepchildren), grandchildren and parents.

1.25 Initial Capital Contribution - The Capital Contribution agreed to be made by the Initial Members as described in Article VIII.

1.26 Initial Members - Those persons identified on Exhibit A attached hereto and made a part hereof by this reference who have executed the Operating Agreement.

1.27 Majority - The affirmative vote or consent of more than one-half (1/2) of the membership interest of all Members described as a "Majority" in Article VI hereof.

1.28 Management Right - The right of a Member to participate in the management of

the Company, including the rights to information and to consent or approve Actions of the Company.

1.29 Member - Initial Member, Substituted Member or Additional Member, and, unless the context expressly indicates to the contrary, includes Members and Assignees.

1.30 Left Blank

1.31 Left Blank

1.32 Membership Interest - The rights of a Member or, in the case of an Assignee, the rights of the assigning Member in Distributions (liquidating or otherwise) and allocations of the profits, losses, gains, deductions, and credits of the Company.

1.33 Money - Cash or other legal tender of the United States, or any obligation that is immediately reducible to legal tender without delay or discount. Money shall be considered to have a fair market value equal to its face amount.

1.34 Net Losses - The losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year employed under the method of accounting adopted by the Company and as reported separately or in the aggregate, as appropriate, on the tax return of the Company filed for federal income tax purposes.

1.35 Net Profits - The income and gains of the Company determined in accordance with accounting principles consistently applied from year to year employed under the method of accounting adopted by the Company and as reported separately or in the aggregate, as appropriate, on the tax return of the Company filed for federal income tax purposes.

1.36 Left Blank

1.37 Notice - Notice shall be in writing. Notice to the Company shall be considered given when mailed by first class mail postage prepaid addressed to any Member in care of the Company at the address of the Principal Office. Notice to a Member shall be considered given when mailed by first class mail postage prepaid addressed to the Member at the address reflected in the Operating Agreement unless the Member has given the Company a notice of different address.

1.38 Left Blank

1.39 Operating Agreement - This Operating Agreement including all Subscription Agreements, if any, and amendments adopted in accordance with the Operating Agreement and the Code.

1.40 Organization - A Person other than a natural person. Organization includes, without limitation, corporations (both nonprofit and other corporations), partnerships (both limited and general), joint ventures, limited liability companies, and unincorporated associations, but the term does not include joint tenancies by the entirety.

1.41 Organization Expenses - Those expenses incurred in the organization of the Company including the costs of preparation of the Operating Agreement and Articles.

1.42 Proceeding - Any judicial or administrative trial, hearing or other activity, civil criminal or investigative, the result of which may be that a court, arbitrator, or governmental agency may enter a judgment, order, decree, or other determination which, if not appealed and reversed, would be binding upon the Company, a Member or other person subject to the jurisdiction of such court, arbitrator, or governmental agency.

1.43 Property - Any property real or personal, tangible or intangible, including money and any legal or equitable interest in such property, but excluding services and promises to perform services in the future.

1.44 Permitted Transferee - Any Member of the Member's immediate family, or an Organization controlled by such Member of the Member's Immediate Family.

1.45 Person - An individual, trust, estate, or any incorporated or unincorporated organization permitted to be a member of a limited liability company under the laws of the State.

1.46 Proceeding - Any administrative, judicial, or other adversary proceeding, including, without limitation, litigation, arbitration, administrative adjudication, mediation, and appeal or review of any of the foregoing.

1.47 Regulations - Except where the context indicates otherwise, the permanent, temporary, proposed, or proposed and temporary regulations of the Department of the Treasury under the Code as such regulations may be lawfully changed from time to time.

1.48 Related Person - A person having a relationship to a Member that is described in §1.751-4(b) of the Regulations.

1.49 Sharing Ratio - With respect to any Member, the percentage of ownership in the Company as specified on Exhibit A to this Operating Agreement.

1.50 Subscription Agreement - Agreement between a Member and the Company to fulfill the Commitment defined in 1.11 of this Article.

1.51 Substitute Member - An Assignee who has been admitted to all of the rights of membership pursuant to the Operating Agreement.

1.52 Taxable Year - The taxable year of the Company as determined pursuant to §706 of the Code.

1.53 Taxing Jurisdiction - Any state, local, or foreign government that collects tax, interest or penalties, however designated, on any Member's share of the income or gain attributable to the Company.

ARTICLE II FORMATION

2.1 Organization - The Members hereby organize the Company as a California limited liability company pursuant to the provisions of the Code.

2.2 Agreement - For and in consideration of the mutual covenants herein contained

and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members executing the Operating Agreement hereby agree to the terms and conditions of the Operating Agreement, as it may from time to time be amended according to its terms. It is the express intention of the Members that the Operating Agreement shall be the sole source of agreement of the parties, and, except to the extent a provision of the Operating Agreement expressly incorporates federal income tax rules by reference to sections of the Code or Regulations or is expressly prohibited or ineffective under the Code, the Operating Agreement shall govern, even when inconsistent with, or different than, the provisions of the Code or any other law or rule. To the extent any provision of the Operating Agreement is prohibited or ineffective under the Code, the Operating Agreement shall be considered amended to the smallest degree possible in order to make the agreement effective under the Code. In the event the Code is subsequently amended or interpreted in such a way to make any provision of the Operating Agreement that was formerly invalid-valid, such provision shall be considered to be valid from the effective date of such interpretation or amendment.

2.3 Name - The name of the Company is **Mantra 'The Art of Spa', LLC** and all business of the Company shall be conducted under that name or under any other name, but in any case, only to the extent permitted by applicable law.

2.4 Effective Date - The Operating Agreement shall become effective upon the filing and acceptance of the Certificate of Formation with the Secretary of State of California.

2.5 Term - The Company shall be dissolved and its affairs wound up in accordance with the Code and the Operating Agreement on **December 31, 2030**, unless the term shall be extended by amendment to the Operating Agreement and the Certificate of Formation, or unless the Company shall be sooner dissolved and its affairs wound up in accordance with the Code or the Operating Agreement

2.6 Registered Agent and Office - The registered agent for the service of process and the registered office shall be that Person and location reflected in the Certificate of Formation. The Members may, from time to time, change the registered agent or office through appropriate filings with the Secretary of State. If the Members shall fail to designate a replacement registered agent or change of address of the registered office, any Member may designate a replacement registered agent or file a notice of change of address through appropriate filings with the Secretary of State.

2.7 Principal Office - The Principal Office of the Company shall be located at 726 9th Avenue, San Diego, CA 92101

ARTICLE III NATURE OF BUSINESS

3.1 The Company may engage in any lawful business permitted by the Code or the laws of any jurisdiction in which the Company may do business. The Company shall have the authority to do all things necessary or convenient to accomplish its purpose and operate its business as described in this Article III.

ARTICLE IV ACCOUNTING AND RECORDS

4.1 Records to be Maintained - The Company shall maintain the following records and information, at the Principal Office:

- A. A current and past list, setting forth the full name and last known mailing address of each member and manager;
- B. A copy of the Certificate of Formation and all amendments thereto;
- C. A copy of the Company's federal, foreign, state and local income tax returns and reports, if any, for the three most recent years;
- D. A copy of the Operating Agreement including all amendments thereto and copies of any written operating agreement no longer in effect;
- E. Any financial statements of the Company for the three most recent years;
- F. A writing or other data compilation from which information can be obtained through retrieval devices into reasonably usable form setting forth the following:
 - (i) the amount of cash and a description and statement of the agreed value of the other property or services contributed by each Member (including that Member's predecessors in interest) and which each Member has agreed to contribute;
 - (ii) the times at which or events on the happening of which any additional Commitments agreed to be made by each Member are to be made;
 - (iii) any right of a Member to receive, or of the Company to make, distributions to a Member which include a return of all or any part of the Member's Capital Contributions; and
 - (iv) any events upon the happening of which the Company is to be dissolved and its affairs wound up.

4.2 Reports to Members:

- A. The Members shall provide reports at least annually to all Members other than Assignees at such time and in such manner as the Members may determine reasonable.
- B. The Members shall provide all Members with those information returns required by the Code and the laws of any state in which the Company operates.

4.3 Accounts - The Members shall maintain a record of Capital Account for each Member in accordance with Article VIII.

**ARTICLE V
NAMES AND ADDRESSES OF MEMBERS**

5.1 The names and addresses of the Initial Members are as reflected on **Exhibit A** attached hereto and by this reference made a part hereof as if set forth fully herein.

**ARTICLE VI
RIGHTS AND DUTIES OF MEMBERS**

6.1 Management Rights - All Members (other than Assignees) who have not Dissociated shall be entitled to vote on any matter submitted to a vote of the Members. The following actions require the consent of all of the Members:

- A. any amendment to this Operating Agreement;
- B. the admission of an Additional Member;
- C. the continuation of the Company after a Dissolution Event;
- D. the authorization of a Member to do any act on behalf of the Company that contravenes the Operating Agreement which shall require unanimous consent of the Members.

6.2 Majority - Whenever any matter is required or allowed to be approved by a Majority or the Members or a Majority of the Remaining Members under the Code or the Operating Agreement, such matter shall be considered approved or consented to upon the receipt of the affirmative approval or consent, either in writing or at a meeting of the Members entitled to vote on a particular matter. Assignees and, in the case of approvals to withdrawal where consent of the remaining Members is required, dissociating Members shall not be considered Members entitled to vote for the purpose of determining a Majority. In the case of a Member who has Disposed of that Member's entire Membership Interest to an Assignee, but has not been removed as provided below, the Sharing Ratio of such Assignee shall be considered in determining a Majority and such Member's vote or consent shall be determined by such Sharing Ratio. Notwithstanding any other provision of this Operating Agreement, while only the two Initial Members constitute all of the Members, any matter required or allowed to be approved by a Majority shall require the unanimous approval of both Initial Members.

6.3 Liability of Members - No person solely by virtue of his/her/its Member status shall be liable as such for the liabilities of the Company. The failure of a limited liability company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this agreement or the Code shall not be grounds for imposing personal liability on the members or managers for liabilities of the limited liability company.

6.4 Indemnifications - The Company shall indemnify the Members and agents for all costs, losses, liabilities and damages paid or accrued by such Member or agent in connection with the business of the Company, to the fullest extent provided or allowed by the laws of the State of California.

6.5 Representations and Warranties - Each member, and in the case of an

organization, the person(s) executing the Operating Agreement on behalf of the organization, hereby represents and warrants to the Company and each other Member that: (a) if that Member is an organization, that it is duly organized validly existing, and in good standing under the law of its state or organization and that it has full organizational power to execute and agree to the Operation Agreement to perform its obligations hereunder; (b) that the Member is acquiring its interest in the Company for the Member's own account as an investment and without an intent to distribute the interest; (c) the Member acknowledges that the interests have not been registered under the Securities Code of 1993 or any state securities laws, and may not be resold or transferred by the Member without appropriate registration or the availability of an exemption from such requirements.

ARTICLE VII MANAGEMENT

7.1 Manager Management - The ordinary and usual decisions concerning the business affairs of the Company shall be made by its Manager(s).

7.2 Authority of Manager(s) to Bind the Company - The Members hereby agree that any Manager (or his authorized agent) shall have the authority to bind the Company. Each Manager has the power, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company, including, without limitation:

A. the institution, prosecution and defense of any Proceeding in the Company's name;

B. the purchase, receipt, lease or other acquisition, ownership, holding, improvement, use and other dealing with, Property, wherever located;

C. the sale, conveyance, mortgage, pledge, lease, exchange, and other disposition of Property;

D. the entering into contracts and guaranties; incurring of liabilities, borrowing money, issuance of notes, bonds, and other obligations; and the securing of any of its obligations by mortgage or pledge of any of its Property or income;

E. the lending of money, investment and reinvestment of the Company's funds, and receipt and holding of Property as security for repayment, including, without limitation, the loaning of money to, and otherwise helping Members, officers, employees, and agents;

F. the conduct of the Company's business, the establishment of Company offices, and the exercise of the powers of the Company within or without the State;

G. the appointment of employees and agents of the Company, the defining of their duties, the establishment of their compensation;

H. the payment of pensions and establishments of pension plans, pension trusts, profit sharing plans, and benefit and incentive plans for all or any of the current or former Members, employees, and agents of the Company;

I. the making of donations to the public welfare or for religious, charitable, scientific, literary or educational purposes;

J. the payment or donation, or any other Code that furthers the business and affairs of the Company;

K. the payment of compensation, or additional compensation to any or all Members, and employees on account of services previously rendered to the limited liability company, whether or not an agreement to pay such compensation was made before such services were rendered,

L. the purchase of insurance on the life of any of its Members, or employees for the benefit of the Company;

M. the participation in partnership agreements, joint ventures, or other associations of any kind with any person or persons;

N. the indemnification of Members or any other Persons.

7.3. Compensation of Manager - Each Manager shall be reimbursed all reasonable expenses incurred in managing the Company and shall be entitled to compensation, in an amount to be determined from time to time by the affirmative vote of a Majority of the Members.

7.4 Managers' Standard of Care - A Manager's duty of care in the discharge of the Manager's duties to the Company and the other Members is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law. In discharging its duties, a Manager shall be fully protected in relying in good faith upon the records required to be maintained under Article IV and upon such information, opinions, reports or statements by any of its other Managers, Members, or agents, or by any other person, as to matters the Manager reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to members might properly be paid.

ARTICLE VIII CONTRIBUTIONS AND CAPITAL ACCOUNTS

8.1 Initial Contributions - Each Initial Member shall make the Capital Contribution described for that Member on **Exhibit A**. The value of the Capital Contributions shall be as set forth on **Exhibit A**. No interest shall accrue on any Capital Contribution and no Member shall have the right to withdraw or be repaid any Capital Contribution except as provided in this Operating Agreement. The value of the Additional Member's Initial Capital Contribution and the time for making such contribution shall be set forth in **Exhibit A** to this Operating Agreement.

8.2 Additional Contributions - In addition to the Initial Capital Contributions and Commitments, the Members may determine from time to time that additional contributions are needed to enable the Company to conduct its business. Upon making such a determination, the Members shall give Notice to all Members in writing at least ten Business Days prior to the

date on which such contribution is due. Such Notice shall set forth the amount of additional contribution needed, the purpose for which the contribution is needed, and the date by which the Members should contribute. Each Member shall be entitled to contribute a proportionate share of such additional contribution. Except to the extent of a Member's unpaid Commitment, no Member shall be obligated to make any such additional contributions. In the event any one or more Members do not make their additional contribution, the other members shall be given the opportunity to make the contributions. Each Additional Member shall make the Capital Contribution to which such Member has agreed, at the time or times and upon the terms to which the Members and the Additional Member agree.

8.3 Enforcement of Commitments - In the event any Member (a Delinquent Member) fails to perform the Delinquent Member's Commitment, the Members shall give the Delinquent Member a Notice of the failure to meet the Commitment. If the Delinquent Member fails to perform the Commitment (including any costs associated with the failure to demand compliance with the Commitment and interest on such obligation at the Default Interest Rate) within ten Business days of giving of Notice, the Members may take such action, including but not limited to enforcing the Commitment in the court of appropriate jurisdiction in the state in which the Principal Office is located or the state of the Delinquent Member's address as reflected in the Operating Agreement. Each Member expressly agrees to the jurisdiction of such courts but only for the enforcement of Commitments. The Members may elect to allow the other Members to contribute the amount of the Commitment in proportion to such Members' sharing Ratios, with those Members who contribute (Contributing Members) to contribute additional *amounts* equal to any amount of the Commitment not contributed. The Contributing Members shall be entitled to treat the amounts contributed pursuant to this section as a loan from the Contributing Members bearing interest at the Default Interest Rate secured by the Delinquent Member's interest in the Company. Until they are fully repaid, the Contributing Members shall be entitled to all Distributions to which the Delinquent Member would have been entitled. Notwithstanding the foregoing, no Commitment or other obligation to make an additional contribution may be enforced by a creditor of the company unless the Member expressly consents to such enforcement or to the assignment of the obligation to such creditor.

8.4 Maintenance of Capital Accounts - The Company shall establish and maintain Capital Accounts for each Member and Assignee. Each Member's Capital Account shall be increased by (1) the amount of any Money actually contributed by the Member to the capital of the Company, (2) the fair market value of any Property contributed, as determined by the Company and the contributing Member at arm's length at the time of contribution (net of liabilities assumed by the Company or net of liabilities which the Company takes such Property subject to, within the meaning of § 752 of the Code), and (3) the Member's share of Net Profits and of any separately allocated items of income or gain except adjustment of the Code (including any gain and income from unrealized income with respect to accounts receivable allocated to the Member to reflect the difference between the book value and tax basis of assets contributed by the Member). Each Member's Capital Account shall be decreased by (1) the amount of any Money actually distributed to the Member, (2) the fair market value of any Property distributed to the Member, as determined by the Company and the contributing Member at arm's length value at the time of distribution (net of liabilities of the Company assumed by the Member or net of liabilities which the Member takes such Property subject to within the meaning of § 752 of the Code), and (3) the Member's share of Net Losses and of any separately allocated items of deduction or loss (including any loss or deduction allocated to the Member to reflect the difference between the book value *and* tax basis of assets contributed by the Member)

8.5 Distribution of Assets - If the Company at any time distributes any of its assets in-kind to any member, the Capital account of each Member shall be adjusted to account for that Member's allocable share (as determined under Article IX below) of the Net Profits or Net Losses that would have been realized by the Company had it sold the assets that were distributed at their respective fair market values immediately prior to their distribution.

8.6 Sale or Exchange of Interest - In the event of a sale or exchange of some or all of a Member's Interest in the Company, the Capital Account of the Transferring Member shall become the capital account of the Assignee, to the extent it relates to the portion of the Interest Transferred.

8.7 Compliance with Section 704(b) of the Code - The provisions of this Article VIII as they relate to the maintenance of Capital Accounts are intended, and shall be construed, and, if necessary, modified to cause the allocations of profits, losses, income, gain and credit pursuant to Article IX to have substantial economic effect under the Regulations promulgated under § 704 (b) of the Code, in light of the distributions made pursuant to Articles IX and XIV and the Capital Contributions made pursuant to this Article VIII. Notwithstanding anything herein to the contrary, this Operating Agreement shall not be construed as creating a deficit restoration obligation or otherwise personally obligate any Member to make a Capital Contribution in excess of the Initial Contribution.

ARTICLE IX ALLOCATIONS AND DISTRIBUTIONS

9.1 Allocations of Net Profits and Net Losses from Operations - Except as may be required by § 704 (c) of the Code, and §§ 2, 3, and 4 of this Article IX, net profits, net losses, and other items of income, gain, loss, deduction and credit shall be apportioned among the Members in proportion to their Sharing Ratios.

9.2 Interim Distributions - From time to time, the Members shall determine in their reasonable judgment to what extent, if any, the Company's cash on hand exceeds the current and anticipated needs, including, without limitation, needs for operating expenses, debt service, acquisitions, reserves, and mandatory distributions, if any. To the extent such excess exists, the Members may make distributions to themselves in accordance with their Sharing Ratios. Such distributions shall be in cash or Property (which need not be distrusted proportionately) or partly in both, as determined by the Members.

ARTICLE X TAXES

10.1 Elections - The members may make any tax elections for the Company allowed under the Code or the tax laws of any state or other jurisdiction having taxing jurisdiction over the Company.

10.2 Taxes of Taxing Jurisdictions - To the extent that the laws of any Taxing Jurisdiction requires, each Member requested to do so by the Members will submit an

agreement indicating that the member will make timely income tax payments to the Taxing Jurisdiction and that the Member accepts personal jurisdiction of the Taxing Jurisdiction with regard to the collection of income taxes attributable to the Member's Income, and interest and penalties assessed on such income. If the Member fails to provide such agreement, the Company may withhold and pay over to such Taxing Jurisdiction the amount of tax, penalty and interest determined under the laws of the Taxing Jurisdiction with respect to such income. Any such payments with respect to the income of a Member shall be treated as a distribution of purposes of Article IX. The Members may, where permitted by the rules of any Taxing Jurisdiction, file a composite, combined or aggregate tax return reflecting the income of the Company and pay the tax, interest and penalties of some or all of the members on such income to the Taxing Jurisdiction, in which case the Company shall inform the Members of the amount of such tax interest and penalties so paid.

10.3 Tax Matters Partner - The Members shall designate one of their number or, if there are no Members eligible to Code as tax matters partner any other Member, as the tax matters partner of the Company pursuant to § 6231 (a) (7) of the Code. Any member designated as tax matters partner shall take such action as may be necessary to cause each other Member to become a notice partner within the meaning of § 6223 of the Code. Any Member who is designated tax matter partner may not take any action contemplated by §§ 6222 through 6232 of the Code without the consent of the Members.

10.4 Cash Method of Accounting - The records of the Company shall be maintained on a cash method of accounting.

ARTICLE XI DISPOSITION OF MEMBERSHIP INTERESTS

11.1 Disposition - Any Member or Assignee may dispose of all or a portion of the Member's or Assignee's Membership Interest upon compliance with this Article 11. No Membership Interest shall be Disposed of

A if such disposition, alone or when combined with other actions, would result in a termination of the Company within the meaning of S 708 of the Code;

B. if the Members request an opinion of counsel, such opinion of counsel must be satisfactory to the Members and opine that such assignment is subject to an effective registration under the applicable state and federal securities laws; or exempt from such registration requirements;

C. unless and until the Company receives from the Assignee the information and agreements that the Members may reasonably require, including but not limited to any taxpayer identification number and any agreement that may be required by any Taxing Jurisdiction.

11.2 Dispositions not in Compliance with this Article Void - Any attempted Disposition of a Membership Interest, or any part thereof, not in compliance with this Article is null and void.

ARTICLE XII DISSOCIATION OF A MEMBER

12.1 Dissociation - A Person shall cease to be a Member upon the happening of any of the following events:

A. The member withdraws by voluntary Code from the Company by giving thirty (30) days Notice to the Members.

B. The member ceases to be a member of the Company due to the assignment of all of such Member's interest in the Company and the Assignee has become a Substitute Member.

C. Left Blank

D. Except where the Member obtains the written consent of all Members at the time, the Member (i) makes an assignment for the benefit of creditors; (ii) files a voluntary petition in bankruptcy; (iii) is adjudicated a bankrupt or insolvent; (iv) files a petition or answer seeking for the member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in any proceeding of this nature; or (vi) seeks, consents to, or acquiesces to the appointment of a trustee, receiver or liquidator of the Member or of all or any substantial part of the Member's properties.

E. Except where the Member obtains the written consent of all Members at the time, if within one hundred twenty (120) days after the commencement of any proceeding against the Member seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, the proceeding has not been dismissed, or if within one hundred twenty (120) days after the appointment without his consent or acquiescence of a trustee, receiver or liquidator of the member or of all or any substantial part of his properties, the appointment is not vacated or stayed or if within one hundred twenty (120) days after expiration of any stay, the appointment is not vacated

F. Except where the Member obtains the written consent of all Members at the time, in the case of a Member who is an individual;

- (1) The member's death; or
- (2) The entry of an order by a court of competent jurisdiction adjudicating the member incompetent to manage his person or estate.

G. Except where the Member obtains the written consent of all Members at the time, in the case of a Member who is a trust or is acting as a Member by virtue of being a trustee of a trust, the termination of a trust, but not merely the substitution of a new trustee.

H. Except where the Member obtains the written consent of all Members at the time, in the case of a Member that is a separate limited liability company, the dissolution and commencement of winding up of the separate limited liability company.

I. Except where the Member obtains the written consent of all Members at the time, in the case of a Member that is a corporation, the filing of articles of dissolution or forfeiture of its corporate powers or right to do business;

J. Except where the Member obtains the written consent of all Members at the time, in the case of an estate, the distribution by fiduciary of the estate's entire interest in the Company.

12.2 Rights of Dissociating Member - In the event any Member dissociates prior to the expiration of the Term:

A. if the dissociation causes a dissolution and winding up of the Company under Article XIV, the Member shall be entitled to participate in the winding up of the Company to the same extent as any other Member except that any Distributions to which the Member would have been entitled shall be reduced by the damages sustained by the Company as a result of the Dissolution caused by the dissociation and winding up;

B. if the dissociation does not cause a dissolution and winding up of the Company under Article XIV and the event of dissolution is either 12.I.C or 12.I.F., the Member shall be entitled to an amount equal to the value of the Member's Membership Interest in the Company, to be paid within six months of the date of dissociation. As to all other events of dissolution defined in Article XII, Section 12.1 which do not cause a dissolution, the dissociated Member shall be entitled to receive an amount equal to the Member's Membership Interest in the Company, to be paid when the Company is dissolved and wound up in accordance with Article XIV. The value of the Member's Membership Interest shall include the amount of any Distributions to which the Member is entitled under the Operating Agreement and the fair value of the Member's Membership Interest as of the date of dissociation based upon the Member's right to share in distributions from the Company reduced by any damages sustained by the Company as a result of the Member's dissociation.

ARTICLE XIII ADMISSION OF ASSIGNEES AND ADDITIONAL MEMBERS

13.1 Rights of Assignees - The Assignee of a Membership Interest has no right to participate in the management of the business and affairs of the Company or to become a Member. The Assignee is only entitled to receive the Distributions and return of capital, and to be allocated the Net Profits and Net Losses attributable the Membership Interest.

13.2 Admission of Substitute Members - An Assignee of a Membership Interest shall be admitted as a Substitute Member and admitted to all the rights of the Member who initially assigned the Membership Interest only with the approval of all the Members. If so admitted, the Substitute Member has all the rights and powers and is subject to all the restrictions and liabilities of the Member originally assigning the Membership Interest. The admission of a Substitute Member, without more, shall not release the Member originally assigning the Membership Interest from any liability to the Company that may have existed prior to the approval.

13.3 Admission of Additional Members - The Members may permit the admissions of

Additional Members and determine the Capital Contributions of such Members only upon the unanimous approval of all of the Members.

ARTICLE XIV DISSOLUTION AND WINDING UP

14.1 Dissolution - The Company shall be dissolved and its affairs wound up, upon the first to occur of the following events (which, unless the Members unanimously agree to continue the business, shall constitute Dissolution Events).

- A. the expiration of the Term, unless the business of the Company is continued with the consent of all the Members;
- B. the unanimous written consent of all of the Members;
- C. the Dissociation of any Member, unless the business of the Company is continued with the consent of all of the remaining Members within 90 days after such Dissociation;
- D. the entry of a decree of judicial dissolution.

14.2 Effect of Dissolution - Upon dissolution, the Company shall cease carrying on as distinguished from the winding up of the Company business, but the Company is not terminated, but continues until the winding up of the affairs of the Company is completed and the Certificate of Dissolution has been issued by the Secretary of State.

14.3 Distribution of Assets on Dissolution - Upon the winding up of the Company, the Company Property shall be distributed:

- A. to creditors, including Members who are creditors, to the extent permitted by law, in satisfaction of Company Liabilities;
- B. to Members in accordance with positive Capital Account balances taking into account all Capital Account adjustments for the Company's taxable year in which the liquidation occurs. Liquidation proceeds shall be paid within 60 days of the end of the Company's taxable year or, if later, within 90 days after the date of liquidation. Such distributions shall be in cash or Property (which need not be distributed proportionately) or partly in both, as determined by the Members.

14.4 Winding Up and Certificate of Dissolution - The winding up of a limited liability company shall be completed when all debts, liabilities, and obligations of the limited liability company have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining property and assets of the limited liability company have been distributed to the members. Upon the completion of winding up of the Company, a certificate of dissolution shall be delivered to the Secretary of State for filing. The certificate of dissolution shall set forth the information required by the Code.

**ARTICLE XV
AMENDMENT**

15.1 Operating Agreement May Be Modified - The Operating Agreement may be modified as provided in this Article XV (as the same may, from time to time, be amended).

15.2 Amendment or Modification of Operating Agreement -The Operating Agreement may be amended or modified from time to time only by a written instrument adopted and executed by all of the Members.

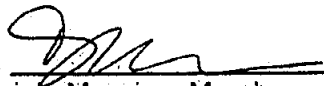
**ARTICLE XVI
MISCELLANEOUS PROVISIONS**

16.1 Entire Agreement - The Operating Agreement represents the entire agreement among all the Members and between the Members and the Company.

16.2 Rights of Creditors and Third Parties under Operating Agreement - The Operating Agreement is entered into among the Company and the Members for the exclusive benefit of the Company, its Members, and their successors and assignees. The Operating Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under the Operating Agreement or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.

IN WITNESS WHEREOF, we have hereunto set our hands to be effective as of the Effective Date.

By: 
Melissa Chafkar, Manager and Member

By: 
Daniela Messina, Member

By: 
Joanie Burns, Member

EXHIBIT A

<u>Member</u>	<u>Initial Capital Contribution and Value</u>	<u>Ownership Interest</u>
Melissa Chafkar	\$1,000.00	75%
Daniela Messina	\$1,000.00	20%
Joanie Burns	\$1,000.00	5%

10:50 AM
02/27/13
Accrual Basis

Mantra the Art of Spa, LLC.
Balance Sheet
As of February 27, 2013

	<u>Feb 27, 13</u>
ASSETS	
Current Assets	
Checking/Savings	
Union Bank-Checking Account	71,650.28
Union Bank-Savings Account	<u>500.00</u>
Total Checking/Savings	72,150.28
Other Current Assets	
Deferred Receivable-Joanie Burn	100,000.00
Total Other Current Assets	<u>100,000.00</u>
Total Current Assets	172,150.28
Fixed Assets	
Furniture and Equipment	<u>1,500.00</u>
Total Fixed Assets	1,500.00
Other Assets	
Preopening Expenses	<u>4,002.95</u>
Total Other Assets	<u>4,002.95</u>
TOTAL ASSETS	<u>177,653.23</u>
LIABILITIES & EQUITY	
Liabilities	
Long Term Liabilities	
Note Payable-Daniela Messina	30,000.00
Note Payable-Joanie Burns	<u>147,000.00</u>
Total Long Term Liabilities	<u>177,000.00</u>
Total Liabilities	177,000.00
Equity	
Capital Contribution-J. Burns	3,000.00
Capital Contribution-M. Chafkar	10,350.00
Net Income	<u>-12,696.77</u>
Total Equity	<u>653.23</u>
TOTAL LIABILITIES & EQUITY	<u>177,653.23</u>

Mantra - "The Art of Spa"
Proforma Budget

Prep: 03-Jan-13

	Year-1	Year-2	Year-3	Year-4	Year-5
Total Operating Departments	374,836	410,448	442,034	486,364	539,412
Overheads					
3.5% Administrative & General	1,440	1,490	1,543	1,597	1,652
2.5% Credit Card Commission	22,083	23,494	24,900	26,745	28,897
2.2% Sales & Marketing	19,433	20,675	21,912	23,535	25,429
10.0% Ground Rent	88,070	93,737	99,344	106,707	115,293
0.0% Utilities/Energy	0	0	0	0	0
Total Overheads	131,027	139,397	147,698	158,583	171,271
Gross Operating Profit	243,809	271,049	294,336	327,781	368,141
Capital Expenses					
0.0% Management Fee	0	0	0	0	0
2.0% Taxes	17,667	18,795	19,920	21,396	23,118
2.1% Insurance	18,550	19,735	20,916	22,466	24,273
0.0% PreOpening Marketing/Grand Opening	0	0	0	0	0
\$17.00 Lease Expense	117,300	117,300	117,300	117,300	117,300
Total Capital	153,516	155,831	158,135	161,162	164,691
Profit Before Debt					
Other Interest	0	0	0	0	0
0.0% LOC Interest Expense	0	0	0	0	0
Total Interest	0	0	0	0	0
Profit Before Deprec/Amort	90,293	115,218	136,200	166,619	203,450
Depreciation/Amortization					
Net Income	90,293	115,218	136,200	166,619	203,450
Net Profit %	10.22%	12.26%	13.67%	15.57%	17.60%



CERTIFICATE OF LIABILITY INSURANCE

MANTR-1

OP ID: MT

DATE (MM/DD/YYYY)

03/27/13

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER North County Insurance P. O. Box 907 Escondido, CA 92033-0907 Rosalie Delaney	780-745-9511 780-745-9157	CONTACT NAME: PHONE (A/C No. Ext): FAX (A/C No.): E-MAIL ADDRESS:
INSURED Mantra The Art of Spa, LLC Melissa Chafkar 1286 University Drive #723 San Diego, CA 92103		INSURER(S) AFFORDING COVERAGE INSURER A: Sentinel Insurance Company INSURER B: Hartford Underwriters Ins. Co. INSURER C: Mesa Underwriters Specialty In INSURER D: INSURER E: INSURER F:

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	☒ GENERAL LIABILITY ☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☒ OCCUR	X		72SBAIT0191	03/19/13	03/19/14	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000
C	☒ SEXUAL ABUSE ☐ PROFESSIONAL			MP0004007001056 MP0004007001056	03/19/13 03/19/13	03/19/14 03/19/14	PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMPOP AGG \$ 1,000,000
GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PRO-JECT ☐ LOG							
	☐ AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ ALL OWNED AUTOS ☐ HIRED AUTOS ☐ SCHEDULED AUTOS ☐ NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	☒ UMBRELLA LIAB ☐ EXCESS LIAB DED ☒ RETENTION \$ 10,000			72SBAIT0191	03/19/13	03/19/14	EACH OCCURRENCE \$ 9,000,000 AGGREGATE \$ 9,000,000
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory In NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	72WE6631S1	03/19/13	03/19/14	☒ WC STATUTORY LIMITS ☐ OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
A	Property Section			BUSINESS PERS PROP	03/19/13	03/19/14	BPP 10,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Certificate holder is named as additional insured

CERTIFICATE HOLDER City of San Diego Real Estate Assets Department 1200 Third Avenue Ste 1700 San Diego, CA 92101	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <i>Melissa Thorne</i>
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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – SCHEDULED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s):	Location(s) Of Covered Operations
City of San Diego Real Estate Assets Department 1200 Third Avenue Ste 1700 San Diego, CA 92101	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
1/2/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Hester, Heitel & Associates, Inc 6122 N. 7th Street Phoenix AZ 85014		CONTACT NAME: Nikki Steele PHONE (A/C No. Ext): (602) 230-7726 FAX (A/C No): (602) 230-7836 E-MAIL ADDRESS: nsteele@hesterheitel.com	
INSURED Hazelwood Enterprises, Inc., DBA: Hazelwood's Hospitality 402 N. 32nd Street Phoenix AZ 85008		INSURER(S) AFFORDING COVERAGE INSURER A: National Surety Coporation 21881 INSURER B: Fireman's Fund INSURER C: SCF Arizona Ins. Co INSURER D: Argonaut INSURER E: INSURER F:	

COVERAGES CERTIFICATE NUMBER: 14/15 Master Cert REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY						
	☒ COMMERCIAL GENERAL LIABILITY						
	☐ CLAIMS-MADE ☒ OCCUR	X		ABC80887280	7/1/2013	7/1/2014	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PRO-JECT ☐ LOC			Agent _____ (Please Sign and date) _____ for compliance and lease requirements			
B	AUTOMOBILE LIABILITY						
	☒ ANY AUTO						
	☐ ALL OWNED AUTOS			MXA80297302	7/1/2013	7/1/2014	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ Uninsured motorist combined \$ 1,000,000
	☐ HIRED AUTOS						
A	UMBRELLA LIAB						
	☒ EXCESS LIAB						
	☐ CLAIMS-MADE			ABC80887280	7/1/2013	7/1/2014	EACH OCCURRENCE \$ 4,000,000 AGGREGATE \$ 4,000,000
	DED RETENTION \$						
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)			I70129 - AZ			☒ WC STATUTORY LIMITS ☐ OTHER
	Y/N						E.L. EACH ACCIDENT \$ 1,000,000
				WC927748330564 - OS	1/1/2014	1/1/2015	E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
D	DESCRIPTION OF OPERATIONS below						

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required).

Re: Hilton San Diego Resort

The City of San Diego Is An Additional Insured On The General Liability Policy Where Required By Written Contract.

CERTIFICATE HOLDER

CANCELLATION

The City of San Diego
1200 Third Ave. Suite 1700
MS 51A
San Diego, CA 92101-4199

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE:

John Hester/NIKKI